annual report 2020

VIVOCOM INTL HOLDINGS BERHAD

(Registration No. 200201028636 (596299-D))

Building Together

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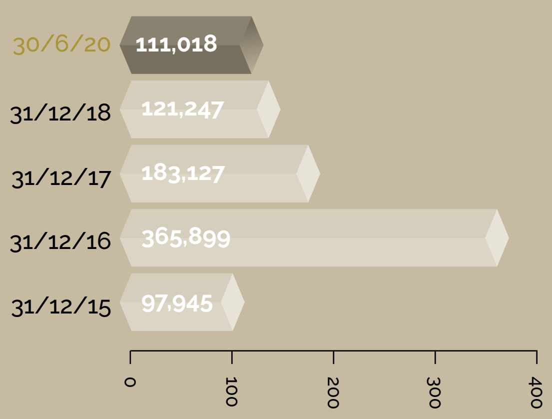
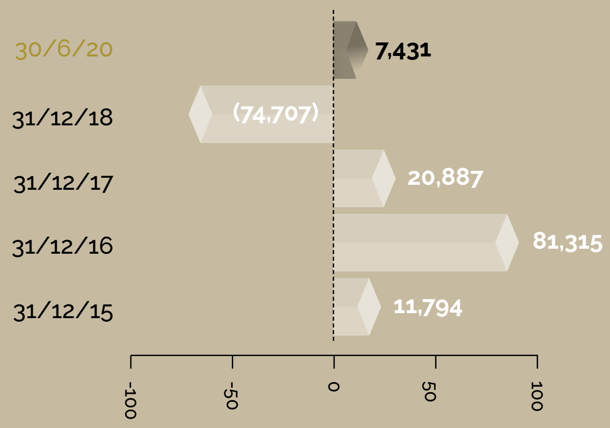
Financial Highlights

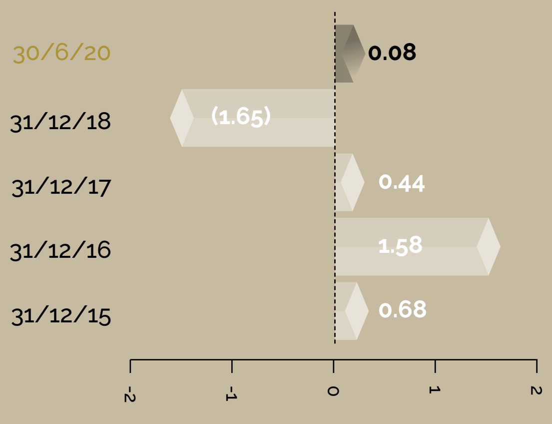
REVENUE (RM'000)



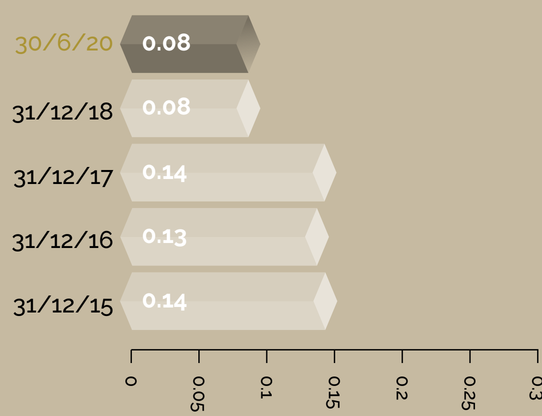
PROFIT BEFORE TAX / (LOSS BEFORE TAX) (RM'000)



BASIC EARNINGS / (LOSS) PER SHARE (SEN)



NET ASSETS PER SHARE ATTRIBUTED TO EQUITY HOLDERS (RM'000)



FIVE YEARS GROUP FINANCIAL SUMMARY

	FYE 31.12.15	FYE 31.12.16	FYE 31.12.17	FYE 31.12.18	FPE 30.06.20
FINANCIAL RESULTS (RM'000)					
Revenue	97,945	365,899	183,127	121,247	111,018
Profit before tax/(Loss before tax)	11,794	81,315	20,887	(74,707)	7,431
Profit/(Loss) attributable to equity holders	8,790	49,402	14,509	(68,737)	4,374
KEY BALANCE SHEET DATA (RM'000)					
Total assets	412,873	604,311	600,935	572,540	522,706
Total liabilities	83,384	151,783	115,555	106,484	51,366
Net assets attributable to equity holders	321,834	433,408	460,810	447,723	452,097
No. of shares in issue at year end	2,340,249,203	3,234,221,413	3,393,721,413	5,664,535,688	5,664,539,071
SHARES INFORMATION					
Basic earnings/(loss) per share (sen)	0.68	1.58	0.44	(1.65)	0.08
Net assets per share attributable to equity holders (RM)	0.14	0.13	0.14	0.08	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 period ended 30 June 2020. As announced on 3 December 2019, we had changed our financial year end from 31 December 2019 to 30 June 2020. Accordingly, the financial period recently ended covered 18 months period from 1 January 2019 to 30 June 2020.

The past 18 months have proven to be a very turbulent and challenging times for the whole world, with the Covid-19 pandemic halting all economic activities in Malaysia and abroad. When the MCO was effected on 18 March 2020, we had to shut down all our offices and project sites immediately. For almost 2 months, we were not able access our offices and sites, with administrative works handled from home. As the MCO rules were gradually loosened, we were able to apply to MITI for early resumption of works in early and by end of May 2020, most of our project sites have resumed operations. Notwithstanding the 2 months delay due to the stop-work orders, we have activated contingency plans to mitigate the disruptions, and revised our schedules accordingly to make up for the loss time as much as possible.

Prior to the end of 2019, the Group had identified property development as part of its diversification strategy in view to diversify and expand our earnings base. Consequently, on 30 December 2019, our subsidiary company, Vivocom Enterprise Sdn Bhd, had entered into a joint venture development agreement ("JVDA") with Handy Goals Development Sdn Bhd to develop and complete an on-going residential development in Selangor. The JVDA served as an entry point for the Group to venture into property development and is intended to provide a new source of income as well as expected to offer growth prospects for the Group.

Considering the challenging circumstances during the last 18 months, the Group managed to record revenue amounting to RM 111 million (2018 : RM121.2 million), a decrease of 8.4%, mainly due to lower revenues from the Construction and Aluminium divisions. Notwithstanding the above, our profit before tax for the 18 months period is RM7.4 million, a major improvement from the RM74.7 million loss recorded in 2018. The commendable results this year was mainly attributable to the strong contribution from the new Property Development segment, tighter cost controls, and lower impairment charges as compared to last year.

Moving forward, the Group intends to seek further opportunities, especially in the property development segment, as part our of vertical integration strategy for organic and inorganic growth.

On the corporate front, the shareholders of the Group had approved the share consolidation exercise which entailed the consolidation of every 10 existing shares held into 1 consolidated share. Currently, our Company has a total of 5,664,539,071 issued shares. In view of our large share base and low trading price, the Share Consolidation is expected to enhance our Company's share capital structure by consolidating the existing Vivocom Shares, which will result in a reduction in the number of shares available in the market and adjust our share price accordingly without affecting our market capitalisation. From financial statements perspective, the Proposed Share Consolidation is expected to increase our Group's NA per Share without affecting the total market value of our shares and share capital.

On behalf of the Board, I wish to express our gratitude to our staff for their dedication, diligence, professionalism and commitment to the Group during the trying times. 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, faith 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. In 2019, the Group added property development into its core activities, which now comprised:-

1. Property development
2. Construction
3. Aluminium design and fabrication
4. Telecommunication engineering

FINANCIAL OVERVIEW

The Group had changed its financial year end from 31 December 2019 to 30 June 2020. Accordingly, the financial period recently ended covered 18 months period from 1 January 2019 to 30 June 2020.

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Prior to the end of 2019, the Group had identified property development as part of its diversification strategy in view to diversify and expand our earnings base. Consequently, on 30 December 2019, our subsidiary company, Vivocom Enterprise Sdn Bhd, had entered into a joint venture development agreement ("JVDA") with Handy Goals Development Sdn Bhd to develop and complete an on-going residential development in Selangor. The JVDA served as an entry point for the Group to venture into property development and is intended to provide a new source of income as well as expected to offer growth prospects for the Group.

Considering the challenging circumstances during the last 18 months, the Group managed to record revenue amounting to RM111 million (2018 : RM121.2 million), a decrease of 8.4%, mainly due to lower revenues from the Construction and Aluminium divisions. Notwithstanding the above, our profit before tax for the 18 months period is RM7.4 million, a major improvement from the RM74.7 million loss recorded in 2018. The commendable results this year was mainly attributable to the strong contribution from the new Property Development segment, tighter cost controls, and lower impairment charges as compared to last year.

Cash reserves stood at RM35.4 million as at 30 June 2020 compared to RM68.7 million as at the end of the FYE 2018.

SEGMENTAL OVERVIEW

Revenue by Segment	FPE 30.6.2020 (RM'000)	FYE 31.12.20218 (RM'000)	Changes (RM'000)	(%)
Property Development	36,022	-	36,022	N/A
Construction	33,640	60,691	(27,051)	(44.6%)
Aluminium	30,799	56,355	(25,556)	(45.3%)
Telco	10,557	4,200	6,357	>100%
Total	**111,018**	**121,246**	**(10,228)**	**(8.4%)**

Property Development

The Group had identified property development as part of its diversification strategy in view to diversify and expand its earnings base. For the FPE 30.6.2020, the revenue from property development amounted to RM36 million (contributed 32.5% of the total revenue), which significantly helped to mitigate the decrease in revenue from the Construction and Aluminium divisions.

Construction

Construction contributed 30.3% of the total revenue for the FPE 30.6.2020. Most of the projects under this division were still in preliminary stages, hence the lower progress billings. In additions, the stop work order under the MCO had also affected work progress for all the sites.

Aluminium

Aluminium contributed 27.7% of the total revenue for the FPE 30.6.2020. The weak revenue was due to the stop-work order under the MCO. Most of the project sites were delayed in their re-opening due to compliance with the relevant SOPs and works only resumed in late June 2020.

Telco

Telco contributed 9.5% of the total revenue for the FPE 30.6.2020. The performance of the telco division was marginally affected by the MCO. However, strong recurrent revenue and new projects awarded managed to mitigate the MCO impact.

REVIEW OF OPERATING ACTIVITIES

The Group is primarily involved in the property development and construction industry. Our 3 main segments, Property Development, Construction and Aluminium, are highly dependent on the outlook and performance of the property/construction sector in Malaysia. The Group diversified into Property Development in late 2019, as part of its strategy to expand its earning base. This move proved to be crucial as the revenue from the new Property Development division was able to mitigate the decreases in contributions from the other divisions in the Group, which were impacted by the MCO.

FUTURE PROSPECTS

Pursuant to the easing of the MCO, all our business functions have resumed their normal operations and all project sites have resumed operation. Notwithstanding the almost 2 months delay due to the stop-work orders, we have activated contingency plans to mitigate the disruptions, and revised our schedules accordingly to make up for the loss time as much as possible. The Group still have sufficient existing projects on hand and work orders to keep us busy for the next 2-3 years. We will also continue to actively participate in tenders/negotiations to continue building up our order book.

Group Structure

* formerly known as Instacom Construction Sdn Bhd

BOARD OF DIRECTORS

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

Dato' Seri Chia Kok Teong
(Chief Executive Director)

David Hah Wei Onn
(Executive Director)

Choo Seng Choon
(Non-Independent Non-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 & AF1929)
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

Tan Kah Koon
SSM PC NO.201908001500 (MAICSA 7066666)

Anne Kung Soo Ching
SSM PC NO.201908002507 (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

29-2, Level 29,
Oval Damansara,
685, Jalan Damansara,
Taman Tun Dr. Ismail,
60000 Kuala Lumpur
Tel : 03-2770 8163
Fax: 03-2770 8166

SHARE REGISTRAR

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

PRINCIPAL PLACES OF BUSINESS

No.4 , Jalan Seri Utara 1,
Off Jalan Ipoh,
68100 Batu Caves,
W.P. Kuala Lumpur

No. 4, Lot 20174, 1st Floor,
Stutong Avenue,
Jalan Setia Raja,
93350 Kuching

BOARD OF DIRECTORS

Name of Members	Designation	Nationality
Ar. Lim Tong Hock	Chairman, Independent Non-Executive Director	Malaysian
Dato' Seri Chia Kok Teong	Chief Executive Director	Malaysian
David Hah Wei Onn	Executive Director	Malaysian
Choo Seng Choon	Non-Independent Non-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 66, 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 Audit & Risk Management, 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 30 June 2020, 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 30 June 2020. 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.

DATO' SERI CHIA KOK TEONG

A Malaysian and aged 57, Dato' Seri Chia was appointed as the Chief Executive Director on 3 January 2020.

Dato' Seri Chia obtained his Bachelor of Economics (Majoring in Accounting) from Monash University, Australia in 1988. Upon graduation, he started his career in Australia before returning to Malaysia, working in various roles ranging from accounting, financial controllership, business development, strategic planning, business advisory and consultancy in several respectable and reputable corporations.

Dato' Seri Chia has more than 30 years of extensive experience in the corporate sector, particularly in the area of corporate management, corporate advisory and strategies including turn-arounds of companies and mergers and acquisition, equities and investment across a wide range of business industries.

As at 30 June 2020, he held ordinary 1,305,169,346 shares in the Company.

Dato' Seri Chia attended all the Board meetings held during his tenure in office for the financial period ended 30 June 2020. He has no family relationship with any director or substantial shareholder of the Company.

Dato' Seri Chia has no conviction for offences within the past 10 years other than traffic offences. Other than the recurrent transactions of revenue or trading nature which are necessary for the Group day-to-day operations, and for which he is deemed interested, there are no other business arrangement with the Group in which he has a personal interest.

MR. DAVID HAH WEI ONN

A Malaysian and aged 47, David Hah was appointed as the Executive Director of the Group on 21 February 2020.

David Hah is a member of the Chartered Institute of Management Accountants, Malaysian Institute of Accountants and Chartered Global Management Accountants.

David has a combined experience of more than 20 years in finance in various industries which included food and beverage, manufacturing, fast moving consumer goods, retails, and property development. He started his career with Golden Arches Restaurant Sdn Bhd which operated the Mcdonald's chain in Malaysia in 1997. He then joined Watson's Personal Care Stores Sdn Bhd, a subsidiary company of Hutchison Whampoa Limited (listed in Hong Kong's Stock Exchange) in 2003 as an accountant. In 2011, he joined the finance team in Country Heights Group of Companies prior to joining the Group in 2017 as its Head of Finance & Accounts.

As at 30 June 2020, he did not hold ordinary shares in the Company.

David Hah attended all the Board meetings held during his tenure in office for the financial period ended 30 June 2020. He has no family relationship with any director or substantial shareholder of the Company.

David Hah 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 46, Choo Seng Choon was appointed as an Independent Non-Executive Director on 7 September 2011. He served as an Executive Director from 15 May 2015 to 29 July 2019 and was redesignated as a Non-Independent Non-Executive Director on 29 July 2019.

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, and is currently managing his own corporate consultancy firm. He also sits on the Board of Directors of EA Holdings Berhad.

As at 30 June 2020, 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 30 June 2020. 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' AZAHAR BIN RASUL

A Malaysian aged 58, Dato' Azahar was appointed as the Senior 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 Audit & Risk Management, 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 his own business. Dato' Azahar also sits on the Board of Directors of EA Holdings Berhad.

As at 30 June 2020, he did not hold ordinary shares in the Company.

Dato' Azahar attended all Board meetings held during his tenure in office for the financial period ended 30 June 2020. 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 44, Tay Mun Kit 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 Chairman of the Nomination and Remuneration Committee of the Company on 15 May 2015. 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 30 June 2020, 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 30 June 2020. 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.

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 Malaysian Code on Corporate Governance ("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. Review, 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 (CONTINUED)

2. Board Composition (Continued)

The Board is made up of six (6) members as follows:-

No.	Name Of Members	Designation
1	Ar. Lim Tong Hock	Chairman, Independent Non-Executive Director
2	Dato' Seri Chia Kok Teong	Chief Executive Director
3	David Hah Wei Onn	Executive Director
4	Choo Seng Choon	Non-Independent Non-Executive Director
5	Dato' Azahar bin Rasul	Senior Independent Non-Executive Director
6	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 8 to 10 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 Secretaries 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 period ended 30 June 2020, 6 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	Designation	Attendance	Percentage of Attendance
1	Ar. Lim Tong Hock	Chairman, Independent Non-Executive Director	6/6	100%
2	Dato' Seri Chia Kok Teong (Appointed on 3 January 2020)	Chief Executive Director	2/2	100%
3	David Hah Wei Onn (Appointed on 21 February 2020)	Executive Director	2/2	100%
4	Choo Seng Choon	Non-Independent Non-Executive Director	6/6	100%
5	Dato' Azahar bin Rasul	Senior Independent Non-Executive Director	6/6	100%
6	Tay Mun Kit	Independent Non-Executive Director	6/6	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 (CONTINUED)

2. Board Composition (Continued)

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 financial period under review, the Directors had attended the following training programmes:-

Directors	Title of seminar/course
Ar. Lim Tong Hock	Anti-Bribery Management System Training on June 16, 2020
Dato' Seri Chia Kok Teong	Anti-Bribery Management System Training on June 16, 2020
David Hah Wei Onn	Anti-Bribery Management System Training on June 16, 2020
Dato' Azahar bin Rasul	Anti-Bribery Management System Training on June 16, 2020
Tay Mun Kit	Anti-Bribery Management System Training on June 16, 2020
Choo Seng Choon	Anti-Bribery Management System Training on June 16, 2020

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 pages 17 to 20 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.

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%

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

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 period ended 30 June 2020 are as follows:-

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Salaries and other emoluments	423	-
Fees	-	283

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

	Executive Directors	Non-Executive Directors
50,001 – 100,000	1	3
100,001 – 150,000	-	1
150,001 – 200,000	2	-

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.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

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 period under review.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit and Risk Management 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 & Risk Management Committee ("ARMC"). The ARMC comprises three (3) Independent Non-Executive Directors and the Chairman of the ARMC is distinct from the Chairman of the Board. It is a practice for the ARMC 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 ARMC. For the FPE 30 June 2020, no former key audit partner has been appointed or is a Director of the Company. The ARMC met 6 times during the current financial period. The activities of the ARMC during the financial period are described in the Audit and Risk Management Committee Report found on pages 17 to 20 of this annual report, along with the authority, duties and responsibilities of the ARMC.

