PICORP

PROGRESSIVE IMPACT CORPORATION BERHAD

Annual Report 2018

PROGRESSIVE IMPACT CORPORATION BERHAD
(203352-V)

COVER RATIONALE

We, at PICORP, take pride in our continuous improvements as we evolve from being just a leading environmental and laboratory testing service provider to providing our customers with an invincible suite of innovative and end-to-end experience. We understand that crafting a sustainable future is an infinite mission. Amidst the daunting challenges and rapid development, we continue to manifest sustainability in all facets of our business activities whilst unceasingly fulfilling our commitment to **serve Allah, respect for the people and the environment.**


PICORP
Shades of Green

REVEALING RESILIENCE

Mangroves (Scientific name: *Rhizophora mangle; Malay: bakau)* are real survivors. With their roots submerged in water, they thrive in hot, muddy, salty conditions and high tide that most trees could never tolerate due to mangroves' distinctive characteristics like tough root systems, special bark and leaf structures as well as other unique adaptations to enable them to survive in their habitat's harsh conditions. This unique value is the essence of PICORP to be resilient, being able to withstand or recover quickly from adversities.

PROJECTING PERSEVERANCE

Each of us thrives on being successful and in doing so we often underestimate the obstacles lying in the path to success. We set targets and want to achieve them right away, but we are humans and may fall short on those goals. The Mudskipper fish (Scientific name: *Periophthalmus; Malay: ikan belacak*), a common mangrove feature, represents perseverance, being uniquely adapted to survive on land when the tide retreats. They do not only walk on land but also climb rocks and trees.

Having the vision to see what others don't, the passion to motivate yourself and others, the savvy to build and grow the business and the guts to make sound decisions, are all part of the mix. But what binds those ingredients together is the tenacity to stick with it, day in, day out, year after year.

ADOPTING AGILITY

Mud crab or mangrove crab (Scientific Name: *Scylla Serrata;* Malay: *ketam nipah* or *ketam bakau*), also known as the magnificent 'muddy', lives in sheltered waters such as estuaries and mangrove areas and is highly tolerant towards variations in water salinity and temperature. Mud crabs can be fast and strong and their big claws make catching them extremely dangerous. They have high sense of agility to withstand the environment that they live on regardless of how fragile they may seem. Likewise, in any organisation, being able to respond rapidly to changes in the internal and external environment without losing momentum or vision is the key to long term business sustainability.

Contents

01

CORPORATE DISCLOSURE

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK ABDUL HAMID BIN SAWAL
Chairman
Senior Independent Non-Executive Director

ZAID BIN ABDULLAH
Executive Deputy Chairman

ZAIDAH BINTI MOHD SALLEH
Non-Independent Non-Executive Director

LEE WENG CHONG
Independent Non-Executive Director

DATO' HAJJAH ROSNANI BINTI IBARAHIM
Independent Non-Executive Director

USAMAH BIN ZAID
Non-Independent Non-Executive Director

DATO' DR. LUKMAN BIN IBRAHIM
Group Executive Director

FATIMAH ZAHRAH BINTI ZAID
Alternate Director to Zaidah binti Mohd Salleh

AUDIT COMMITTEE

LEE WENG CHONG
Chairman
DATUK ABDUL HAMID BIN SAWAL
ZAIDAH BINTI MOHD SALLEH
DATO' HAJJAH ROSNANI BINTI IBARAHIM

REMUNERATION COMMITTEE

DATUK ABDUL HAMID BIN SAWAL
Chairman
DATO' HAJJAH ROSNANI BINTI IBARAHIM
LEE WENG CHONG

NOMINATING COMMITTEE

DATUK ABDUL HAMID BIN SAWAL
Chairman
DATO' HAJJAH ROSNANI BINTI IBARAHIM

BOARD RISK MANAGEMENT COMMITTEE

DATO' HAJJAH ROSNANI BINTI IBARAHIM
Chairman
DATO' DR. LUKMAN BIN IBRAHIM

COMPANY SECRETARIES

ZAIDAH BINTI MOHD SALLEH (MIA 3313)
WONG WAI FOONG (MAICSA 7001358)
KUAN HUI FANG (MIA 16876)

HEAD OFFICE & REGISTERED OFFICE

Suite 5.02, Mercu PICORP, Lot 10,
Jalan Astaka U8/84 Bukit Jelutong
40150 Shah Alam Selangor Darul Ehsan
Telephone No. : 03-7845 6566
Facsimile No. : 03-7845 7566

REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone No. : 03-2783 9299
Facsimile No. : 03-2783 9222

AUDITORS

Ernst & Young (AF No. 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar
Damansara, 50490 Kuala Lumpur
Telephone No. : 03-7495 8000