2. Risk Management and Internal Control Framework

The Statement on Risk Management and Internal Control is set out on pages 21 to 22 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.

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.

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

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 2020 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 23 October 2020.

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 of 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 of the Company and to detect and prevent fraud and other irregularities.

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	**Tan Kah Koon** (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.

TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE (CONTINUED)

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 on the 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.

TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE (CONTINUED)

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 RM26,404.

SUMMARY OF ACTIVITIES

During the financial period ended 30 June 2020, 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 period ended 30 June 2020;
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;
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 six (6) meetings during the financial period ended 30 June 2020. The details of the attendance are as follows:

Directors	No. of meetings attended
Tay Mun Kit	6/6
Dato' Azahar bin Rasul	6/6
Ar. Lim Tong Hock	6/6

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.

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 organisation 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; and
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 Requirement of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement on Risk Management and Internal Control ("SORMIC") pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG3"), Guidance for Auditors on Engagements to Report on the SORMIC included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for financial period ended 30 June 2020. The External Auditor has reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of internal controls. The External Auditors' report was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purpose or parties. As stated in their report, the External Auditors do not assume responsibility to any person other than the Board in respect of any aspect of this report.

AAPG 3 does not require the External Auditors to consider whether the Directors' SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and Internal control system including the assessment and opinion by the Board and management thereon,

This Statement was made in accordance with a resolution of the Board dated 23 October 2020.

The Board of Directors ("Board") recognises 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 minimise 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 maximise 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 organising several social activities such as annual dinner, sports events to produce quality workforce with a strong sense belonging.

(a) Utilisation of Proceeds

The status of utilisation of the gross proceeds of RM56.645 million from the Rights Issue as at 30 June 2020 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	30,115	330	-	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**	**31,645**	**25,330**	**(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	96,000	312,000
Non-audit services rendered	8,000	8,000
Total	104,000	320,000

(c) Material Contracts Involving Directors and Major Shareholders

Save as disclosed below, there were no other material contacts entered into by the Group involving Directors' and major shareholders' interest during the financial period ended 30 June 2020:-

(a) A Joint-Venture Development Agreement ("JVDA") announced on 30 December 2019 between VESB (an indirect 78.6%-owned subsidiary of Vivocom) with Handy Goals Development Sdn Bhd ("HGDSB") for the development and completion of an on-going residential development comprising 14 units of bungalows on a piece of freehold land measuring approximately 10,385 square metres held under Geran 122954, Lot 1703, Pekan Baru Sungai Besi, Daerah Petaling, Selangor.

Relationship of Related Parties

On 3 January 2020, Dato' Seri Chia Kok Teong ("Dato' Seri Chia") was appointed as the Chief Executive Director of Vivocom and also emerged as the major shareholder of Vivocom following his off-market acquisition of 1,305,169,346 ordinary shares in Vivocom ("Vivocom Shares"), representing 23.04% equity interest in Vivocom. Dato' Seri Chia is the ultimate major shareholder of HGDSB. Dato' Seri Chia holds 96.8% equity interest in V Development Sdn Bhd, which in turn owns the entire 100% equity interest in HGDSB.

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

The details of the recurrent related parties transactions are disclosed in Note 31 of the Notes to the Financial Statements.


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REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

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The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial period ended 30 June 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in provision of investment holding, provision of civil engineering and construction, aluminium design and fabrication, telecommunication engineering and property development.

The principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

There have been no significant changes to the nature of these principal activities during the financial period.

CHANGE OF FINANCIAL YEAR END

On 3 December 2019, the Company changed its financial year end from 31 December to 30 June. The financial statements have, therefore, been made up for a period of eighteen (18) months from 1 January 2019 to 30 June 2020. The comparative figures are for previous twelve (12) months from 1 January 2018 to 31 December 2018.

RESULTS

	Group RM	Company RM
Net profit/(loss) for the financial period	5,283,952	(40,456,668)
Other comprehensive income, net of tax	-	-
Total comprehensive income/(deficit) for the financial period	5,283,952	(40,456,668)
Attributable to:-		
Owners of the parent	4,373,865	(40,456,668)
Non-controlling interests	910,087	-
Total comprehensive income/(deficit) for the financial period	5,283,952	(40,456,668)

DIVIDENDS

No dividend was recommended by the directors for the financial period.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period 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 satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for doubtful debts in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their values as shown in the accounting records of the Group and of the Company, have 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 that has 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 have arisen since the end of the financial period 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 period.

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 period 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.

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 period 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 period and the date of this report, any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.

ISSUES OF SHARES AND DEBENTURES

During the financial period, the Company increased its issued and paid up share capital from RM415,849,654/- to RM415,849,891/- by way of an issuance of 3,383 new ordinary shares from the exercise of Warrant C at the exercise price of RM0.07 per warrant as disclosed in Note 15 to the financial statements.

WARRANTS 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 Warrants C are disclosed in Note 17 to the financial statements.

The movement of the Warrants C 2015/2020 during the financial period is as follows:-

	Number of Warrants C				
	At 01.01.2019	**Issued**	**Exercised**	**Expired**	**At 30.06.2020**
Warrants C 2015/2020	360,527,848	-	(3,383)	(360,524,465)	-

WARRANTS 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 ("Warrants 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 Warrants D are disclosed in Note 17 to the financial statements.

The movement of the Warrants D 2015/2020 during the financial period is as follows:-

	Number of Warrants D				
	At 01.01.2019	**Issued**	**Exercised**	**Expired**	**At 30.06.2020**
Warrants D 2015/2020	346,786,726	-	-	-	346,786,726

WARRANTS 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 ("Warrants 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 Warrants E are disclosed in Note 17 to the financial statements.

The movement of the Warrants E 2018/2023 during the financial period is as follows:-

	Number of Warrants E				
	At 01.01.2019	**Issued**	**Exercised**	**Expired**	**At 30.06.2020**
Warrants E 2018/2023	1,132,906,538	-	-	-	1,132,906,538

DIRECTORS

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

AR. LIM TONG HOCK	
DATO' AZAHAR BIN RASUL	
TAY MUN KIT	
CHOO SENG CHOON	
DATO' SERI CHIA KOK TEONG	*(Appointed on 03.01.2020)*
DAVID HAH WEI ONN	*(Appointed on 21.02.2020)*
DATO' NOR MOHD AMIN BIN SHAHARUDIN	*(Resigned on 21.02.2020)*

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 period and during the period from the end of the financial period to the date of this report are:-

DATO' NOR MOHD AMIN BIN SHAHARUDIN	
DATO' CHIA KOK SENG	
ANNE KUNG SOO CHING	
TAY MUN KIT	*(Appointed on 11.09.2019)*
DAVID HAH WEI ONN	*(Appointed on 11.09.2019)*
CHOO CHENG LIT	*(Appointed on 28.06.2020)*
CHOO SENG CHOON	*(Resigned on 12.07.2019)*
SEAH KOK CHONG	*(Resigned on 28.10.2019)*
OOI ENG KEAN	*(Resigned on 28.06.2020)*

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of those directors who held office at the end of the financial period in shares in the Company, in the holding company and in the related company during the financial period ended 30 June 2020 are as follows:-

	Number of ordinary shares			
	At 01.01.2019/ Date of appointment	**Bought**	**Sold**	**At 30.06.2020**
The Company				
Direct Interests				
DATO' NOR MOHD AMIN BIN SHAHARUDIN	3,995,667	-	-	3,995,667
DATO' SERI CHIA KOK TEONG	43,000,000	1,262,169,346	-	1,305,169,346
Neata Aluminium (Malaysia) Sdn. Bhd.				
Direct Interests				
DATO' NOR MOHD AMIN BIN SHAHARUDIN	204,285	-	-	204,285

None of the other directors had any interest in the shares and warrants of the Company at the end of the financial period.

DIRECTORS' BENEFITS (CONTINUED)

Since the end of the previous financial period, no director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interest as disclosed in Note 31 to the financial statements.

Neither during nor at the end of the financial period was the Group and the Company a party to any arrangement whose object were 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 of the Company comprising remunerations received/receivable from the Group and the Company during the financial period are disclosed in Note 26 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 period, for any person who is or has been the director, officer or auditor of the Company.

AUDITORS' REMUNERATIONS

Total amounts paid or receivable by the auditors as remunerations for their statutory audit services is disclosed in Note 25 to the financial statements.

SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

SIGNIFICANT EVENT

The significant event is disclosed in Note 36 to the financial statements.

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 37 to the financial statements.

AUDITORS

The auditors, STYL Associates PLT, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors,

DATO' SERI CHIA KOK TEONG
Director

DAVID HAH WEI ONN
Director

Petaling Jaya, Selangor Darul Ehsan

Date: 23 October 2020

Statement by Directors

(Pursuant to Section 251(2) of the Companies Act, 2016 in Malaysia)

We, **DATO' SERI CHIA KOK TEONG** and **DAVID HAH WEI ONN**, 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 39 to 115 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 30 June 2020 and of their financial performance and cash flows of the Group and of the Company for the financial period then ended.

Signed on behalf of the Board of Directors,

DATO' SERI CHIA KOK TEONG
Director

DAVID HAH WEI ONN
Director

Petaling Jaya, Selangor Darul Ehsan

Date: 23 October 2020

Statutory Declaration

(Pursuant to Section 251(1)(b) of the Companies Act, 2016 in Malaysia)

I, **DAVID HAH WEI ONN** (MIA Membership No.: 23902), 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 accompanying financial statements set out on pages 39 to 115 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.

DAVID HAH WEI ONN

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the state of Selangor Darul Ehsan on 23 October 2020.

Before me,

Commissioner for Oaths
WONG CHOY YIN
Pesuruhjaya Sumpah
No. B 508

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 30 June 2020 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 period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 39 to 115.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and their cash flows for the financial period 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial period. 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 on consolidation	
The carrying value of goodwill on consolidation as at 30 June 2020 is RM146,412,540/-. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. We focused on these areas as the determination of recoverable amounts of cash generating unit ("CGU") are based on value-in-use calculations, which are highly subjective and involving management's judgements on performing cash flow projections based on financial budgets approved by the management. The impairment test also involves significant judgements and estimation uncertainty in making key assumptions about the future market and economic conditions, growth rates, profit margins, discount rate, etc. Changes in these assumptions may impact the recoverable amount of goodwill. Management concluded that the goodwill was not impaired.	Our audit procedures in relation to the impairment of goodwill on consolidation include the following:- - Assessed the cash flows projections against recent performance and compared the current period's actual results with previous forecasts to assess the historical accuracy of the forecasts; - Evaluated whether the method used by the Group in measuring the recoverable amount is appropriate in the circumstances; - Making enquiries of and challenging management on the key assumptions and inputs used in the measurement method; - Verified the discount rate for the CGUs by comparing to market data and weighted average cost of capital of the Group;

Key Audit Matters (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
Goodwill on consolidation (Continued) Refer to summary of significant accounting policies in Note 2.3(b) and Note 2.3(j)(ii), significant accounting estimates and judgement in Note 2.4(b) and the disclosure in Note 5 to the financial statements.	- Evaluated whether the key assumptions and inputs used are reasonable and consistent by taking into consideration the past performance, future growth, market development, etc; - Agreed the input data used by management to supporting evidence such as actual results and financial budgets approved by management; and - Performed stress tests and sensitivity analysis to assess the impacts of those key assumptions and inputs on the measurement of the recoverable amount.
Expected credit loss on trade and other receivables, contract assets and amount owing by subsidiaries MFRS 9 introduces an expected credit loss ("ECL") impairment model, which takes into account the credit behaviour and reasonable and supportable forward-looking information. The Group and the Company assessed at each reporting date whether the trade and other receivables, contract assets and amount owing by subsidiaries carried at amortised cost are credit-impaired. The Group and the Company have applied simplified method to determine the allowance for impairment of trade and other receivables, contract assets and amount owing by subsidiaries. The ECL model involves the use of various assumptions, economic factors and historical credit behaviour of trade and other receivables. We identified the ECL on trade and other receivables, contract assets and amount owing by subsidiaries as a key audit matter due to estimation and judgements significantly used by management in the calculation of ECL and the inherent uncertainties during the estimation process. As at 30 June 2020, the carrying amount of trade and other receivables of the Group is amounted to RM285,624,148/-. During the financial period, the Group recognised a reversal allowance for impairment losses of trade and other receivables of RM1,042,792/-. As at 30 June 2020, the carrying amount of contract assets of the Group is amounted to RM24,328,059/-. During the financial period, the Group recognised allowance for impairment losses of contract assets of RM3,002,609/-. As at 30 June 2020, the carrying amount of amount owing by subsidiaries of the Company is amounted to RM189,125,728/-. During the financial period, the Group recognised allowance for impairment losses of amount owing by subsidiaries of RM18,182,115/-. Refer to summary of significant accounting policies in Note 2.3(d) and Note 2.3(j)(i), significant accounting estimates and judgement in Note 2.4(d) and the disclosures in Note 9, Note 11 and Note 12 to the financial statements.	Our audit procedures in relation to the expected credit loss on trade and other receivables, contract assets and amount owing by subsidiaries include the following:- - Evaluated the methodologies of ECL model developed by the Group in accordance with MFRS 9; - Tested the accuracy and completeness of the underlying data used in the model and the arithmetical accuracy of the calculation of ECL; and - Challenged the reasonableness of the key assumptions and judgements used to calculate the likelihood of default and loss on default by comparing to historical data. We also considered the appropriateness of the forward-looking factors used to determine expected credit loss.

Key Audit Matters (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
Revenue and cost of sale from property development activities and construction services	
The amount of revenue of the Group's property development activities and construction services are recognised over the period of contract by reference to the progress towards complete satisfaction of the performance obligation. The progress towards complete satisfaction of performance obligation is determined by reference to proportion of development costs incurred for works performed to date compared to the estimated total costs for each project. We focused on this area because significant Group's judgement is required, in particular with regards to determining the progress towards satisfaction of performance obligation, the extent of the development costs incurred, the estimated total development revenue (applicable to property development activities) and costs, as well as the recoverability of the development projects. The estimated total revenue and costs are affected by a variety of uncertainties that are dependent on the outcome of future events. We identified that revenue and cost of sales recognised on percentage of completion method or over time from property development activities as matters requiring audit focus as these areas involved significant management's judgement and estimates in estimating the total property development costs (which is used to determine the percentage of completion and gross profit margin of property development activities undertaken by the Group). Refer to summary of significant accounting policies in Note 2.3(o)(i) and Note 2.3(o)(ii), significant accounting estimates and judgement in Note 2.4(f) and Note 2.4(j) and the disclosure in Note 24 to the financial statements.	Our audit procedures in relation to the assessment of the appropriateness of the extent of costs incurred, total estimated costs of construction and total estimated revenue include the following:- - Obtained an understanding of the process in deriving the stage of completion which includes verifying the certified work done such as examining the progress claims from contractors, architect certification, and performing site visits on a sampling basis; - Evaluated the assumptions applied in estimating the property development costs for property development phases on a sampling basis by examining documentary evidence such as letter of award issued to contractors to support the budgeted costs; - Verified the gross development value against the signed sales and purchase agreements and estimated selling price of the unsold development to the latest transacted selling price; - Considered the expected handover date of ongoing development projects on a sampling basis to determine the adequacy of provision for liquidated ascertained damages, if any; and - Checked the mathematical accuracy of the revenue and profit based on the percentage of completion calculations and considered the implications of identified errors and changes in estimates.

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 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.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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 period 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.

Other Matter

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

STYL ASSOCIATES PLT
LLP0019500-LCA & AF 001929
Chartered Accountants

ONG THIAN GHIM
No. 03331/10/2021(J)
Chartered Accountant

Petaling Jaya, Selangor Darul Ehsan

Date: 23 October 2020

	Note	Group 2020 RM	Group 2018 RM	Company 2020 RM	Company 2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	3	15,519,526	27,501,513	5,807,714	14,422,660
Right-of-use assets	4	1,652,972	-	-	-
Intangible assets	5	146,412,540	146,412,540	-	-
Investment in subsidiaries	6	-	-	178,067,100	202,607,100
Other investments	7	4,660,404	2,968,743	3,158,743	2,968,743
Finance receivables	8	4,511,735	5,866,940	-	-
Receivables	9	10,161,654	22,850,536	-	-
Total non-current assets		182,918,831	205,600,272	187,033,557	219,998,503
Current assets					
Inventories	10	1,816,332	2,061,310	-	-
Finance receivables	8	2,383,611	4,864,269	-	-
Receivables	9	275,462,494	258,078,380	14,269,008	47,106,547
Contract assets	11	24,328,059	33,237,350	-	-
Amount owing by subsidiaries	12	-	-	189,125,728	123,695,265
Tax recoverables		401,199	-	-	-
Fixed deposits with licensed banks	13	6,626,582	9,783,482	-	2,841,027
Cash and bank balances	14	28,768,472	58,914,645	20,084,390	54,593,230
Total current assets		339,786,749	366,939,436	223,479,126	228,236,069
TOTAL ASSETS		522,705,580	572,539,708	410,512,683	448,234,572
EQUITY AND LIABILITIES					
Share capital	15	415,849,891	415,849,654	415,849,891	415,849,654
Reserves	16	11,481,382	11,481,382	11,481,382	11,481,382
Retained earnings/(Accumulated losses)		24,766,000	20,392,135	(43,317,452)	(2,860,784)
Shareholders' funds		452,097,273	447,723,171	384,013,821	424,470,252
Non-controlling interests		19,242,789	18,332,702	-	-
TOTAL EQUITY		471,340,062	466,055,873	384,013,821	424,470,252
Non-current liabilities					
Loans and borrowings	18	5,172,234	10,920,291	-	2,322,136
Lease liabilities	4	382,753	-	-	-
Deferred tax liabilities	21	-	252,949	-	-
Payables	22	4,729,612	10,690,021	-	-
Total non-current liabilities		10,284,599	21,863,261	-	2,322,136
Current liabilities					
Payables	22	19,509,361	46,767,176	325,043	1,862,932
Contract liabilities	11	-	4,156,353	-	-
Amount owing to subsidiaries	12	-	-	26,029,758	18,876,147
Amount owing to a director	23	15,000	-	-	-
Loans and borrowings	18	20,815,975	31,670,514	-	188,660
Lease liabilities	4	450,287	-	-	-
Tax payables		290,296	2,026,531	144,061	514,445
Total current liabilities		41,080,919	84,620,574	26,498,862	21,442,184
Total liabilities		51,365,518	106,483,835	26,498,862	23,764,320
TOTAL EQUITY AND LIABILITIES		522,705,580	572,539,708	410,512,683	448,234,572

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

Statements of Comprehensive Income

For the Financial Period Ended 30 June 2020

	Note	Group 01.01.2019 to 30.06.2020 RM	Group 01.01.2018 to 31.12.2018 RM	Company 01.01.2019 to 30.06.2020 RM	Company 01.01.2018 to 31.12.2018 RM
Revenue	24	111,018,028	121,246,912	6,339,846	2,115,216
Cost of sales		(77,907,145)	(107,655,772)	(3,523,789)	(2,958,651)
Gross profit/(loss)		33,110,883	13,591,140	2,816,057	(843,435)
Other income		6,700,702	2,465,987	2,338,560	362,353
Administrative expenses		(15,938,549)	(23,647,541)	(2,247,631)	(4,187,079)
Selling and distribution expenses		(3,605)	(5,704)	(3,605)	(5,704)
Other operating expenses		(4,017,313)	(61,990,135)	(42,941,433)	(35,231,701)
Operating profit/(loss)	25	19,852,118	(69,586,253)	(40,038,052)	(39,905,566)
Finance costs	27	(12,420,827)	(5,120,770)	(54,094)	(178,234)
Profit/(Loss) before taxation		7,431,291	(74,707,023)	(40,092,146)	(40,083,800)
Taxation	28	(2,147,339)	(258,084)	(364,522)	(204,667)
Profit/(Loss) for the financial period/year		5,283,952	(74,965,107)	(40,456,668)	(40,288,467)
Other comprehensive income for the financial period/year		-	-	-	-
Total comprehensive income/(deficit) for the financial period/year		5,283,952	(74,965,107)	(40,456,668)	(40,288,467)
Profit/(Loss) attributable to:-					
Owners of the parent		4,373,865	(68,736,998)	(40,456,668)	(40,288,467)
Non-controlling interests		910,087	(6,228,109)	-	-
		5,283,952	(74,965,107)	(40,456,668)	(40,288,467)
Total comprehensive income/(deficit) attributable to:-					
Owners of the parent		4,373,865	(68,736,998)	(40,456,668)	(40,288,467)
Non-controlling interests		910,087	(6,228,109)	-	-
		5,283,952	(74,965,107)	(40,456,668)	(40,288,467)
Basic earnings/(loss) per share (sen)	29	0.08	(1.65)		
Diluted earnings/(loss) per share (sen)	29	0.08	(1.65)		

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

	← Attributable to Owners of the Company				→		
		← Non-distributable	→ Distributable				
	Share capital RM	Warrant reserve RM	Exchange reserve RM	Retained earnings RM	Total RM	Non-controlling interest RM	Total equity RM
Group							
At 1 January 2019	415,849,654	11,481,382	-	20,392,135	447,723,171	18,332,702	466,055,873
Total comprehensive income for the financial period	-	-	-	4,373,865	4,373,865	910,087	5,283,952
Transactions with owners:-							
Warrants exercised	237	-	-	-	237	-	237
Total transactions with owners	237	-	-	-	237	-	237
At 30 June 2020	415,849,891	11,481,382	-	24,766,000	452,097,273	19,242,789	471,340,062
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	-	-	-	(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

	Share capital RM	Warrant reserve RM	Retained earnings/ (Accumulated losses) RM	Total equity RM
	Attributable to Owners of the Company			
	Non-distributable		Distributable	
Company				
At 1 January 2018	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
At 31 December 2018	415,849,654	11,481,382	(2,860,784)	424,470,252
Total comprehensive deficit for the financial period	-	-	(40,456,668)	(40,456,668)
Transactions with owners:-				
Warrants exercised	237	-	-	237
Total transactions with owners	237	-	-	237
Balance at 30 June 2020	415,849,891	11,481,382	(43,317,452)	384,013,821

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

	Group		Company	
	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES:-				
Profit/(Loss) before taxation	7,431,291	(74,707,023)	(40,092,146)	(40,083,800)
Adjustments for:-				
Depreciation of property, plant and equipment	2,702,813	3,282,893	926,388	667,043
Depreciation of right-of-use assets	708,470	-	-	-
Impairment/(Reversal of impairment) losses on:-				
- goodwill	-	32,417,000	-	-
- trade receivables	(11,499,209)	26,155,721	(1,269,700)	5,327,335
- other receivables	10,456,417	2,474,156	1,489,018	-
- contract assets	3,002,609	2,087,785	-	-
- cost of investment in subsidiary	-	-	24,540,000	31,777,000
- amount owing by subsidiaries	-	-	18,182,115	(179,050)
Written off:-				
- bad debts - trade	574,271	843,695	-	-
- prepayment	10,000	-	-	-
- property, plant and equipment	119,116	48,184	-	-
Interest income:-				
- unquoted bond	(190,000)	-	(190,000)	-
- others	(716,986)	(362,699)	(110,387)	(131,243)
Interest expenses	2,673,747	2,692,293	54,094	146,977
Fair value discount on payables	743,621	(1,357,473)	-	-
Fair value discount on receivables	(872,402)	2,397,220	-	-
Fair value loss on unit trust	4,992	-	-	-
Fair value discount on bond	-	31,257	-	31,257
Gain on disposal of property, plant and equipment	(2,998,555)	(246,031)	(1,035,442)	-
Bad debts recovered	(13,005)	-	(13,005)	-
Dividend income	(554,079)	(230,210)	(554,079)	(230,210)
Loss on disposal of right-of-use assets	17,794	-	-	-
Loss/(Gain) on disposal of subsidiaries	-	7,977	-	(900)
Waiver of debts	(404,668)	-	(404,668)	-
Operating profit/(loss) before working capital changes	11,196,237	(4,465,255)	1,522,188	(2,675,591)
Changes in working capital:-				
Inventories	244,978	494,509	-	895,498
Receivables	(3,351,304)	(38,884,634)	32,631,226	(12,595,048)
Payables	(33,557,177)	(3,847,640)	(1,133,221)	(1,658,833)
Contract assets	5,906,682	19,494,637	-	-
Contract liabilities	(4,156,353)	914,718	-	-
	(23,716,937)	(26,293,665)	33,020,193	(16,033,974)
Tax paid	(4,537,723)	(12,869,034)	(734,906)	(726,691)
Tax refunded	-	4,250	-	-
Net Operating Cash Flows	(28,254,660)	(39,158,449)	32,285,287	(16,760,665)

	Group		Company	
	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES:-				
Amount owing by subsidiaries	-	-	(83,612,578)	(1,022,907)
Interest received	716,986	362,699	110,387	131,243
Dividend received	554,079	230,210	554,079	230,210
Investment in bond	-	(3,000,000)	-	(3,000,000)
Net cash outflows from disposal of subsidiary	-	(195,557)	-	900
Withdrawal/(Placement) of fixed deposits pledged to banks	3,156,900	(692,038)	-	-
Purchase of other investment	(3,962,706)	-	-	-
Proceeds from disposal of other investment	2,456,053	-	-	-
Proceeds from disposal of property, plant and equipment	10,781,210	513,804	8,724,000	-
Proceeds from disposal of right-of-use assets	800,000	-	-	-
Purchase of property, plant and equipment	(299,356)	(1,505,074)	-	-
Net Investing Cash Flows	14,203,166	(4,285,956)	(74,224,112)	(3,660,554)
CASH FLOWS FROM FINANCING ACTIVITIES:-				
Advances from directors	15,000	-	-	-
Advances from subsidiaries	-	-	7,153,611	2,289,585
(Repayment)/Drawdown of term loans	(7,446,815)	4,787,318	(2,510,796)	(178,264)
(Repayment)/Drawdown of short term borrowings, net	(8,970,428)	4,224,966	-	(922,000)
Finance receivables	3,835,864	3,809,958	-	-
Interest paid	(2,673,747)	(2,692,293)	(54,094)	(146,977)
Issuance of rights issue	-	55,113,262	-	55,113,262
Issuance of ordinary shares	-	537,000	-	537,000
Payment of lease liabilities	(669,437)	-	-	-
Exercise of warrants	237	-	237	-
Repayment of hire purchase payables, net	(983,310)	(271,049)	-	-
Net Financing Cash Flows	(16,892,636)	65,509,162	4,588,958	56,692,606
NET CHANGE IN CASH AND CASH EQUIVALENTS	(30,944,130)	22,064,757	(37,349,867)	36,271,387
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD/YEAR	58,217,622	36,152,865	57,434,257	21,162,870
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD/YEAR	27,273,492	58,217,622	20,084,390	57,434,257
ANALYSIS OF CASH AND CASH EQUIVALENTS:-				
Cash and bank balances	28,768,472	58,914,645	20,084,390	54,593,230
Fixed deposits with licensed banks	-	-	-	2,841,027
Bank overdrafts	(1,494,980)	(697,023)	-	-
	27,273,492	58,217,622	20,084,390	57,434,257

	Note	Group 01.01.2019 to 30.06.2020 RM	Group 01.01.2018 to 31.12.2018 RM	Company 01.01.2019 to 30.06.2020 RM	Company 01.01.2018 to 31.12.2018 RM
CASH OUTFLOWS FOR LEASES AS A LESSEE					
Included in net cash from operating activities					
Payment relating to short-term leases	25	456,413	-	-	-
Interest paid in relation to lease liabilities	27	66,246	-	-	-
Included in net cash from financing activities					
Payment of lease liabilities		669,437	-	-	-
Total cash outflows for leases		1,192,096	-	-	-

Reconciliation of movements of liabilities to cash flows arising from financing activities:-

	Bankers' acceptances RM	Revolving credits RM	Hire purchase payables RM	Term loans RM	Lease liabilities RM
Group					
At 1 January 2018	15,081,560	7,759,824	1,757,767	8,553,396	-
Net changes from financing cash flows	10,810,194	(6,585,228)	(271,049)	4,787,318	-
At 31 December 2018	25,891,754	1,174,596	1,486,718	13,340,714	-
Adjustment on initial application of MFRS 16	-	-	-	-	-
At 1 January 2019, adjusted as per MFRS 16	25,891,754	1,174,596	1,486,718	13,340,714	-
Net changes from financing cash flows	(8,813,254)	(157,174)	(983,310)	(7,446,815)	(669,437)
Acquisition of new lease	-	-	-	-	1,502,477
At 30 June 2020	17,078,500	1,017,422	503,408	5,893,899	833,040
Company					
At 1 January 2018	922,000	-	-	2,689,060	-
Net changes from financing cash flows	(922,000)	-	-	(366,924)	-
At 31 December 2018/At 1 January 2019, adjusted as per MFRS 16	-	-	-	2,322,136	-
Net changes from financing cash flows	-	-	-	(2,322,136)	-
At 30 June 2020	-	-	-	-	-

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

1. GENERAL INFORMATION

The Company is principally engaged in provision of investment holding, provision of civil engineering and construction, aluminium design and fabrication, telecommunication engineering and property development. The principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There have been no significant changes to the nature of these principal activities during the financial period.

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.

On 3 December 2019, the Company changed its financial year end from 31 December to 30 June. The financial statements have, therefore, been made up for a period of eighteen (18) months from 1 January 2019 to 30 June 2020. The comparative figures are for previous twelve (12) months from 1 January 2018 to 31 December 2018.

The registered office of the Company is located at 29-2, Level 29, Oval Damansara, 685, Jalan Damansara, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The principal place of business of the Company is located at No. 4, Jalan Seri Utara 1, Off Jalan Ipoh, 68100 Kuala Lumpur, Wilayah Persekutuan, Malaysia and No. 4, Lot 20174, 1st Floor, Stutong Avenue, Jalan Setia Raja, 93350 Kuching, Sarawak, Malaysia.

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 23 October 2020.

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 ("MFRS"), 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 reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates 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 2020

- Amendments 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
- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instrument: Disclosures - Interest Rate Benchmark Reform

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 June 2020

- Amendments to MFRS 16, Leases – Covid-19 Related Rent Concessions

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

- Interest Rate Benchmark Reform Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9, Financial Instruments, Illustrative Examples accompanying MFRS 16, Leases and MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018 – 2020 cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, Insurance Contracts
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

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 July 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 July 2023 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.

2.3 Significant accounting policies

The 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.

Arising from the adoption of MFRS 16, Leases, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 38 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, 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) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contract requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:-

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group accounts for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investment in joint venture 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 investment includes transaction cost.

(vi) 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 period 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.

(vii) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(c) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(j) to the financial statements.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

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

	Rate/year
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%

* Upon adoption of MFRS 16, Leases, leasehold land and building have been reclassified as right-to-use assets as at the date of initial application, i.e. 1 Janaury 2019.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

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

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

(d) Financial instruments

<u>**Recognition and initial measurement**</u>

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(d) Financial instruments (Continued)

Recognition and initial measurement (Continued)

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.

Financial instrument categories and subsequent measurement

Financial assets

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, 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)

(d) Financial instruments (Continued)

Financial instrument categories and subsequent measurement (Continued)

Financial assets (Continued)

(iii) Fair value through profit or loss ("FVTPL")

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.

Financial liabilities

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(d) Financial instruments (Continued)

Financial instrument categories and subsequent measurement (Continued)

Financial liabilities (Continued)

(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.

Financial guarantee contracts

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

Financial 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.

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 period.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(d) Financial instruments (Continued)

Derecognition (Continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or 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 have 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.

(e) Leased assets

The Group has applied MFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, Leases and related interpretations.

Current financial period

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:-

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(ii) Recognition and initial measurement

- *As a lessee*

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(e) Leased assets (Continued)

Current financial period (Continued)

(ii) Recognition and initial measurement (Continued)

- *As a lessee (Continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group's and Company's incremental borrowing rate. Generally, the Group and the Company use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:-

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

- *As a lessor*

When the Group and the Company act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group and the Company are an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and the Company apply the exemption described above, then it classifies the sublease as an operating lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(e) Leased assets (Continued)

Current financial period (Continued)

(iii) Subsequent measurement

- *As a lessee*

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- *As a lessor*

The Group and the Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

Prior to 1 January 2019

- *As a lessee*

(i) Finance leases

A lease is recognised as a finance lease if it transfers substantially to the Group and the Company all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statements of financial position as hire purchase payables. The impairment policy is in accordance with Note 2.3(j) to the financial statements.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(e) Leased assets (Continued)

<u>Prior to 1 January 2019 (Continued)</u>

- *<u>As a lessee (Continued)</u>*

(ii) Operating leases

All leases that do not transfer substantially to the Group and the Company all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statements of financial position of the Group and the Company.

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

(f) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(g) 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.

(h) Contract assets and Contract liabilities

(i) Contract assets

A contract asset is the right of the Group or the Company to consideration in exchange for goods or services that it has transferred to the customer when that right is conditional upon future performance but not through the passage of time. If the Group or the Company has performed its obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised and presented net of any amounts that has been recognised as receivables. Contract asset is presented as the excess of cumulative revenue earned or recognised in profit or loss over the billings to date to the customer. Contract assets are subject to impairment assessment in accordance of MFRS 9: Financial Instruments with Note 2.3(j) to the financial statements.

(ii) Contract liabilities

A contract liability is the obligation of the Group or the Company to transfer goods and services to a customer for which it has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration or the Group or the Company has a right to an amount of consideration that is unconditional before it transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group or the Company performs its obligation under the contract. Contract liability is the excess of the billings to date to the customer over the cumulative revenue earned or recognised in profit or loss. Contract liabilities include advance payment and downpayments received from customers and other amounts where the Group or the Company has billed before the goods are delivered or services are provided to the customers.

(i) Contract cost

(i) Incremental cost of obtaining a contract

The incremental costs of obtaining a contract are those costs that the Group and the Company incur to obtain a contract with a customer which they would not have incurred if the contract had not been obtained. The incremental costs of obtaining a contract with a customer are recognised as contract cost assets when the Group and the Company expect those costs to be recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(i) Contract cost (Continued)

(ii) Cost to fulfil a contract

The costs incurred in fulfilling a contract with a customer who are not within the scope of other MFRSs, such as MFRS 102: Inventories, MFRS 116: Property, Plant and Equipment and MFRS 138: Intangible Assets, are recognised as contract cost assets when all of the following criteria are met:-

- costs relate directly to a contract or to an anticipated contract that can be specifically identified;
- the costs generate or enhance resources of the Group and of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Contract cost assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The amortisation shall be updated subsequently to reflect any significant change to the expected timing of transfer to the customer of the goods or services to which the asset relates in accordance with MFRS 108: Accounting Policies, Changes in Accounting Estimate and Errors.

Impairment loss is recognised in profit or loss to the extent that the carrying amount of the contract cost exceeds:-

- the remaining amount of consideration that the Group and the Company expect to receive in exchange for the goods or services to which the asset relates; less
- the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Before an impairment loss is recognised for contract costs, the Group and the Company shall recognise any impairment loss for assets related to the contract that are recognised in accordance with other MFRSs, such as MFRS 102, MFRS 116 and MFRS 138. The Group and the Company shall include the resulting carrying amount of the contract costs assets in the carrying amount of the cash-generating unit to which it belongs for the purpose of applying MFRS 136: Impairment of Assets to that cash-generating unit with Note 2.3(j) to the financial statements.

An impairment loss is reversed when the impairment conditions no longer exist or have improved. Such reversal is recognised in profit or loss.

(j) Impairment

(i) Impairment of financial assets

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(j) Impairment (Continued)

(i) Impairment of financial assets (Continued)

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

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

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(j) Impairment (Continued)

(ii) Impairment of other assets (Continued)

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 period in which the reversals are recognised.

(k) Provision for liabilities

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

(l) 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.

(m) 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 with original maturity periods of three months or less. Cash and cash equivalents are stated at net of bank overdrafts and deposits pledged to the financial institution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(n) Foreign currency

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

In translating the financial position and results of a foreign operation whose functional currency is not the required presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(o) Revenue and other income (Continued)

(ii) Property development

Contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

The revenue from property development is measured at the fixed transaction price agreed under the sale and purchase agreement.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognises revenue over time using the input method, which is based on the actual cost incurred to date on the property development project as compared to the total budgeted cost for the respective development projects.

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the assets sold.

(iii) 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.

(iv) Telecommunication engineering

Revenue from telecommunication engineering 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)

(v) 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.