PRINCIPAL BANKER

AmBank Islamic Berhad

CORPORATE STRUCTURE

PROGRESSIVE IMPACT CORPORATION BERHAD
203352-V

ENVIRONMENT

MALAYSIA

- Alam Sekitar Malaysia Sdn. Bhd — 100%
- Asma Environmental Consultancy Sdn. Bhd — 100%
- Alam Sekitar Eco-Technology Sdn. Bhd — 90%

INTERNATIONAL

- Asma International Sdn. Bhd — 100%
- Saudi Asma Environmental Solutions LLC — 100%
- Asma Advanced Solutions LLC — 60%

LABORATORY TESTING

- ALS Technichem (M) Sdn. Bhd — 59%
- PT ALS Indonesia — 80%

OTHERS

- Quantum Up Returns Sdn. Bhd — 100% (Dormant)
- Vertical Plus Sdn. Bhd — 100% (Dormant)
- Premiere Leap Sdn. Bhd — 100% (Dormant)
- PI Enviro Technologies Sdn. Bhd — 100% (Dormant)
- Perunding Good Earth Sdn. Bhd — 100% (Dormant)
- Progressive Uni San International Sdn. Bhd — 50% (Dormant)

PICORP

PROGRESSIVE IMPACT CORPORATION BERHAD

27TH

Annual General Meeting

VENUE : Velocity Room, Ground Floor, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan

DATE : Wednesday, 19th June 2019

TIME : 10.00 am

20 June 2019
ENTITLEMENT TO 2018 FINAL DIVIDEND

08 July 2019
PROPOSED PAYMENT OF 2018 FINAL DIVIDEND

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www.picorp.com.my

PICORP Berhad

picorp_berhad

02

LEADERSHIP

ADDITIONAL INFORMATION

Save as disclosed, the Directors/Key Senior Management have:

(i) no family relationship with any Director and/or major shareholder of Progressive Impact Corporation Berhad ("PICORP");
(ii) no conflict of interest with PICORP;
(iii) no directorship in public companies and listed issuers;
(iv) not been convicted of any offences within the past five years; and
(v) not been imposed any penalty or public sanction by the relevant regulatory bodies during the financial year ended 31 December 2018.

Details of the Key Senior Management can be obtained in the Executive Leadership Team section.

BOARD OF DIRECTORS 2018


ERSHIP

BOARD OF DIRECTORS

DATUK ABDUL HAMID BIN SAWAL

CHAIRMAN, SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE 70 GENDER MALE

Date of Appointment : 23 May 2011
Board Meeting Attendance in 2018 : 5/5

Board Committees Membership(s) : Chairman of Nominating Committee, Chairman of Remuneration Committee, Member of Audit Committee.

Academic/professional Qualitification/membership(S)

- Bachelor of Economics, University of Malaya
- MBA in Agribusiness, University of Santa Clara, California, USA.

Experience:

- Director General, Malaysian Rubber Board (January 2000-2006)
- Deputy Secretary General, Ministry of Primary Industries (June 1999)
- Deputy Director General (Sectoral) in the Economic Planning Unit
- Head of Privatisation Task Force, Economic Planning Unit in the Prime
- Minister's Department (1989)
- Ministry of Primary Industries (1974)
- Malaysian Civil Service (1971 – 2006)
  - o Ministry of Finance Division (Treasury)
  - o Accountant General's Department

ZAID BIN ABDULLAH

EXECUTIVE DEPUTY CHAIRMAN

AGE 67 GENDER MALE

Date of Appointment : 1 November 1990
Board Meeting Attendance in 2018 : 5/5

Academic/professional Qualitification/membership(s)

- Bachelor of Economics (Accounting), University of Malaya
- Advance Diploma in Accounting, University of Malaya
- Malaysian Institute of Accountants (MIA)

Experience

- The founder of PICORP Group and holds directorships in all the subsidiary companies of the Company
- Group Executive Director of Shapadu Group of Companies (1982-1992)
- Director of Finance in Shapadu Corporation (1978 – 1982)

Award and recognition

- Most Promising Entrepreneurship Award | APEA 2013.

He is the spouse of Zaidah binti Mohd Salleh, father of Usamah bin Zaid and Fatimah Zahrah binti Zaid and a major shareholder of PICORP.

DATO' LUKMAN BIN IBRAHIM

GROUP EXECUTIVE DIRECTOR

AGE 53 GENDER MALE

Date of Appointment : 9 Jan 2015
Board Meeting Attendance in 2018 : 5/5

Board Committees Membership(s) : Member of Board Risk Management Committee.