(vi) 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, or 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 assets 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 ceased 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 to the taxation authorities in respect of the taxable profit or loss for the financial period and is measured using the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period are recognised in profit or loss, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, for all 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.

Current tax assets and liabilities or deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, 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 ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise 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

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss, where appropriate, in the period in which the associated services are rendered by the employee.

(ii) Post-employment benefits

As required by law, the Group and the Company are required to make monthly contributions to the Employees Provident Fund ("EPF"), a statutory defined contribution plan for all its eligible employees based on certain prescribed rate of the employees' salaries. The Group's and the Company's contribution to EPF are disclosed separately and the employees' contributions to EPF are included in salaries, bonuses, allowances and other staff benefits. Once the contributions have been paid, the Group and the Company have no further payment obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(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 statements of financial position of the Group.

(v) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.

Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.

Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

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

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

Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

<u>Financial assets and financial liabilities</u>

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 3).

The fair value of other investment is directly measured using its unadjusted closing price in an active market (i.e. Level 1).

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) 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 the 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.

(b) 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(j) 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 5 to the financial statements.

(c) 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.

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 6 to the financial statements.

Based on the Company's impairment review, impairment loss of RM24,540,000/- was provided for its wholly-owned subsidiary, Instacom Engineering Sdn. Bhd. for the financial period ended 30 June 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (Continued)

(d) Impairment assessment of financial assets

The Group and the Company assess the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition on an individual basis. To determine whether there is a significant increase in credit risk, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is significant increase in credit risk, the Group and the Company determine the lifetime expected credit loss by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or full when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

The carrying amounts of the finance receivables, receivables, contract assets and amount owing by subsidiaries are disclosed in Note 8, Note 9, Note 11 and Note 12 respectively to the financial statements.

(e) Net realisable values of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories as disclosed in Note 10 to the financial statements.

(f) Construction contract

The Group and the Company recognise contract revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that contract or property development costs incurred for work performed to date compared to the estimated total contract or property development costs.

Significant estimation is involved in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contracts. In making the estimation, the Group and the Company evaluate based on past experiences and by relying on the work of specialists.

Where the total actual revenue and cost incurred are different from the total estimated revenue and cost incurred, such differences will impact the contract profit or losses recognised.

Any changes in these accounting estimates will affect the carrying amounts of contract assets and contract liabilities as disclosed in Note 11 to the financial statements.

(g) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (Continued)

(h) Deferred tax

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management's judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(i) Extension options and incremental borrowing rate in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applies judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

(j) Revenue recognition of property development activities

Revenue on property development activities are recognised in accordance with the accounting policy set out in Note 2.3(o)(ii). The terms of the property development contracts and the laws that apply to these contracts, will determine whether the control of the properties sold is transferred and the corresponding revenue is recognised over time or at a point in time.

The Group recognises certain of its property development activities over time or based on the percentage of completion method using the input method which is based on the actual cost incurred to date on the property development project as compared to the total budgeted cost for the respective development projects.

Significant judgement is required in determining the progress towards complete satisfaction of the performance obligation and this includes determining the extent of property development costs incurred and the total estimated costs of property development, which in turn is used to determine the percentage of completion and gross profit margin of property development activities undertaken by the Group. In making these judgements, management relies on past experience and the work of specialists.

(k) Coronavirus disease 2019 ("Covid-19")

On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates. The Group exercises judgement, in light of all facts and circumstances, to assess what event in this series of events provides additional evidence about the condition that existed at the reporting date and therefore affects the recognition and measurement of the Group's assets and liabilities at the end of the reporting period.

3. PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold land and factory RM	Leasehold land and building 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	Renovation RM	Scaffolding RM	Construction in-progress RM	Total RM
Group												
At cost												
At 1 January 2019, previously stated		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
Adjustment on initial application of MFRS 16	4	-	(2,045,122)	-	-	-	-	-	-	-	-	(2,045,122)
Adjusted as per MFRS 16		14,760,000	-	3,296,454	5,599,380	3,134,652	2,158,663	8,415,967	400,730	333,714	-	38,099,560
Additions		-	-	26,189	-	122,800	13,269	-	58,522	-	78,576	299,356
Disposals		(8,060,000)	-	(547,408)	(3,579,268)	(786,993)	-	-	-	-	-	(12,973,669)
Written off		-	-	(547,515)	-	(297,845)	(192,518)	-	(129,374)	-	-	(1,167,252)
At 30 June 2020		6,700,000	-	2,227,720	2,020,112	2,172,614	1,979,414	8,415,967	329,878	333,714	78,576	24,257,995
Accumulated depreciation												
At 1 January 2019, previously stated		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
Adjustment on initial application of MFRS 16	4	-	(368,363)	-	-	-	-	-	-	-	-	(368,363)
Adjusted as per MFRS 16		625,542	-	3,067,014	3,352,352	2,170,846	934,187	1,776,705	138,567	209,593	-	12,274,806
Charge for the financial period		228,900	-	208,622	601,139	323,776	349,068	841,597	54,696	95,015	-	2,702,813
Disposals		(371,442)	-	(547,408)	(3,568,601)	(703,563)	-	-	-	-	-	(5,191,014)
Written off		-	-	(547,515)	-	(270,719)	(175,871)	-	(54,031)	-	-	(1,048,136)
At 30 June 2020		483,000	-	2,180,713	384,890	1,520,340	1,107,384	2,618,302	139,232	304,608	-	8,738,469
Net book value at 30 June 2020		6,217,000	-	47,007	1,635,222	652,274	872,030	5,797,665	190,646	29,106	78,576	15,519,526

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land and factory RM	Leasehold land and building 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	Scaffolding RM	Total RM
Group											
At 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 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

3. **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Freehold land and factory 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	Total RM
Company							
Cost							
At 1 January 2019	8,060,000	251,801	2,300	350,000	31,527	8,415,967	17,111,595
Disposal	(8,060,000)	-	-	-	-	-	(8,060,000)
At 30 June 2020	-	251,801	2,300	350,000	31,527	8,415,967	9,051,595
Accumulated depreciation							
At 1 January 2019	331,542	211,505	2,300	350,000	16,883	1,776,705	2,688,935
Charge for the financial period	39,900	40,161	-	-	4,730	841,597	926,388
Disposal	(371,442)	-	-	-	-	-	(371,442)
At 30 June 2020	-	251,666	2,300	350,000	21,613	2,618,302	3,243,881
Net book value at 30 June 2020	-	135	-	-	9,914	5,797,665	5,807,714
At Cost							
At 1 January 2018/ 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

(a) The freehold land has been pledged to licensed banks as security for the bank and credit facilities granted to the Group as disclosed in Note 20 to the financial statements.

(b) The property, plant and equipment of the Group acquired under hire purchase terms are as follows:-

	Group 2020 RM	Group 2018 RM
Motor vehicles	253,260	484,766
Machinery and tools	338,375	1,442,180
	591,635	1,926,946

The carrying amounts of motor vehicles and machinery and tools are pledged to licensed bank to secure the loans and borrowings granted to the Group as disclosed in Note 19 to the financial statements.

4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

4.1 Right-of-use assets

	Note	Leasehold land and building RM	Factory RM	Office and shop lot RM	Equipment RM	Total RM
Group						
Cost						
At 1 January 2019, previously stated		-	-	-	-	-
Adjustment on initial application of MFRS 16	3	2,045,122	-	-	-	2,045,122
Adjusted as per MFRS 16		2,045,122	-	-	-	2,045,122
Additions		-	627,557	818,963	55,957	1,502,477
Disposal		(1,011,281)	-	-	-	(1,011,281)
At 30 June 2020		1,033,841	627,557	818,963	55,957	2,536,318
Accumulated depreciation						
At 1 January 2019, previously stated		-	-	-	-	-
Adjustment on initial application of MFRS 16	3	368,363	-	-	-	368,363
Adjusted as per MFRS 16		368,363	-	-	-	368,363
Charge for the financial period		37,426	437,763	216,680	16,601	708,470
Disposal		(193,487)	-	-	-	(193,487)
At 30 June 2020		212,302	437,763	216,680	16,601	883,346
Net carrying amount		821,539	189,794	602,283	39,356	1,652,972

The Group has entered into non-cancellable operating lease agreement for the use of land. The leases are for a period 55 years with no renewal or purchase option included in the agreement. The lease do not allow the Group to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land. A tenancy is, however, allowed with the consent of the lessor.

The Group leases a factory, office, shoplot and equipment that run between 1 year and 5 years, with an option to renew the lease after that date.

The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The principal depreciation of buildings is up to five (5) years.

Extension options

Some leases of buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

4.2 Lease liabilities

	Group 2020 RM
Non-current liabilities	382,753
Current liabilities	450,287
	833,040

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the Group's weighted average incremental borrowing rate of 5%.

After initial recognition, lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Group determines the lease term of a lease as the non-cancellable period of the lease, together with periods covered by an option to extend or to terminate the lease if the Group is reasonably certain to exercise the relevant options. Management has considered the relevant facts and circumstances that create an economic incentive for the Group to either exercise the option to extend the lease, or to exercise the option to terminate the lease. Any differences in expectations from the original estimates would impact the carrying amounts of the lease liabilities of the Group.

The Group has recognised the lease payments associated with short term leases and low value assets on a straight-line basis over the lease terms and recognised as rental expenses as disclosed in Note 25 to the financial statements.

5. INTANGIBLE ASSETS

	Goodwill RM	Software licences RM	Intellectual property rights RM	Total RM
Group and Company				
At cost				
At 1 January 2018/31 December 2018/ 1 January 2019/30 June 2020/	185,225,746	4,500,000	4,000,000	193,725,746
Accumulated amortisation				
At 1 January 2018/31 December 2018/ 1 January 2019/30 June 2020/	-	754,737	1,937,985	2,692,722
Accumulated impairment losses				
At 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 2018/1 January 2019	38,813,206	3,745,263	2,062,015	44,620,484
Impairment loss during the period	-	-	-	-
At 30 June 2020	38,813,206	3,745,263	2,062,015	44,620,484
Carrying amounts				
At 31 December 2018	146,412,540	-	-	146,412,540
At 30 June 2020	146,412,540	-	-	146,412,540

5. INTANGIBLE ASSETS (CONTINUED)

(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/- (2018: RM109,449,722/-) and RM36,962,818/- (2018: RM36,962,818/-) has been allocated to the investment in Neata Aluminium (Malaysia) Sdn. Bhd. and Instacom Engineering Sdn. Bhd. respectively.

In the previous financial years, an impairment of RM32,417,000/- was recognised for the goodwill allocated to investment in Instacom Engineering Sdn. Bhd. as the recoverable carrying amount, and no further impairment was recognised in the current financial period.

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 three to five years period. The future cash flows are based on management's three to five years 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 5.55% 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 for construction and aluminium design and fabrication and telecommunication and civil and engineering services.

(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 5.55% represents the weighted average cost of capital of the CGU.

The value assigned to the key assumptions which represents directors' assessment of future trends in the aluminium fabrication, construction services, telecommunication services and civil and engineering services 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 (2018: 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.

6. INVESTMENT IN SUBSIDIARIES

	Company 2020 RM	Company 2018 RM
Unquoted shares, at cost		
At 1 January	234,384,100	234,384,100
Less: Accumulated impairment loss	(56,317,000)	(31,777,000)
At 31 December	178,067,100	202,607,100

The country of incorporation and principal place of business of all subsidiaries are in Malaysia. Details of the subsidiaries are as follows:-

Name of subsidiaries	Effective equity interest 2020 %	Effective equity interest 2018 %	Principal activities
<u>Direct subsidiaries</u>			
Instacom Engineering Sdn. Bhd.	100	100	Telecommunication engineering
Neata Aluminium (Malaysia) Sdn. Bhd.	78.6	78.6	Fabrication and installations aluminium doors and windows
Vivocom Trading Sdn. Bhd.	100	100	Trading of construction materials
<u>Indirect subsidiaries</u>			
<u>Held through Instacom Engineering Sdn. Bhd.</u>			
Vcom Construction Sdn. Bhd. (formerly known as Instacom Construction Sdn. Bhd.)	100	100	Telecommunication engineering
Instacom SPV Sdn. Bhd. *	-	100	Dormant
Instacom Technologies Sdn. Bhd. *	-	100	Dormant
IE Communication Sdn. Bhd. *	-	100	Dormant
<u>Held through IE Communication Sdn. Bhd</u>.			
Dektaria Delima Sdn. Bhd. *	-	100	Dormant
Dynamic Interconsortium Sdn. Bhd. *	-	100	Dormant
<u>Held through Neata Aluminium (Malaysia) Sdn. Bhd.</u>			
Vivocom Enterprise Sdn. Bhd.	100	100	Construction services and property development

* *During the financial period, these subsidiaries have been struck off pursuant to the Section 550 of the Companies Act, 2016 in Malaysia.*

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Impairment of investment in subsidiaries

During the financial period, the Company recognised an impairment loss of RM24,540,000/- (2018: 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 three to five years period. The future cash flows are based on management's three to five years 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 5.55% 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
(iii) Growth rates – Based on industry outlook for that segment and directors' past experience.
(iv) Pre-tax discount rate – Discount rate of 5.55% 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 of the CGU to materially exceed its recoverable amount.

(b) Non-controlling interest

The material non-controlling interests of the Group are arising from Neata Aluminium (Malaysia) Sdn. Bhd. and its subsidiary ("Neata Group").

The percentage of ownership interest and voting interest of Neata Group by non-controlling interests ("NCI") is 21.4% (2018: 21.4%). The amount of NCI consolidated statement of financial position and profit allocated to NCI during the financial period is from Neata Group.

The Group's subsidiary that has material non-controlling interest ("NCI") is as follows:-

	Group	
	2020 RM	**2018 RM**
NCI percentage of ownership interest and voting interest	21.4%	21.4%
Carrying amount of NCI	19,242,789	18,332,702
Profit allocation to NCI	910,087	(6,228,109)

The summary of financial information before intra-group elimination for the Neata Group which has material NCI is as below:-

	Group	
	2020 RM	**2018 RM**
Summary of financial position		
Non-current assets	17,660,049	31,102,066
Current assets	295,423,531	248,946,892
Non-current liabilities	(10,139,894)	(16,633,435)
Current liabilities	(213,024,111)	(177,748,689)
Net assets	89,919,575	85,666,834

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Non-controlling interest (Continued)

The summary of financial information before intra-group elimination for the Neata Group which has material NCI is as below:- (Continued)

	Group	
	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM
Summary of financial performance		
Net profit/(loss) for the financial period/year, (representing total comprehensive income/(deficit) for the financial period/year)	4,252,740	(29,103,313)
Include in the total comprehensive income is:-		
Revenue	100,445,816	117,046,475
Cash flows operating activities	(49,862,684)	(26,783,534)
Cash flows investing activities	1,478,699	(1,345,824)
Cash flows financing activities	52,704,363	13,398,068
Net changes in cash and cash equivalent	4,320,378	(14,731,290)

7. OTHER INVESTMENTS

		Group		Company	
	Note	2020 RM	2018 RM	2020 RM	2018 RM
Unquoted bond, at amortised cost	(a)				
At 1 January		2,968,743	-	2,968,743	-
Bond invested during the financial period/year		-	3,000,000	-	3,000,000
Fair value discount on bond		-	(31,257)	-	(31,257)
Interest gain on bond		190,000	-	190,000	-
At 30 June/31 December		3,158,743	2,968,743	3,158,743	2,968,743
Unit trust, at fair value through profit or loss	(b)				
At 1 January					
Addition		3,962,706	-	-	-
Disposal		(2,456,053)	-	-	-
Changes in fair value		(4,992)	-	-	-
At 30 June/31 December		1,501,661	-	-	-
Total		4,660,404	2,968,743	3,158,743	2,968,743

(a) 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.

(b) At 30 June 2020, the Group has recognised a fair value loss at the reinvestment price ranging from RM0.981 to RM1.0379 per annum.

8. FINANCE RECEIVABLES

	Group 2020 RM	Group 2018 RM
At amortised cost		
Non-current	4,511,735	5,866,940
Current	2,383,611	4,864,269
	6,895,346	10,731,209

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 (2018: 1 to 7 years) and are financed by banking facilities as disclosed in Note 20 to the financial statements.

9. RECEIVABLES

	Note	Group 2020 RM	Group 2018 RM	Company 2020 RM	Company 2018 RM
Non-current					
Trade receivables		10,161,654	24,604,980	-	-
Less: Allowance for impairment		-	(1,754,444)	-	-
Total non-current receivables	(a)	10,161,654	22,850,536	-	-
Current					
Trade receivables		142,402,096	241,366,467	20,934,885	21,660,898
Less: Allowance for impairment		(20,582,684)	(30,327,449)	(7,727,635)	(8,997,335)
Less: Bad debts written off		(574,271)	(843,695)	-	-
Trade receivable, net	(a)	121,245,141	210,195,323	13,207,250	12,663,563
Other receivables		142,893,379	13,909,238	2,550,776	283,314
Less: Allowance for impairment		(12,930,573)	(2,474,156)	(1,489,018)	-
Other receivables, net	(b)	129,962,806	11,435,082	1,061,758	283,314
Deposits	(c)	23,781,856	35,444,819	-	34,157,013
Prepayments		472,691	1,003,156	-	2,657
		154,217,353	47,883,057	1,061,758	34,442,984
Total current receivables		275,462,494	258,078,380	14,269,008	47,106,547
Total receivables		285,624,148	280,928,916	14,269,008	47,106,547

9. RECEIVABLES (CONTINUED)

(a) Trade receivables

The Group's and the Company's credit period granted ranges from 30 days to 120 days (2018: 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 period ended is retention sum of RM15,363,920/- (2018: RM28,100,943/-) relating to construction contracts. Retention sum is unsecured, interest-free and is expected to be collected as follows:-

	Group	
	2020	**2018**
	RM	**RM**
Within 12 months	5,202,266	5,250,407
More than 1 year and less than 2 years	2,590,756	9,882,133
More than 2 years and less than 5 years	3,934,807	12,968,403
More than 5 years	3,636,091	-
	10,161,654	22,850,536
	15,363,920	28,100,943

Analysis of retention sum on impairment loss and deferred payment terms with discount rate of 5.55% per annum, being the weighted average cost of capital of the Group is as follows:-

	Group	
	2020	**2018**
	RM	**RM**
Nominal value	18,206,138	32,252,607
Impairment loss	(1,317,400)	(1,754,444)
Discounted	(1,524,818)	(2,397,220)
	15,363,920	28,100,943

The reconciliation of retention sum receivables' movements accumulated impairment losses of the Group is as follows:-

	Group
	RM
At 1 January 2018	-
Impairment loss during the year	1,754,444
At 31 December 2018	1,754,444
Reversal of impairment loss during the period	(437,044)
At 30 June 2020	1,317,400

9. RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

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

	Group		Company	
	2020 RM	2018 RM	2020 RM	2018 RM
Neither past due nor impaired	21,858,926	32,872,091	4,920,101	1,125,138
Past due not impaired				
1 to 30 days	4,952,714	7,350,833	3,133,000	-
31 to 60 days	1,809,739	4,529,426	-	-
61 to 90 days	2,167,409	8,136,586	-	-
More than 90 days	121,200,691	212,238,816	12,881,784	20,535,760
	130,130,553	232,255,661	16,014,784	20,535,760
Impaired	(20,582,684)	(32,081,893)	(7,727,635)	(8,997,335)
	131,406,795	233,045,859	13,207,250	12,663,563

Impairment of trade receivables

The Group and the Company determine that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group and the Company generally consider a default to have occurred when the trade receivable is more than 120 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customers' insolvency.

The Group and the Company measure the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Such lifetime expected credit losses are calculated using a provision matrix based on historical observed default rates (adjusted for forward-looking estimates). The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's and the Company's historical credit loss experience do not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the diversity of customer base.

The average credit loss rates were based on the payment profile of revenue over a period of 12 months and the corresponding historical credit losses experienced during the period. The rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The reconciliation of trade receivables' movements accumulated impairment losses of the Group and of the Company are as follows:-

	Group RM	Company RM
At 1 January 2018	5,926,172	3,670,000
Impairment loss during the year	26,155,721	5,327,335
At 31 December 2018	32,081,893	8,997,335
Reversal of impairment loss during the period	(11,499,209)	(1,269,700)
At 30 June 2020	20,582,684	7,727,635

9. RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

<u>**Factoring arrangement of trade receivables**</u>

During the financial period, the Group entered into a factoring arrangement which it sold certain trade receivables to a non-related structured entity. Total non-recourse factoring amount is RM88,860,226/- after interest of RM9,003,459/- with a repayment period of 12 months. The Group has reclassified these trade receivables to other receivables for the remaining outstanding amount.

(b) Other receivables

Other receivables are unsecured and non-interest bearing. The amount owing by other receivables mainly consist of advances which have no fixed repayment terms.

Included in the other receivables of the Group is an amount of RM88,860,226/- in relation to the factoring arrangement with a non-related structured entity.

The reconciliation of other receivables' movements in accumulated impairment losses of the Group and of the Company are as follows:-

	Group RM	Company RM
At 1 January 2018	-	-
Impairment loss during the year	2,474,156	-
At 31 December 2018	2,474,156	-
Impairment loss during the period	10,456,417	1,489,018
At 30 June 2020	12,930,573	1,489,018

(c) Deposits

(i) Included in deposits paid of the Group is an amount of RM22,642,650/- (2018: RM15,492,650/-) paid as refundable security deposits to third party to secure the projects.

(ii) Included in the deposits of the Group and of the Company is an amount of RM Nil (2018: RM1,410,327/-) paid as refundable security deposit to third party for the purchase of materials.

(iii) Included in deposits of the Group is an amount of RM129,870/- (2018: RM105,870/-) paid as tender deposits to third party.

10. INVENTORIES

	Group 2020 RM	Group 2018 RM
At cost		
Aluminium parts	1,816,332	2,061,310

During the financial period, the cost of inventories recognised as an expense in the Group amounted to RM8,058,285/- (2018: RM 8,708,397/-).

11. CONTRACT ASSETS/(CONTRACT LIABILITIES)

	Group	
	2020 RM	2018 RM
Contract assets	29,418,453	35,325,135
Less: Allowance for impairment	(5,090,394)	(2,087,785)
Contract assets, net	24,328,059	33,237,350
Contract liabilities, net	-	(4,156,353)

The construction revenue is recognised progressively based on the actual cost incurred to date on the construction projects as compared to the total budgeted cost for the respective projects.

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	
	2020 RM	2018 RM
Represented by:-		
Contract assets		
Aggregate construction contract costs incurred to date	398,900,928	551,067,051
Add: Attributable profits	154,776,097	160,276,492
	553,677,025	711,343,543
Less: Progress billings	(524,258,572)	(676,018,408)
	29,418,453	35,325,135
Less: Allowance for impairment	(5,090,394)	(2,087,785)
	24,328,059	33,237,350
Contract liabilities		
Aggregate construction contract costs incurred to date	-	59,058,638
Add: Attributable profits	-	11,575,755
	-	70,634,393
Less: Progress billings	-	(74,790,746)
	-	(4,156,353)

The reconciliation of contract assets' movements in accumulated impairment losses of the Group is as follows:-

	Group RM
At 1 January 2018	-
Impairment loss during the year	2,087,785
At 31 December 2018	2,087,785
Impairment loss during the period	3,002,609
At 30 June 2020	5,090,394

12. AMOUNT OWING BY/(TO) SUBSIDIARIES

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

	Company	
	2020 RM	2018 RM
Amount owing by subsidiaries		
Non-trade balances	207,307,843	123,695,265
Less: Accumulated impairment losses	(18,182,115)	-
	189,125,728	123,695,265
Amount owing to subsidiaries		
Non-trade balances	26,029,758	18,876,147

The reconciliation of amount owing by subsidiaries' movements in accumulated impairment losses of the Company is as follows:-

	Company RM
At 1 January 2018	179,050
Reversal of impairment loss during the year	(179,050)
At 31 December 2018	-
Impairment loss during the period	18,182,115
At 30 June 2020	18,182,115

13. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates of 1.85% to 4.82% (2018: 2.55% to 3.35%) per annum. Fixed deposits were pledged with licensed banks as security for banking facilities granted to the Group as disclosed in Note 18 to the financial statements.

14. CASH AND BANK BALANCES

	Group		Company	
	2020 RM	2018 RM	2020 RM	2018 RM
Cash on hand	9,447	31,864	-	-
Cash at banks	28,695,226	38,642,257	20,020,591	34,352,706
Short term investment funds	63,799	20,240,524	63,799	20,240,524
Total	28,768,472	58,914,645	20,084,390	54,593,230

15. SHARE CAPITAL

	Group and Company			
	2020		2018	
	Number of shares Unit	RM	Number of shares Unit	RM
Ordinary shares				
Issued and fully paid:-				
At 1 January	5,664,535,688	415,849,654	3,393,721,413	360,199,392
Ordinary shares issued via private placement	-	-	5,000,000	537,000
Renounceable rights issue with free warrants	-	-	2,265,814,275	55,113,262
Exercise of warrants	3,383	237	-	-
At 31 December	5,664,539,071	415,849,891	5,664,535,688	415,849,654

During the financial period, the issued and paid-up share capital increased from RM415,849,654/- to RM415,849,891/- by way of exercise new warrants by subscribing 3,383 new ordinary shares on the basis of one (1) new ordinary share at an exercise price of RM0.07.

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

16. 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.

	Group and Company	
	2020 RM	2018 RM
At 1 January	11,481,382	4,797,234
Rights issue with free warrant during the financial year	-	6,684,148
At 31 December	11,481,382	11,481,382

(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

Warrants 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 ("Warrants C") issued pursuant to the adjustments arising from the Right Issue with free warrants. On November 2015, 50,090,202 additional Warrants C issued pursuant to the adjustments arising from the Bonus Issue.

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

The movement of Warrants C is as follows:-

	Group and Company 2020 Unit	Group and Company 2020 RM
At 1 January 2019	360,527,848	-
Warrants exercised during the financial period	(3,383)	-
Unexercised warrant expired during the financial period	(360,524,465)	-
At 30 June 2020	-	-

On 22 January 2020, total unexercised warrant of 360,524,465 lapsed and ceased to be valid.

Warrants 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.

17. WARRANTS (CONTINUED)

Warrants D 2015/2020 (Continued)

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 Warrants D issued pursuant to the adjustments arising from the Bonus Issue with warrants. On 30 July 2018, 105,962,425 additional Warrants D issued pursuant to the adjustments arising from the Rights Issue with free warrants.

The movement of Warrants D is as follows:-

	Group and Company	
	2020	
	Unit	RM
At 1 January 2019/30 June 2020	346,786,726	4,797,234

Warrants 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 1,132,906,538 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 Warrants E is as follows:-

	Group and Company	
	2020	
	Unit	RM
At 1 January 2019/30 June 2020	1,132,906,538	6,684,148

18. LOANS AND BORROWINGS

	Note	Group 2020 RM	Group 2018 RM	Company 2020 RM	Company 2018 RM
Current					
Secured:-					
Bankers' acceptances	(a)	17,078,500	25,891,754	-	-
Bank overdrafts	(b)	1,494,980	697,023	-	-
Revolving credits	(c)	1,017,422	1,174,596	-	-
Hire purchase payables	19	177,011	717,229	-	-
Term loans	20	1,048,062	3,189,912	-	188,660
		20,815,975	31,670,514	-	188,660
Non-current					
Secured:-					
Hire purchase payables	19	326,397	769,489	-	-
Term loans	20	4,845,837	10,150,802	-	2,322,136
		5,172,234	10,920,291	-	2,322,136
Total loans and borrowings		25,988,209	42,590,805	-	2,510,796

(a) Interest rates on bankers' acceptances for the financial period range from 3.95% to 7.20% (2018: 5.20% to 7.95%) 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 period range from 8.10% (2018: 7.50% to 8.10%) per annum. The bank overdrafts 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 period range from 8.35% (2018: 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 undertakings of the Group; and

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

19. HIRE PURCHASE PAYABLES

	Note	Group 2020 RM	Group 2018 RM
Minimum hire purchase payments:-			
- not later than one year		230,788	778,345
- later than one year but not later than five years		319,846	839,070
		550,634	1,617,415
Less: Future finance charges		(47,226)	(130,697)
		503,408	1,486,718
Analysis of present value of hire purchases payables:-			
Current	18		
- not later than one year		177,011	717,229
Non-current	18		
- later than one year but not later than five years		326,397	769,489
Total hire purchase payables		503,408	1,486,718

Interest rates on the hire purchase payables for the financial period range from 3.39% to 6.45% (2018: 3.35% to 5.62%) per annum. The hire purchase payables are secured by way of charge over the leased assets as disclosed in Note 3(b) to financial statements.

20. TERM LOANS

	Note	Group 2020 RM	Group 2018 RM	Company 2020 RM	Company 2018 RM
Current	18				
Within the next twelve months		1,048,062	3,189,912	-	188,660
Non-current	18				
After the next twelve months:-					
- later than one year but not later than five years		901,908	4,420,570	-	852,956
- later than five years		3,943,929	5,730,232	-	1,469,180
		4,845,837	10,150,802	-	2,322,136
Total term loans		5,893,899	13,340,714	-	2,510,796

Interest rates on term loans for the financial period range from 4.90% to 7.50% (2018: 4.85% to 5.72%) per annum.

20. TERM LOANS (CONTINUED)

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 undertaking from the Group and the Company to assign proceeds from any future contracts to be financed by the banking facilities;

(v) irrecovable letter of undertaking 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. DEFERRED TAX LIABILITIES

		Group		Company	
	Note	2020 RM	2018 RM	2020 RM	2018 RM
At 1 January		(252,949)	(386,147)	-	(21,695)
Recognised in profit or loss	28	252,949	133,198	-	21,695
At 30 June/31 December		-	(252,949)	-	-
Presented after appropriate offsetting as follows:-					
Deferred tax liabilities		-	(252,949)	-	-

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

Deferred tax liabilities

	Property, plant and equipment	
	2020 RM	2018 RM
At 1 January	(252,949)	(386,147)
Recognised in profit or loss	39,100	133,198
At 30 June/31 December	(213,849)	(252,949)

Deferred tax assets

	Tax losses and capital allowances	
	2020 RM	2018 RM
At 1 January	-	-
Recognised in profit or loss	213,849	-
At 30 June/31 December	213,849	-

22. PAYABLES

	Group		Company	
	2020 RM	2018 RM	2020 RM	2018 RM
Non-current				
Trade payables	4,729,612	10,690,021	-	-
Current				
Trade payables	17,302,598	33,341,259	91,906	583,931
Other payables	1,016,848	9,735,577	137,137	742,695
Deposits	117,123	1,585,910	-	-
Accruals	1,072,792	2,104,430	96,000	536,306
	2,206,763	13,425,917	233,137	1,279,001
Total current payables	19,509,361	46,767,176	325,043	1,862,932
Total payables	24,238,973	57,457,197	325,043	1,862,932

The credit period granted to the Group for trade purchases ranges from 30 to 90 days (2018: 30 to 90 days). The currency of trade and other payables is entirely in Ringgit Malaysia.

Included in trade payables as at financial period end is retention sum of RM10,763,422/- (2018: RM14,331,743/-) relating to construction contracts. Retention sum is unsecured, interest-free and is expected to be collected as follows:-

	Group	
	2020 RM	2018 RM
Within 12 months	6,033,810	3,641,722
More than 1 year and less than 2 years	1,323,582	2,857,109
More than 2 years and less than 5 years	2,562,373	7,832,912
More than 5 years	843,657	-
	10,763,422	14,331,743

Analysis of retention sum on deferred payment terms with discount rate of 5.55% per annum, being the weighted average cost of capital of the Group is as follows:-

	Group	
	2020 RM	2018 RM
Nominal value	11,377,274	15,689,216
Discounted	(613,852)	(1,357,473)
	10,763,422	14,331,743

23. AMOUNT OWING TO A DIRECTOR

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

24. REVENUE

	Group 01.01.2019 to 30.06.2020 RM	Group 01.01.2018 to 31.12.2018 RM	Company 01.01.2019 to 30.06.2020 RM	Company 01.01.2018 to 31.12.2018 RM
Major products and service lines				
Construction services	33,639,532	60,691,106	-	-
Property development	36,022,058	-	-	-
Aluminium design and fabrication	30,798,916	56,355,369	-	-
Telecommunication engineering	10,557,522	4,200,437	6,339,846	2,115,216
Total	111,018,028	121,246,912	6,339,846	2,115,216
Timing and recognition:-				
- at point in time	17,026,336	11,073,899	6,339,846	2,115,216
- over time	93,991,692	110,173,013	-	-
Total	111,018,028	121,246,912	6,339,846	2,115,216

Transaction price allocated to remaining performance obligations

As of 30 June 2020, the aggregate amount of the transaction price allocated to remaining performance obligations is RM656,993,800/-. The Group will recognise this amount of revenue as performance obligations are satisfied, which is expected to occur over the next 3 years.

The Group applies the practical expedient in paragraph 121(a) of MFRS 15 and to not disclose information about remaining performance obligations that have original expected durations of one year or less.

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.	Credit period of 30 days from the invoice date.	Variation orders.	Not applicable.	Defect liability period up to 24 months is given to the contract customers.
Property development	Revenue from property development is recognised overtime using stage of completion method.	Credit period of 30 days from the invoice date.	Variation orders.	Not applicable.	Defect liability period up to 12 months is given after the property sold.
Aluminium design and fabrication	Revenue from contracts is recognised overtime using the cost incurred method.	Credit period of 30 to 90 days from the invoice date.	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	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.

25. OPERATING PROFIT/(LOSS)

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

	Group		Company	
	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM
After charging:-				
Auditors' remuneration	312,000	288,500	96,000	90,000
Depreciation of property, plant and equipment	2,702,813	3,282,893	926,388	667,043
Depreciation of right-of-use assets	708,470	-	-	-
Directors' remuneration:- (Note 26)				
- fees, salaries, allowances and bonuses	2,169,230	1,789,268	460,830	415,500
- Employees' Provident Fund and SOCSO	265,337	188,500	-	-
Impairment/(Reversal of impairment) losses on:-				
- goodwill	-	32,417,000	-	-
- trade receivables	(11,499,209)	26,155,721	(1,269,700)	5,327,335
- other receivables	10,456,417	2,474,156	1,489,018	-
- contract assets	3,002,609	2,087,785	-	-
- cost of investment in subsidiaries	-	-	24,540,000	31,777,000
- amount owing by subsidiaries	-	-	18,182,115	(179,050)
Loss on disposal of right-of-use assets	17,794	-	-	-
Loss/(Gain) on disposal of subsidiaries	-	7,977	-	(900)
Written off of:-				
- property, plant and equipment	119,116	48,184	-	-
- receivables - trade	574,271	843,695	-	-
- prepayment	10,000	-	-	-
Rental of machinery and vehicles #	168,584	110,770	-	-
Rental of office and warehouse #	287,829	930,529	-	-
Staff costs:-				
- salaries, wages and bonuses	8,226,699	8,576,155	293,894	454,193
- Employees' Provident Fund and SOCSO	1,109,473	1,103,069	36,832	110,662
- other related staff costs	262,227	295,993	-	-
Fair value loss on unit trust	4,992	-	-	-
And crediting:-				
Bad debts recovered	(13,005)	-	(13,005)	-
Dividend income	(554,079)	(230,210)	(554,079)	(230,210)
Fair value discount on payables	-	(1,357,473)	-	-
Fair value discount on receivables	(872,402)	2,397,220	-	-
Gain on disposal of property, plant and equipment	(2,998,555)	(246,031)	(1,035,442)	-
Interest income:-				
- unquoted bond	(190,000)	-	(190,000)	-
- others	(716,986)	(362,699)	(110,387)	(131,243)
Rental income	(66,200)	-	-	-
Waiver of debts	(404,668)	-	(404,668)	-

The Group leases machinery, vehicles, office and warehouse with contract term of 1 year. These leases are short-term and/or low value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

26. DIRECTORS' REMUNERATION

	Group		Company	
	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM
Executive Directors				
- salaries, allowances and bonuses	1,560,650	1,115,768	178,100	-
- fees	325,850	558,000	-	300,000
- others	265,337	188,500	-	-
Total	2,151,837	1,862,268	178,100	300,000
Non-Executive Directors				
- fees	282,730	115,500	282,730	115,500
- others	-	-	-	-
	282,730	115,500	282,730	115,500
Total	2,434,567	1,977,768	460,830	415,500

27. FINANCE COSTS

	Group		Company	
	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM
Interest expenses on:-				
- bank overdrafts	141,713	69,214	5	6,593
- fair value discount on receivables	-	2,397,220	-	-
- fair value discount on payables	743,621	-	-	-
- fair value discount on bond	-	31,257	-	31,257
- hire purchase payables	83,063	94,572	-	-
- term loans	724,778	904,953	51,555	128,012
- bankers' acceptances and revolving credits	1,657,947	1,623,554	2,534	12,372
- lease liabilities	66,246	-	-	-
- factoring	9,003,459	-	-	-
Total	12,420,827	5,120,770	54,094	178,234

28. TAXATION

	Note	Group		Company	
	Note	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM
Income tax					
- current period/year		2,507,822	841,743	447,953	86,750
- (over)/under accrual in prior years		(107,534)	(450,461)	(83,431)	139,612
		2,400,288	391,282	364,522	226,362
Deferred tax	21				
- current period/year		-	1,925	-	(21,695)
- over accrual in prior years		(252,949)	(135,123)	-	-
		(252,949)	(133,198)	-	(21,695)
		2,147,339	258,084	364,522	204,667

28. TAXATION (CONTINUED)

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

	Group		Company	
	01.01.2019 to 30.06.2020 RM	**01.01.2018 to 31.12.2018 RM**	**01.01.2019 to 30.06.2020 RM**	**01.01.2018 to 31.12.2018 RM**
Profit/(Loss) before taxation	7,431,291	(74,707,023)	(40,092,146)	(40,083,800)
Taxation at applicable tax rate of 24%	1,783,510	(17,929,686)	(9,622,115)	(9,620,112)
Tax effects arising from:-				
- expenses not deductible for tax purposes	1,419,738	17,461,765	10,774,589	9,219,585
- non-taxable income	(644,819)	(3,636)	(381,484)	-
- deferred tax assets not recognised	745,810	1,315,225	-	465,582
- utilisation of deferred tax assets previously not recognised	(796,417)	-	(323,037)	-
- (over)/under accrual in prior years:-				
- income tax	(107,534)	(450,461)	(83,431)	139,612
- deferred tax	(252,949)	(135,123)	-	-
Tax for the financial period/year	2,147,339	258,084	364,522	204,667

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

	Group		Company	
	01.01.2019 to 30.06.2020 RM	**01.01.2018 to 31.12.2018 RM**	**01.01.2019 to 30.06.2020 RM**	**01.01.2018 to 31.12.2018 RM**
Property, plant and equipment	-	-	-	(42,147)
Unutilised capital allowance carry forward	54,188	4,376,099	-	-
Unabsorbed lossess carry forward	19,708,177	15,597,130	-	1,388,135
	19,762,365	19,973,229	-	1,345,988
Potential deferred tax assets not recognised	4,742,968	4,793,575	-	323,037

29. EARNINGS/(LOSS) PER ORDINARY SHARE

(a) Basic earnings/(loss) per share

	Group	
	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM
Net profit/(loss) attributable to owners of the parent	4,373,865	(68,736,998)
Number of shares as at 1 January	5,664,535,688	3,393,721,413
Effect of:-		
- ordinary shares issued via private placement	-	4,583,333
- renounceable rights issue with free warrants	-	755,271,425
- exercise of warrants	1,492	-
Weighted average number of ordinary shares as at 30 June/31 December	5,664,537,180	4,153,576,171
Basic earnings/(loss) per ordinary share (sen)	0.08	(1.65)

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

(b) Diluted earnings/(loss) per share

The Group has no potential ordinary shares issued as at reporting date and therefore, diluted loss per share equals basic profit/(loss) per ordinary share.

30. CONTINGENT LIABILITIES

The Company provides corporate guarantees up to a total amount of RM38,404,000/- (2018: RM83,850,000/-) to licensed banks for banking facilities granted to certain subsidiaries. Accordingly, the Company is contingently liable to the extent of the facilities utilised.

31. 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;
(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; and
(iv) Directors' related companies refer to companies in which directors of the Company have substantial financial interest.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party transactions

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

	Group		Company	
	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM
Related companies				
Purchase of goods	(30,706,567)	-	-	-
Contract revenue	70,987,862	-	1,957,000	-
Rental income	331,737	-	-	-
Subsidiaries				
Purchase of goods/services	(1,768,755)	(1,059,058)	-	-
Sales of goods/services	1,844,755	1,059,058	1,393,694	-
Rental income	20,000	-	-	-
Rental expense	(20,000)	-	-	-
Disposal of fixed assets	(889,212)	-	-	-
Purchase of fixed assets	889,212	-	-	-
Consultancy fee	(76,000)	-	-	-

(c) Key management personnel remuneration

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

	Group		Company	
	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM
Salaries, allowances and bonuses	1,560,650	1,115,768	178,100	-
Fees	325,850	558,000	-	300,000
Others	265,337	188,500	-	-
Total	2,151,837	1,862,268	178,100	300,000

Included in the key management personnel is:-

	Group		Company	
	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM
Directors' remuneration	2,151,837	1,862,268	178,100	300,000

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

32. 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;
(c) Aluminium design and fabrication;
(d) Construction services and property development; 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, interest income, and income tax expense and non-cash expenses. 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.

	Investment Holding RM	Telecom-munication engineering RM	Aluminium design and fabrication RM	Construction services and property development RM	Others RM	Eliminations RM	Note	Consolidated RM
Group								
2020								
Revenue								
External sales	-	10,557,522	30,798,916	69,661,590	-	-		111,018,028
Inter-segment sales	-	1,528,472	-	316,283	-	(1,844,755)	(a)	-
Total revenue	-	12,085,994	30,798,916	69,977,873	-	(1,844,755)		111,018,028

32. SEGMENT REPORTING (CONTINUED)

	Investment Holding RM	Telecom-munication engineering RM	Aluminium design and fabrication RM	Construction services and property development RM	Others RM	Eliminations RM	Note	Consolidated RM
Group								
2020								
Results								
Segment results	-	(98,870,620)	3,099,605	15,876,045	-	100,643,753	(a)	20,748,783
Depreciation of property, plant and equipment	-	(1,146,663)	(860,245)	(695,905)	-	-		(2,702,813)
Depreciation of right-of-use assets	-	(54,027)	(437,763)	(216,680)	-	-		(708,470)
Finance costs	-	(532,017)	(4,159,771)	(7,729,039)	-	-		(12,420,827)
Income tax expenses	-	(340,419)	252,949	(2,059,869)	-	-		(2,147,339)
Interest income	-	486,177	380,870	39,939	-	-		906,986
Other non-cash expenses (Note 32(i))	-	58,831,378	(419,730)	1,160,695	-	(57,964,711)	(a)	1,607,632
Profit for the financial period								5,283,952
Assets								
Segment assets	144,620,850	286,890,601	75,888,252	249,442,978	2,716	(380,953,556)	(b)	375,891,841
Goodwill	146,412,540	-	-	-	-	-		146,412,540
Tax recoverable	-	47,000	-	354,199	-	-		401,199
Consolidated total assets								522,705,580
Other information								
Additions to property, plant and equipment	-	1,001,970	83,076	14,310	-	(800,000)	(a)	299,356
Liabilities								
Segment liabilities	-	35,289,042	25,626,397	181,341,843	7,500	(217,177,719)	(c)	25,087,013
Loans and borrowings	-	2,028,524	11,414,814	12,544,871	-			25,988,209
Tax payables	-	144,061	146,235	-	-			290,296
Consolidated total liabilities								51,365,518

32. SEGMENT REPORTING (CONTINUED)

	Investment Holding RM	Telecom-munication engineering RM	Aluminium design and fabrication RM	Construction services and property development RM	Others RM	Eliminations RM	Note	Consolidated RM
Group								
2018								
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	-	(5,264,366)	929,734	(401,584)	149	(15,146)	(a)	(4,751,213)
Depreciation of property, plant and equipment	-	(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
Other non-cash expenses (Note(i))	-	(38,333,841)	(2,911,200)	(20,893,055)	-	(292,918)	(a)	(62,431,014)
Loss for the financial year								(74,965,107)
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

32. SEGMENT REPORTING (CONTINUED)

	Construction services RM	Property development RM	Total RM	Eliminations RM	Note	Consolidated RM
Group						
2020						
Revenue						
External sales	33,639,532	36,022,058	69,661,590	-		69,661,590
Inter-segment sales	316,283	-	316,283	(316,283)	(a)	-
Total revenue	33,955,815	36,022,058	69,977,873	(316,283)		69,661,590
Profit for the financial period	2,485,629	3,889,557	6,375,186	-		6,375,186
2018						
Revenue						
External sales	60,691,106	-	60,691,106	-		60,691,106
Inter-segment sales	1,184,751	-	1,184,751	(1,184,751)	(a)	-
Total revenue	61,875,857	-	61,875,857	(1,184,751)		60,691,106
Profit for the financial year	(25,496,872)	-	(25,496,872)	280,386	(a)	(25,216,486)

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.

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

i. Other non-cash expenses consist of the following items:-

	Group 01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM
Impairment/(Reversal of impairment) losses on:-		
- goodwill	-	32,417,000
- trade receivables	(11,499,209)	26,155,721
- other receivables	10,456,417	2,474,156
- contract assets	3,002,609	2,087,785
Loss on disposal of subsidiaries	-	7,977
Loss on disposal of right-of-use assets	17,794	-
Gain on disposal of property, plant and equipment	(2,998,555)	(246,031)
Written off:-		
- property, plant and equipment	119,116	48,184
- bad debts - trade	574,271	843,695
- prepayments	10,000	-
Bad debt recovery	(13,005)	-
Fair value discount on retention sum payables	-	(1,357,473)
Fair value discount on retention sum receivables	(872,402)	-
Waiver of debts	(404,668)	-
Total	(1,607,632)	62,431,014

32. SEGMENT REPORTING (CONTINUED)

Geographical segments

No information is prepared on the geographical segments as the Group's entities are solely operated in Malaysia.

Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:-

	Revenue		Segment
	2020 RM	2018 RM	
Customer A	3,745,285	5,134,676	Construction services and property development
Customer B	18,968,683	16,478,516	Construction services
Customer C	11,663,294	13,816,734	Construction services
Customer D	941,600	21,662,917	Construction services
	69,030,862	57,092,843	

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:-

(i) Financial assets measured at amortised cost
(ii) Financial asset measured at fair value through profit or loss
(iii) Financial liabilities measured at amortised cost

	Carrying amounts RM	Financial assets at amortised cost RM	Financial asset at fair value through profit or loss RM	Financial liabilities at amortised cost RM
Group				
2020				
Financial assets				
Other investments	4,660,404	3,158,743	1,501,661	-
Finance receivables	6,895,346	6,895,346	-	-
Receivables	285,151,457	285,151,457	-	-
Contract assets	24,328,059	24,328,059	-	-
Fixed deposits with licensed banks	6,626,582	6,626,582	-	-
Cash and bank balances	28,768,472	28,768,472	-	-
	356,430,320	354,928,659	1,501,661	-
Financial liabilities				
Payables	24,238,973	-	-	24,238,973
Lease liabilities	833,040	-	-	833,040
Amount owing to a director	15,000	-	-	15,000
Loans and borrowings	25,988,209	-	-	25,988,209
	51,075,222	-	-	51,075,222

33. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	Carrying amounts RM	Financial assets at amortised cost RM	Financial asset at fair value through profit or loss RM	Financial liabilities at amortised cost RM
Company				
2020				
Financial assets				
Other investment	3,158,743	3,158,743	-	-
Receivables	14,269,008	14,269,008	-	-
Amount owing by subsidiaries	189,125,728	189,125,728	-	-
Cash and bank balances	20,084,390	20,084,390	-	-
	226,637,869	226,637,869	-	-
Financial liabilities				
Payables	325,043	-	-	325,043
Amount owing to subsidiaries	26,029,758	-	-	26,029,758
	26,354,801	-	-	26,354,801

	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	-
Receivables	279,925,760	279,925,760	-
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	-
	395,561,189	395,561,189	-
Financial liabilities			
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	-
Receivables	47,103,890	47,103,890	-
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	-
	231,202,155	231,202,155	-

33. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	Carrying amounts RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM
Company			
2018			
Financial liabilities			
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

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

	Group		Company	
	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM	01.01.2019 to 30.06.2020 RM	01.01.2018 to 31.12.2018 RM
Net (gains)/losses on:-				
Financial assets at amortised cost	(906,986)	(362,699)	(300,387)	(131,243)
Financial asset at fair value through profit or loss	4,992	-	-	-
Financial liabilities at amortised cost	12,420,827	5,120,770	54,094	178,234
	11,518,833	4,758,071	(246,293)	46,991
Net (gains)/losses on impairment of financial assets:-				
Financial assets at amortised cost	(481,526)	29,473,572	19,671,133	5,148,285
Contract assets at amortised cost	3,002,609	2,087,785	-	-

(c) Financial risk management

The activities of the Group are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk and other price risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

(i) Credit risk

The Group's exposures to credit risk arises mainly from receivables, finance receivables, contract assets and deposits placed with financial institutions. The Company's exposures to credit risk arises mainly from receivables. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statements of financial position.

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.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables and contract assets (Continued)

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 30 June 2020, the Group and the Company have significant concentration of credit risk in the form of outstanding amount of approximately RM110,847,438/- and RM16,953,671/- respectively (2018: RM128,502,657/- and RM21,141,485/- respectively) due from six (6) and four (4) trade receivables respectively which represents 73% and 81% (2018: 63% and 98% respectively) of the total trade receivables of the Group and of the Company. 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 and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk are monitored individually.

Expected credit losses ("ECL") assessment for trade receivables and contract assets

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.

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

	Gross carrying amount RM	Loss allowance RM	Net balance RM
Group			
2020			
Trade receivables			
Current (not past due)	21,858,926	787,167	21,071,759
1 to 30 days past due	4,952,714	310,943	4,641,771
31 to 60 days past due	1,809,739	108,584	1,701,155
61 to 90 days past due	2,167,409	195,067	1,972,342
	30,788,788	1,401,761	29,387,027
Credit impaired			
More than 90 days past due	121,200,691	19,180,923	102,019,768
	151,989,479	20,582,684	131,406,795
Contract assets	29,418,453	5,090,394	24,328,059
2018			
Trade receivables			
Current (not past due)	32,872,091	-	32,872,091
1 to 30 days past due	7,350,833	-	7,350,833
31 to 60 days past due	4,529,426	273,122	4,256,304
61 to 90 days past due	8,136,586	1,633,660	6,502,926
	52,888,936	1,906,782	50,982,154
Credit impaired			
More than 90 days past due	212,238,816	30,175,111	182,063,705
	265,127,752	32,081,893	233,045,859
Contract assets	35,325,135	2,087,785	33,237,350

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables and contract assets (Continued)

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

During the financial period, the Group and the Company recognised a reversal of ECLs of RM11,499,209/- and RM1,269,700/- for trade receivables as disclosed in Note 9(a) to the financial statements.

During the financial period, the Group recognised RM3,002,609/- (2018: RM2,087,785/-) of ECLs for contract assets as disclosed in Note 11 to the financial statements.

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 period, the Group and the Company recognised RM10,456,417/- and RM1,489,018/- (2018: RM2,474,156/- and RM Nil), respectively, of ECLs for other receivables as disclosed in Note 9(b) to the financial statements.

Inter-company balances

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

Credit risk and impairment losses for inter-company balances

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.

Expected credit loss of inter-company loans and advances are determined individually after considering the financial strength, payment patterns and expected default rate of the inter-company. During the financial period, the Company recognised RM18,182,115/- of ECLs for inter-company loans and advances as disclosed in Note 12 to the financial statements.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. 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.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

33. 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 and the Company actively manage 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:-

	Carrying amounts RM	Contratual interest rate/ Discount rate	Contractual undiscounted cash flows RM	On Demand or Within 1 Year RM	1 - 5 Years RM	More than 5 Years RM
Group						
2020						
Financial liabilities						
Payables	24,238,973	-	24,238,973	19,509,361	3,885,955	843,657
Amount due to a director	15,000	-	15,000	15,000	-	-
Hire purchase payables	503,408	3.39% - 6.45%	550,634	230,788	319,846	-
Term loans	5,893,899	4.90% - 7.50%	6,204,770	1,048,062	901,908	3,943,929
Other bank borrowings	19,590,902	3.95% - 8.35%	19,796,950	19,590,902	-	-
Lease liabilities	833,040	5.00%	874,692	450,287	382,753	-
	51,075,222		51,681,019	40,844,400	5,490,462	4,787,586
2018						
Financial liabilities						
Payables	57,457,197	-	57,457,197	46,767,176	10,690,021	-
Contract liabilities	4,156,353	-	4,156,353	4,156,353	-	-
Hire purchase payables	1,486,718	3.35% - 5.62%	1,617,415	778,345	839,070	-
Term loans	13,340,714	4.85% - 5.72%	14,187,319	3,189,912	4,420,570	5,730,232
Other bank borrowings	27,763,373	5.20% - 8.10%	27,907,927	27,763,373	-	-
	104,204,355		105,326,211	82,655,159	15,949,661	5,730,232

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

Maturity analysis (Continued)

	Carrying amounts RM	Contratual interest rate/ Discount rate	Contractual undiscounted cash flows RM	On Demand or Within 1 Year RM	1 - 5 Years RM	More than 5 Years RM
Company						
2020						
Financial liabilities						
Payables	325,043	-	325,043	325,043	-	-
Amount owing to subsidiaries	26,029,758	-	26,029,758	26,029,758	-	-
Financial guarantees	-	-	38,404,000	38,404,000	-	-
	26,354,801		64,758,801	64,758,801	-	-
2018						
Financial liabilities						
Payables	1,862,932	-	1,862,932	1,862,932	-	-
Amount owing to subsidiaries	18,876,147	-	18,876,147	18,876,147	-	-
Term loans	2,510,796	4.85% - 6.85%	2,682,786	188,660	852,956	1,469,180
Financial guarantees	-	-	83,850,000	83,850,000	-	-
	23,249,875		107,271,865	104,777,739	852,956	1,469,180

(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.

	2020		2018	
	Effective interest rate %	Carrying amounts RM	Effective interest rate %	Carrying amounts RM
Group				
Financial asset				
Fixed deposits with licensed banks	1.85 - 4.82	6,626,582	2.55 - 3.35	9,783,482

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(iii) Interest rate risk (Continued)

	2020		2018	
	Effective interest rate %	Carrying amounts RM	Effective interest rate %	Carrying amounts RM
Group				
Financial liabilities				
Bankers' acceptances	3.95 - 7.20	17,078,500	5.20 -7.95	25,891,754
Bank overdrafts	8.10	1,494,980	7.50 - 8.10	697,023
Revolving credits	8.35	1,017,422	7.00 - 7.50	1,174,596
Hire purchase payables	3.39 - 6.45	177,011	3.35 - 5.62	717,229
Term loans	4.90 - 7.50	5,893,899	4.85 - 5.72	13,340,714
Company				
Financial asset				
Fixed deposits with licensed banks	-	-	2.55	2,841,027
Financial liability				
Term loans	-	-	4.85	2,510,796

<u>Sensitivity analysis for interest rate</u>

As the Group and the Company do not account for its fixed rate financial instruments at fair value through profit or loss, any changes in interest rates at the end of reporting year would not affect its profit or loss. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group		Company	
	(Decrease)/ Increase in Profit or Loss 2020 RM	(Decrease)/ Increase in Profit or Loss 2018 RM	(Decrease)/ Increase in Profit or Loss 2020 RM	(Decrease)/ Increase in Profit or Loss 2018 RM
Increase in interest rate by 5%	(280,777)	(533,434)	-	(95,410)
Decrease in interest rate by 5%	280,777	533,434	-	95,410

(iv) Other price risk

The Group's exposure to other price risk arises mainly from other investment. The Group manages its exposure to other price risk by maintaining a portfolio of debt securities and equities with different risk profiles. Reports on the investment portfolio are submitted to the Group's senior management on a regular basis.

The following table demonstrates the sensitivity of profit or loss to reasonably possible price movements in other investments, with all other variables held constant:-

	Group	
	(Decrease)/ Increase in Profit or Loss 2020 RM	(Decrease)/ Increase in Profit or Loss 2018 RM
Increase in price by 10%	114,126	-
Decrease in price by 10%	(114,126)	-

33. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value information

The carrying amounts of short term receivables and payables and cash and cash equivalents approximate their fair values due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The table below analyses the fixed rate current financial instruments carried at fair value is disclosed, together with its fair value and carrying amount shown in the statements of financial position:-

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value				
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
Group								
2020								
Financial assets								
Other investments	1,501,661	-	-	-	3,190,000	-	4,691,661	4,660,404
Retention sum (trade receivable)	-	-	-	-	-	18,206,138	18,206,138	15,363,920
	1,501,661	-	-	-	3,190,000	18,206,138	22,897,799	20,024,324
Financial liabilities								
Hire purchase payables	-	-	-	-	-	550,634	550,634	503,408
Retention sum (trade payable)	-	-	-	-	-	11,377,274	11,377,274	10,763,422
	-	-	-	-	-	11,927,908	11,927,908	11,266,830
2018								
Financial assets								
Other investment	-	-	-	-	3,000,000	-	3,000,000	2,968,743
Retention sum (trade receivable)	-	-	-	-	-	32,252,607	32,252,607	28,100,943
	-	-	-	-	3,000,000	32,252,607	35,252,607	31,069,686
Financial liabilities								
Hire purchase payables	-	-	-	-	-	1,617,415	1,617,415	1,486,718
Retention sum (trade payable)	-	-	-	-	-	15,689,216	15,689,216	14,331,743
	-	-	-	-	-	17,306,631	17,306,631	15,818,461

33. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value information (Continued)

The table below analyses the fixed rate current financial instruments carried at fair value is disclosed, together with its fair value and carrying amount shown in the statements of financial position:- (Continued)

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value				
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
Company								
2020								
Financial asset								
Other investment	-	-	-	-	3,190,000	-	3,190,000	3,158,743
2018								
Financial asset								
Other investment	-	-	-	-	3,000,000	-	3,000,000	2,968,743

<u>Fair Value Hierarchy</u>

<u>Level 1 fair value</u>

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.

<u>Level 2 fair value</u>

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 period.

<u>Level 3 fair value</u>

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.

Type of financial instruments	Description of valuation technique and inputs used
Retention 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

34. 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 maximises 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 period ended 30 June 2020.

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	
	2020 RM	**2018 RM**	**2020 RM**	**2018 RM**
Payables	24,238,973	57,457,197	325,043	1,862,932
Contract liabilities	-	4,156,353	-	-
Lease liabilities	833,040	-	-	-
Amount owing to a director	15,000	-	-	-
Loans and borrowings	25,988,209	42,590,805	-	2,510,796
Total debts	51,075,222	104,204,355	325,043	4,373,728
Equity attributable to owners of the parent	452,097,273	447,723,171	384,013,821	424,470,252
Capital and total debts	503,172,495	551,927,526	384,338,864	428,843,980
Gearing ratio	10.2%	18.9%	0.1%	1.0%

35. MATERIAL LITIGATION

(a) Legal suit with Coneff Corporation Sdn. Bhd.

Kuala Lumpur High Court Suit WA-24C(ARB)-26-06/2019 - Coneff Corporation Sdn. Bhd ("Coneff"). vs Vivocom Enterprise Sdn. Bhd. ("VESB")

Instituted by Coneff against VESB for alleged damages and rectification works for a sum of RM59,387,164/- for the D'idaman project. VESB lodged a counterclaim against Coneff for a sum of RM62,526,288.75 being certified sums, damages, loss of profit and etc.

The arbitration is fixed for hearing on 13, 14, 15, 20, 21, 22 October 2020 but vacated due to CMCO. No new hearing dates as yet.

The solicitors acting for VESB is of the opinion that VESB has a viable case for the following claims:-

i. The sum of RM24,028,725.56 + RM1,441,723.53 constituting 6% GST thereon as this sum was certified;
ii. The sum of RM3,509,550.77 exclusive of GST is also payable as there is no dispute on the sum within 3 months from receipt of the final account on 24 May 2017 + 6% GST;
iii. The sum of RM278,388.32 for rental of sheet piles at the site on behalf of the Claimant from 1 March 2017 to 30 September 2017 were incurred on behalf of Coneff.
iv. Interest on the above amounts calculated at the rate of Maybank Base Lending Rate + 1% until the full and final settlement of the sums pursuant to clause 30.17 of the PAM 2006 agreement.

Solicitors are also of the opinion that the claims are reasonably strong as Coneff breached the Letter of Award ("LOA") by failing to provide VESB with the security documents to the tune of RM80,000,000/-.

35. MATERIAL LITIGATION (CONTINUED)

(b) <u>Legal suit with Khas Corporation Sdn. Bhd.</u>

Shah Alam High Court Originating Summons No.BA-24C-47-04/2019 – Neata Aluminium (Malaysia) Sdn. Bhd. ("Neata") vs Khas Corporation Sdn. Bhd. ("Khas") & Leadmont Development Sdn. Bhd. ("Leadmont") ("Suit 47")

Instituted by Neata against Khas and Leadmont for permission to enforce an Adjudication Decision dated on 31 May 2018 for a sum of approximately RM1,526,221.65/-. The court refused to grant permission to enforce the Adjudication Decision as all parties had already settled the whole matter (including Khas counterclaim against Neata) via a Tripartite Settlement Agreement ("TSA") dated on 30 November 2018. Court found that Neata must sue on the TSA and that Khas has no more counterclaim against Neata because of TSA.

The matter was struck off on 10 September 2019.

Shah Alam High Court Civil Suit Writ No.BA-22C-39-09/2019 – Neata Aluminium (Malaysia) Sdn. Bhd. ("Neata") vs Leadmont Development Sdn. Bhd. ("Leadmont") and Khas Corporation Sdn. Bhd. ("Khas")

Instituted by Neata against Khas and Leadmont based on the TSA stated in Suit 47 for RM1,938,366/- which is the Adjudication Sum, plus adjudication costs and interest minus RM5,000/- costs awarded in Suit 47. Khas filed a counterclaim despite the decision in Suit 47 but the matter was settled.

On 5 August 2020, Neata and Khas recorded a consent judgement that Khas will pay Neata RM1,938,366/- by instalments of RM25,000/- per month, beginning from end of August 2020 and payable on the last day of each subsequent month. If Khas defaults on any instalments, then the whole sum will become immediately due and payable. Khas also agreed to bear the cost of RM5,000/- and withdrew its counterclaims without liberty to file afresh. The matter cannot proceed against Leadmont as there is a moratorium currently in place owing an application for a Judicial Management Order under Section 404 of the Companies Act, 2016. As such the matter will be withdrawn with liberty to file afresh against Leadmont and Neata may file a proof of debt with the Receivers and Managers of Leadmont if the Judicial Management Order is granted.

(c) <u>Legal suit with Castmet Sdn. Bhd. ("Castmet") and Tujuan Gemilang Sdn. Bhd. ("Tujuan")</u>

Shah Alam High Court Civil Suit Writ No.BA-22C-31-09/2020 – Neata Aluminium (Malaysia) Sdn. Bhd. ("Neata") vs Castmet Sdn. Bhd. ("Casmet") and Tujuan Gemilang Sdn. Bhd. ("Tujuan") (Suit No.31)

Neata is claiming against both Castmet Sdn. Bhd. ("Castmet") and Tujuan Gemilang Sdn. Bhd. ("Tujuan"). Castmet for work done in the project at PT48541, Persiaran Bestari, Cyber 10, Cyberjaya, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan in sum of RM648,092.94/- for Phase being payment for certificate no.24 in Phase III and RM705,662.60/- being the retention sum for Phase I, II and III.

The matter is fixed for case management on 11 November 2020.

35. MATERIAL LITIGATION (CONTINUED)

(d) <u>Legal suit with China Construction Yangtze River (Malaysia) Sdn. Bhd.</u>

Adjudication proceedings by Neata Aluminium (Malaysia) Sdn. Bhd. ("Neata") against China Construction Yangtze River (Malaysia) Sdn. Bhd. ("CCYMSB")

Neata has issued a Notice of Adjudication under the CIPAA dated on 2 March 2020 against CCYMSB for RM2,629,147.21/- and interest thereon for the Harbor City Melaka.

An Adjudicator cannot be appointed because there is currently no director of the Asian International Arbitration Centre.

(e) <u>Legal suit with Paramount Promenade Sdn. Bhd.</u>

Adjudication proceedings by Neata Aluminium (Malaysia) Sdn. Bhd. ("Neata") against Paramount Promenade Sdn. Bhd. ("Paramount")

Neata has issued a Notice of Adjudication under the CIPAA dated on 6 May 2020 against Paramount for RM543,645.74/- and interest thereon for project.

An Adjudicator cannot be appointed because there is currently no director of the Asian International Arbitration Centre.

36. SIGNIFICANT EVENT

On 30 December 2019, Vivocom Enterprise Sdn. Bhd. ("VESB"), an indirect 78.6%-owned subsidiary of the Company has entered into a Joint Development Agreement ("JDA") with Handy Goals Development Sdn. Bhd. ("HGDSB") for the development and completion of an ongoing residential development comprising fourteen (14) units of bungalows on a piece of freehold land measuring approximately 10,385 square metres held under Geran 122954, Lot 1703, Pekan Baru Sungai Besi, Daerah Petaling, Selangor.

37. SUBSEQUENT EVENT

On 23 July 2020, the Company made an announcement on the Proposed Share Consolidation of every 10 existing ordinary shares in Vivocom ("Vivocom share(s)") into 1 Vivocom share ("consolidated share(s)") ("Proposed Share Consolidation").

38. CHANGES IN ACCOUNTING POLICIES

During the financial period, the Group and the Company adopted MFRS 16, Leases 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 16, the Group and the Company have elected not to restate the comparatives.

MFRS 16 adoption

During the period, the Group and the Company adopted MFRS 16.

38. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 16 adoption (Continued)

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, Determining whether an Arrangement contains a Lease were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 5.00%. Right-of-use assets are measure at either:-

- their carrying amount as of MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:-

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognised right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- adjusted the right-of-use assets by the amount of provision for onerous contract under MFRS 137 immediately before the date of initial application, as an alternative to an impairment review.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

Impact on the financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The effects on adoption MFRS 16 are disclose in Note 4 to the financial statements.

Analysis of Shareholdings

As At 30 September 2020

Total number of issued shares	:	5,664,539,071
Class of shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	2,020	10.3	103,021	0.0
100 - 1,000	919	4.7	459,468	0.0
1,001 - 10,000	3,347	17.0	18,387,204	0.3
10,001 - 100,000	8,665	44.0	391,504,577	6.9
100,001 and below 5%	4,728	24.0	3,380,681,854	59.7
5% and above	2	0.0	1,873,402,947	33.1
TOTAL	**19,681**	**100.0**	**5,664,539,071**	**100.0**

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest	%	Deemed Interest	%
Dato' Seri Chia Kok Teong	1,305,169,346	23.0	-	-
Ang Li-Hann	568,233,601	10.0	-	-

DIRECTORS' SHAREHOLDING

Name	Direct Interest	%	Deemed Interest	%
Ar. Lim Tong Hock	-	-	-	-
Dato' Seri Chia Kok Teong	1,305,169,346	23.0	-	-
David Hah Wei Onn	-	-	-	-
Choo Seng Choon	-	-	-	-
Dato' Azahar bin Rasul	-	-	-	-
Tay Mun Kit	-	-	-	-

LIST OF 30 LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DATO' SERI CHIA KOK TEONG	1,262,169,346	22.3
2	ANG LI-HANN	568,233,601	10.0
3	FAN RUEY YIN	178,751,601	3.2
4	NG KIM KEONG	76,747,333	1.4
5	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD *[EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)]*	64,956,500	1.1
6	LAI WEE KIAT	57,000,000	1.0
7	AMSEC NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR JEGA DEVAN A/L M NADCHATIRAM]*	43,416,600	0.8
8	MATHIALAGAN A/L SENGKOTTYAN	36,125,000	0.6
9	HA MUN KEET	32,533,333	0.6
10	MOHAMMAD SOBRI BIN SAAD	29,900,000	0.5
11	LIM YUEN SING	25,050,000	0.4
12	CHEONG SOO HAN	23,250,000	0.4
13	WONG MEI SUN	22,450,000	0.4
14	TAN AUN AUN	22,250,000	0.4
15	CHIA SOON HOOI	21,263,416	0.4
16	GAN CHOON HOCK	20,300,000	0.4
17	LAI SIEW MIN	17,200,000	0.3
18	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR NG BOON SING (SS2 PJ-CL)]*	15,830,000	0.3
19	LOW JU-LIEN	15,500,000	0.3
20	LEM WAN CHONG @ LIM CHOON CHEE	15,208,333	0.3
21	CIMSEC NOMINEES (ASING) SDN BHD *[CIMB FOR TOSHIHIKO SAITO (PB)7]*	14,805,000	0.3
22	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR NG L' YP-HAU]*	14,700,041	0.3
23	LAU HOOI LIN	13,000,000	0.2
24	CHOW CHIN SIONG	12,509,500	0.2
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR THONG KOK WAN]*	12,266,100	0.2
26	KENANGA NOMINEES (TEMPATAN) SDN BHD *[RAKUTEN TRADE SDN BHD FOR NG BOON SING]*	11,920,000	0.2
27	PNEH TEE KOON	11,000,000	0.2
28	TA NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR CHOR SEK CHOON]*	11,000,000	0.2
29	TA NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR ONG CHIEW KEE]*	11,000,000	0.2
30	SIM SWEE YOKE	10,660,000	0.2

Analysis of Warrantholdings

Warrant E 2018/2023 As at 30 September 2020

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

DISTRIBUTION OF WARRANTHOLDINGS

	No. of holders	%	No. of Warrants	%
Less than 100	557	10.7%	27,784	0.0%
100 - 1,000	161	3.1%	88,752	0.0%
1,001 - 10,000	1,304	25.1%	7,609,092	0.7%
10,001 - 100,000	2,385	45.9%	94,501,208	8.3%
100,001 and below 5%	787	15.2%	664,599,114	58.7%
5% and above	2	0.0%	366,080,588	32.3%
TOTAL	**5,196**	**100.0%**	**1,132,906,538**	**100.0%**

DIRECTORS' WARRANTHOLDING

Name	Direct Interest	%	Deemed Interest	%
Ar. Lim Tong Hock	-	-	-	-
Dato' Seri Chia Kok Teong	-	-	-	-
David Hah Wei Onn	-	-	-	-
Choo Seng Choon	-	-	-	-
Dato' Azahar bin Rasul	-	-	-	-
Tay Mun Kit	-	-	-	-

LIST OF 30 LARGEST WARRANT E HOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	GOLDEN OASIS RESOURCES SDN BHD	252,433,868	22.3%
2	ANG LI-HANN	113,646,720	10.0%
3	KENANGA NOMINEES (TEMPATAN) SDN BHD *[RAKUTEN TRADE SDN BHD FOR KOH HENG FAI]*	34,880,000	3.1%
4	SJ SEC NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR LAU YAU YAN (SMT)]*	29,000,000	2.6%
5	CHIA KOK CHIN	23,837,750	2.1%
6	HONG TEEK LEE	20,001,000	1.8%
7	KENANGA NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR JASON CHING CHOU-YI]*	17,000,000	1.5%
8	ONG JOHNSON	14,200,000	1.3%
9	CHONG MUI FUN	12,916,666	1.1%
10	WONG MEI SUN	11,200,000	1.0%
11	NG KIM KEONG	10,629,466	0.9%
12	HLIB NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR SIAW KOK TONG (CCTS)]*	10,000,000	0.9%
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD *[CHOOI KOK FEI]*	9,850,000	0.9%
14	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD *[EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)]*	9,250,150	0.8%
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR KWAH WOI LEONG (E-BPJ/JKA)]*	9,000,000	0.8%
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR LIM YEW LEONG (E-BPJ)]*	7,569,000	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	MATHIALAGAN A/L SENGKOTTYAN	7,225,000	0.6%
20	KOK CHANG CHEE	7,000,000	0.6%
21	NG L'YP-HAU	7,000,000	0.6%
22	GOH CHIA PHERN	6,000,000	0.5%
23	KIAN SIEW SIN	6,000,000	0.5%
24	KIAN SIEW SIN	6,000,000	0.5%
25	KOK CHANG CHEE	6,000,000	0.5%
26	HA MUN KEET	5,866,666	0.5%
27	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR LIM GAG (PENANG-CL)]*	5,500,000	0.5%
28	YANG SIN Y'NG	5,500,000	0.5%
29	GOH CHIA PHERN	5,116,100	0.5%
30	FAN RUEY YIN	5,066,666	0.5%

NOTICE IS HEREBY GIVEN that the 18th Annual General Meeting of Vivocom Intl Holdings Berhad ("Vivocom" or the "Company") will be conducted through live streaming i.e. virtual meeting from the Broadcast Venue at No. 4, Jalan Seri Utara 1, Off Jalan Ipoh, 68100 Batu Caves, Kuala Lumpur on Tuesday, 29 December 2020 at 11:00 a.m. for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 and the Reports of Directors and Auditors thereon. **Please refer to Explanatory Note (i)**

2. To approve the payment of Directors' fees amounting to RM282,730.00 from 1 January 2019 to 30 June 2020. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM250,000.00 for the financial year ending 30 June 2021. **Resolution 2**

4. To re-elect the Director who retires in accordance with Article 123 of the Company's Constitution as follows:-

   (a) Dato' Seri Chia Kok Teong **Resolution 3**
   (b) David Hah Wei Onn **Resolution 4**

5. To re-elect the Director who retires in accordance with Article 126 of the Company's Constitution as follows:-

   (a) Tay Mun Kit **Resolution 5**

6. To re-appoint Messrs. STYL Associates PLT as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS

7. **ORDINARY RESOLUTION**

   Authority to issue shares **Resolution 7**

   "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."

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

   Proposed New Shareholders' Mandate for New Recurrent Related Party Transactions

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries ("the Group") to enter into all arrangements and/or transactions involving the interests of the Directors, major shareholders and/or persons connected with the Directors and/or major shareholders of the Group ("Related Parties"), to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.5 of the Circular to Shareholders dated 30 October 2020 provided that such recurrent related party transactions are carried out in the ordinary course of business; necessary for the day-to-day operations of the Group; on normal commercial terms which are consistent with the Group's normal business practices and policies; on terms not more favourable to the Related Parties than those generally available to the public; and not to the detriment of the minority shareholders of the Company;

AND THAT such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

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

By Order of the Board

ANNE KUNG SOO CHING (MIA 8449) (SSM PC No. 201908002507)
TAN KAH KOON (MAICSA 7066666) (SSM PC No. 201908001500)
Company Secretaries

Kuala Lumpur
30 October 2020

Notes:-

1. *IMPORTANT NOTICE*
The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020 (including any amendment that may be made from time to time) which requires the Chairman of the meeting to be present at the main venue of the meeting.
2. *Shareholders/ proxies WILL NOT BE PHYSICALLY PRESENT at the Broadcast Venue on the day of the meeting.*
3. *Shareholders of the Company are to attend, participate, speak (including posing questions to the Board via real time submission of typed texts) and vote remotely at the meeting via the Remote Participation and Voting Facilities ("**RPV**") provided by Agmo Studio Sdn Bhd ("AGMO") via its Vote2U Online website at https://web.vote2u.app. Please follow the Procedures for RPV provided in the Administrative Details for the meeting and read the notes below in order to participate remotely via RPV.*
4. *A shareholder of the Company who is entitled to attend, participate, speak and vote at the meeting via RPV is entitled to appoint one (1) or more proxies to attend, participate, speak and vote in his/ her stead. Where a shareholder appoints more than one (1) proxy in relation to the meeting, the appointments shall be invalid unless he/ she specifies the proportions of his/ her holding to be represented by each proxy. The proxy may but need not be a shareholder of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting shall have the same rights as the shareholder to speak at the meeting.*
5. *Where a shareholder of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**") 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.*
6. *A shareholder of the Company who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this meeting via RPV must request his/ her proxy to register himself/ herself for RPV at Vote2U Online website at https://web.vote2u.app. Please follow the Procedures for RPV in the Administrative Details for the meeting.*
7. *The appointment of a proxy may be made by electronic means or in a hard copy form in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote:*
   i. *By electronic form*
   The proxy form can be submitted via fax at 03-2770 8166 or email to vivocom.meeting@gmail.com or by electronically lodged.
   ii. *Online via Vote2U Online*
   Register via Vote2U Online website at https://web.vote2u.app (applicable to individual shareholders only). Kindly refer to the Administrative Details on the procedures for electronic lodgment of proxy form via Vote2U Online.
   iii. *In hard copy form*
   In the case of an appointment made in hard copy form, the Proxy Form must be deposited with the Registered Office of the Company at 29-2, Level 29, Oval Damansara, 685, Jalan Damansara, Taman Tun Dr. Ismail, 60000 Kuala Lumpur.

8. Please ensure ALL the particulars as required in the Proxy Form are completed, signed and dated accordingly.

9. Last date and time for lodging the Proxy Form is Sunday, 27 December 2020, 11:00 a.m.

10. Any authority pursuant to which such an appointment is made by a power of attorney or appointment of corporate representative must be deposited with the Registered Office of the Company at 29-2, Level 29, Oval Damansara, 685, Jalan Damansara, Taman Tun Dr. Ismail, 60000 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/ or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

11. For the purpose of determining a shareholder who shall be entitled to attend the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 89 of the Company's Constitution and Section 34(1) of the SICDA to issue a General Meeting Record of Depositors as at Friday, 18 December 2020. Only a depositor whose name appears therein shall be be entitled to participate the said meeting or appoint a proxy to attend, participate, speak and/ or vote on his/ her stead.

PERSONAL DATA PRIVACY:-

*By submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, participate, speak and vote at the meeting and/ or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

Explanatory notes

(i) Item 1 of the Agenda - Audited Financial Statement for the financial year ended 30 June 2020

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 7 - 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 18th AGM of the Company (hereinafter referred to as the "General Mandate").

The Company had been granted a general mandate by its shareholders at the 17th AGM of the Company held on 25 June 2019 (hereinafter referred to as the "Previous Mandate").

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) Ordinary Resolution 8 - Proposed New Shareholders' Mandate for New Recurrent Related Party Transactions

The proposed ordinary resolution, if passed, will empower the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Vivocom Intl Holdings Berhad, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company ("Proposed Shareholders' Mandate").

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

The profile of the Directors standing for re-election is stated on pages 8 to 10 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.

VIVOCOM INTL HOLDINGS BERHAD - Annual General Meeting

Date	:	29 December 2020
Time	:	11:00 a.m.
Broadcast Venue	:	No. 4, Jalan Seri Utara 1, Off Jalan Ipoh, 68100 Batu Caves, Kuala Lumpur
Virtual Meeting accessible at	:	https://web.vote2u.app

In light of the ongoing COVID-19 outbreak situation and adhering to the Securities Commission Malaysia's ("SC") Guidance Note to exercise prudence, as well as in the best interest of public health and the health and safety of our Board of Directors, employees and shareholders, **VIVOCOM INTL HOLDINGS BERHAD**'s ("VIVOCOM" or the "Company") meeting will be held as a virtual meeting through live streaming and online remote voting using the Remote Participation and Voting ("RPV") facilities provided via Vote2U at https://web.vote2u.app.

Kindly note that the quality of the live streaming is highly dependent on the bandwidth and stability of the internet connection of shareholders and proxies. Hence, you are to ensure that internet connectivity throughout the duration of the meeting is maintained.

ENTITLEMENT TO PARTICIPATE AND VOTE REMOTELY

Shareholders whose names appear on the Record of Depositors as at Friday, 18 December 2020 shall be eligible to attend, participate and vote remotely in the meeting, or appoint proxy(ies)/the Chairman of the general meeting to attend, participate and/or vote on his/her behalf.

PROCEDURES TO PARTICIPATE IN RPV FACILITIES

Please follow the procedures to participate in RPV facilities as summarised below:

BEFORE MEETING DAY

A.	**REGISTRATION**	
	Description	**Procedure**
i.	Shareholders to Register with Vote2U - Individual Shareholders	a. Access website at https://web.vote2u.app. b. Click "*Sign Up*" to sign up as a user. c. Read and indicate your acceptance of the 'Privacy Policy' and 'Terms & Conditions' by clicking on a small box. Then click "*Next*". d. Fill-in your details [(i) ensure your email address is valid, & (ii) create your own password]. Then click "*Continue*". e. Upload a clear copy of your MyKAD for Malaysian (front only) or Passport for non-Malaysian. f. Registration as user completed. g. Your registration will be verified and an email notification will be sent to you. *Note:* *If you have already signed up/registered as a user with Vote2U previously, you are not required to register again.*

BEFORE MEETING DAY (CONTINUED)

B.	REGISTRATION OF PROXY	
	Description	**Procedure**
i.	Electronic Lodgement of Proxy Form (e-Proxy) - Individual Shareholders	a. Individual shareholders to log in to Vote2U with your email address and password that you have registered with Vote2U. b. Select the general meeting event that you wish to attend. c. Scroll down and click "*Register a Proxy*". d. Read and indicate your acceptance of the 'Declarations' by clicking on a small box. Then click "*Next*". e. Select/ add your Central Depository System ("CDS") account number and number of shares. f. Click "*Appoint Proxy*". h. Fill-in the details of your proxy(ies) [ensure email address is valid]. i. Indicate your voting instruction should you prefer to do so. j. Thereafter, click "*Submit*". k. After verification, proxy(ies) will receive an email notification with g. temporary credentials, i.e. email address and password to log in to Vote2U. *Note:* *You need to register as a shareholder before you can register a proxy and submit the e-Proxy form. Please refer above 'A: Registration' to register as shareholder..*
ii.	Submit Proxy Form (hardcopy) - Individual Shareholders - Corporate Shareholders - Authorised Nominee - Exempt Authorised Nominee	a. Fill-in the details on the hardcopy Proxy Form and provide the following information: • Name of the proxy(ies)/corporate representative. • MyKAD (for Malaysian)/Passport number (for non-Malaysian) of the proxy(ies). • Address and email address of the proxy(ies)/corporate representative b. [ensure email address is valid]. c. Enclosed the following documents with the hardcopy Proxy Form: d. A copy of the proxy(ies)/corporate representative MyKAD (for Malaysian)/ Passport (for non-Malaysian). • A copy of Certificate of Appointment of corporate representative e. [applicable to corporate shareholder only]. f. Deposit the hardcopy Proxy Form with the copy of the said documents to the address as stated on the Proxy Form. g. After verification, proxy(ies)/corporate representative will receive an email notification with temporary credentials, i.e. email address and password to log in to Vote2U.
C.	**REVOCATION OF PROXY**	
i.	Revoke a Proxy Electronically - Individual Shareholders	a. Log in to Vote2U using your registered email address and password. b. Select the general meeting event that you wish to attend. c. Scroll down and click "*Revoke a Proxy*". *Note:* *Individual shareholders who have appointed proxy(ies) through e-Proxy.*

ON GENERAL MEETING DAY

1. Log in to https://web.vote2u.app with your registered email address and password.
2. For proxy(ies), log in with the temporary credentials in the email which you have received from Vote2U.
3. Vote2U will be opened for log in one (1) hour before the commencement of the general meeting you are attending.

ON GENERAL MEETING DAY (CONTINUED)

4. When you are logged in, click the general meeting event you are attending. On the main page, you are able to access the following:

	Description	Procedure
	Live Streaming	**Click "*Watch Live*" button to view the live streaming.**
i.	Ask Question (real-time)	a. Click "Ask Question" button to pose a question. b. Type in your question and click "Submit". *Note:* *The Chairman of the general meeting/Board of Director will endeavor to respond to questions submitted by remote shareholders and proxies/ corporate representative during the meeting. Should there be a time constraint, the responses will be made available on the company's website earliest possible.*
ii.	Remote Voting	a. On the main page, scroll down and click "Confirm Details & Start Voting". b. To vote, select your voting choice from the options provided. A confirmation screen will appear to show your selected vote. Click "Next" to continue voting for all resolutions. c. After you have completed voting, a Voting Summary page appears to show all the resolutions with your voting choices. Click "Confirm" to submit your vote. *Note:* *Once you have confirmed and submitted your votes, you are not able to change your voting choices.*
iii.	View Voting Results	a. On the main page, scroll down and click "*View Voting Results*".
iv.	End of RPV	b. Upon the announcement by the Chairman of the general meeting on the closure of the said meeting, the live streaming will end. c. b. You may log out from Vote2U.

ADDITIONAL INFORMATION

Voting Procedure

Pursuant to Paragraph 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the AGM will be conducted by poll. Poll administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

Broadcast Venue

Broadcast Venue means the place where the broadcasting is taking place to transmit or air the meeting online. It could be a studio or a meeting room.

Shareholders and proxies are not advisable to go to the broadcast venue as it is only a place where the meeting is broadcast for transmission online in the present of Chairman, Directors, Chief Executive Officer, Auditors, Company Secretary and senior management. No seating and refreshment will be arranged for shareholders and proxies at the broadcast venue when it is a fully virtual meeting.

If shareholders and proxies arrive at the broadcast venue, the management has the right to ask you to leave the broadcast venue in order to comply with the government decrees and S.O.Ps.

No Door Gift or e-Voucher or Food Voucher

There will be no door gift or e-Voucher or food voucher given at this AGM.

Enquiry

a. If you have enquiry relating to the AGM Administrative Guide for shareholders or RPV or encounters issues with the log in, steps to connect to live streaming and online voting:

   Email: vote2u@agmostudio.com

CDS Account No.:	
No. of Shares Held:	

FORM OF PROXY

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

of ____
(FULL ADDRESS)

telephone no. ________________________________ email address ________________________________ being a member/members of **VIVOCOM INTL HOLDINGS BERHAD**

Name of proxy & NRIC No.	No. of shares	%
1.		
2.		

or failing him/her

Name of proxy & NRIC No.	No. of shares	%
1.		
2.		

or failing him/her, the Chairman of the Meeting as my/our proxy, to vote for me/us and on my/our behalf at the Eighteenth Annual General Meeting ("18th AGM") of the Company to be held on Tuesday, 29 December 2020 at 11.00 a.m. and at any adjournment thereof in the manner indicated below in respect of the following Resolutions :

	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees amounting to RM282,730.00 from 1 January 2019 to 30 June 2020.		
2.	To approve the payment of Directors' fees amounting to RM250,000.00, for the financial year ending 30 June 2021.		
3.	To re-elect the Director, Dato' Seri Chia Kok Teong, who retires in accordance with Article 123 of the Company's Constitution.		
4.	To re-elect the Director, David Hah Wei Onn, who retires in accordance with Article 123 of the Company's Constitution.		
5.	To re-elect the Director, Tay Mun Kit, who retires in accordance with Article 126 of the Company's Constitution.		
6.	To re-appoint Messrs. STYL Associates PLT as auditors of the Company and to authorize the Directors to fix their remuneration.		
	AS SPECIAL BUSINESS		
7.	Authority to issue shares.		
8.	Proposed New Shareholders' Mandate for New Recurrent Related Party Transactions.		

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 __________________________ 2020

____
Signature(s) of Member(s)

____
Affix Company's Seal (if applicable)

Notes:-

1. ***IMPORTANT NOTICE***

   The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020 (including any amendment that may be made from time to time) which requires the Chairman of the meeting to be present at the main venue of the meeting.
2. *Shareholders/proxies* ***WILL NOT BE PHYSICALLY PRESENT*** *at the Broadcast Venue on the day of the meeting.*
3. *Shareholders of the Company are to attend, participate, speak (including posing questions to the Board via real time submission of typed texts) and vote remotely at the meeting via the Remote Participation and Voting Facilities ("**RPV**") provided by Agmo Studio Sdn Bhd ("AGMO") via its Vote2U Online website at https://web.vote2u.app. Please follow the Procedures for RPV provided in the Administrative Details for the meeting and read the notes below in order to participate remotely via RPV.*
4. *A shareholder of the Company who is entitled to attend, participate, speak and vote at the meeting via RPV is entitled to appoint one (1) or more proxies to attend, participate, speak and vote in his/ her stead. Where a shareholder appoints more than one (1) proxy in relation to the meeting, the appointments shall be invalid unless he/ she specifies the proportions of his/ her holding to be represented by each proxy. The proxy may but need not be a shareholder of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting shall have the same rights as the shareholder to speak at the meeting.*
5. *Where a shareholder of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**") 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.*
6. *A shareholder of the Company who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this meeting via RPV must request his/ her proxy to register himself/ herself for RPV at Vote2U Online website at https://web.vote2u.app. Please follow the Procedures for RPV in the Administrative Details for the meeting.*
7. *The appointment of a proxy may be made by electronic means or in a hard copy form in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote:*

   i. *By electronic form*

      The proxy form can be submitted via fax at 03-2770 8166 or email to vivocom.meeting@gmail.com or by electronically lodged.

   ii *Online via Vote2U Online*

      Register via Vote2U Online website at https://web.vote2u.app (applicable to individual shareholders only). Kindly refer to the Administrative Details on the procedures for electronic lodgment of proxy form via Vote2U Online.

   iii. *In hard copy form*

      In the case of an appointment made in hard copy form, the Proxy Form must be deposited with the Registered Office of the Company at 29-2, Level 29, Oval Damansara, 685, Jalan Damansara, Taman Tun Dr. Ismail, 60000 Kuala Lumpur.

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AFFIX
STAMP

The Company Secretaries

VIVOCOM INTL HOLDINGS BERHAD

(Registration No. 200201028636 (596299-D))

29-2, Level 29, Oval Damansara,

685, Jalan Damansara,

Taman Tun Dr. Ismail,

60000 Kuala Lumpur

Please Fold Here

8. *Please ensure ALL the particulars as required in the Proxy Form are completed, signed and dated accordingly.*
9. *Last date and time for lodging the Proxy Form is Sunday, 27 December 2020, 11:00 a.m.*
10. *Any authority pursuant to which such an appointment is made by a power of attorney or appointment of corporate representative must be deposited with the Registered Office of the Company at 29-2, Level 29, Oval Damansara, 685, Jalan Damansara, Taman Tun Dr. Ismail, 60000 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/ or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
11. *For the purpose of determining a shareholder who shall be entitled to attend the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 89 of the Company's Constitution and Section 34(1) of the SICDA to issue a General Meeting Record of Depositors as at Friday, 18 December 2020. Only a depositor whose name appears therein shall be be entitled to participate the said meeting or appoint a proxy to attend, participate, speak and/ or vote on his/ her stead.*

PERSONAL DATA PRIVACY:-

*By submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, participate, speak and vote at the meeting and/ or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

VIVOCOM INTL HOLDINGS BERHAD
(Registration No. 200201028636 (596299-D))

Vivocom Intl Holdings Berhad
No.4, Jalan Seri Utara 1, Off Jalan Ipoh, 68100 Batu Caves, W. P. Kuala Lumpur
T 603 6259 0111 | **F** 603 6252 8899 | **W** www.vivocomgroup.com