Academic/professional Qualitification/membership(s)

- PhD in Accountancy, MARA University of Technology (2014)
- Association of Certified Chartered Accountants ACCA, UK (2001)
- Master of Business Administration, Temple University, Philadelphia, USA (1990)
- Bachelor of Business Administration (BBA) Magna Cum Laude (majoring in Accounting and Finance), Temple University, Philadelphia, USA (1989)
- Immediate Past President of ACCA Malaysia Advisory Committee
- Fellow Member of Association of Chartered Certified Accountants (ACCA), UK
- Member of Malaysian Institute of Certified Public Accountant (CPA)
- Council member of Malaysian Institute of Accountants (MIA)

Experience:

- Deputy Chief Executive Officer of Proton Holdings Berhad (2012-2014)
- Group Chief Operating Officer (2011-2012)
- Group Chief Financial Officer, DRB-HICOM Berhad (2008-2011)
- Proton Berhad (1991 – 2008: 17 years)
- Proton Part Centre Sdn Bhd
- PHN Industry Sdn Bhd (with his last position as the Managing Director)
- Automotive Corporation (Malaysia) Sdn. Bhd. (1990-1991)
- Sun Refining and Marketing, Philadelphia, U.S.A. (1989-1990)

Award and recognition

- Best National Award for Management Accounting
- DRB-HICOM's Best CEO of 2007
- Best Vendor Awards from TOYOTA, Honda, Proton and Perodua

ZAIDAH BINTI MOHD SALLEH

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

AGE 64 GENDER FEMALE

Date of Appointment : 1 Nov 1990
Board Meeting Attendance in 2018 : 5/5

Board Committees Membership(s) :
Member of Audit Committee.

Academic/professional Qualitification/membership(s)

- University of Malaya with Bachelor of Economics (Accounting) (1977)
- Advance Diploma in Accounting (1978)
- Member of the Malaysian Institute of Accountants (MIA)
- Chartered Accountant, Malaysian Institute of Accountants (MIA)

Experience:

- Co-founder of PICORP Group of Companies
- Company Secretary of PICORP Group of Companies
- Group Executive Director, PICORP Group of Companies (2003-2009)
- Group Financial Controller, PICORP Group of Companies (1993-2003)
- Senior Accountant (Operations), Telekom Malaysia (1989-1993)
- Regional Accountant, Regional Accounts Division, Telekom Malaysia (1984-1989)
- Financial Controller ("G") Jabatan Telekom (1981-1984)
- Accountant, Jabatan Telekom (1978-1981)

She is the spouse of Zaid bin Abdullah, mother of Usamah bin Zaid and Fatimah Zahrah binti Zaid and a major shareholder of PICORP.

LEE WENG CHONG

INDEPENDENT
NON-EXECUTIVE DIRECTOR

AGE 62 GENDER MALE

Date of Appointment : 2 Sept 2016
Board Meeting Attendance in 2018 : 5/5

Board Committees Membership(s) :
Chairman of Audit Committee, Member of Remuneration Committee.

Academic/professional Qualitification/membership(s)

- Bachelor of Science Degree in Chemical Engineering, University of Aston, Birmingham, UK.
- Fellow of Institute of Chemical Engineers, UK.
- Member of Singapore Institute of Directors

Experience:

- President (Asia Pacific region), Trelleborg Sealing Solutions, Singapore (2004 – present)
- President, Asia Pacific (based in Singapore), Invensys plc (1996 – 2004) Divisional Manager (based in Singapore & UK), Alfa Laval Pte Ltd (1979 – 1993)

DATO' HAJJAH ROSNANI BINTI IBARAHIM

INDEPENDENT
NON-EXECUTIVE DIRECTOR

AGE 65 GENDER FEMALE

Date of Appointment : 14 May 2012
Board Meeting Attendance in 2018 : 5/5

Board Committees Membership(s) :
Chairman of Board Risk Management Committee, Member of Audit Committee, Member of Nominating Committee, Member of Remuneration Committee.

Academic/professional Qualitification/membership(s)

- Bachelor of Science Degree in Chemical Engineering, University of Leeds, United Kingdom

Experience:

- Director General of the Department of Environment Malaysia (1998 to 2011)

Award and recognition

Asian Environmental Compliance and Enforcement Network (AECEN) Award for Excellence for Environmental Governance in Malaysia (2011)

BOARD DIVERSITY

2 Executive Directors | 3 Independent Non-Executive Directors | 2 Non-Independent Non-Executive Directors

RACE/ ETHNICITY

Malay	Chinese
86%	14%

GENDER DIVERSITY

5 Male | 2 Female

AGE

30-39	51-60	61-70
1	1	5

USAMAH BIN ZAID

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

AGE 35 GENDER MALE

Date of Appointment : 9 October 2014
Board Meeting Attendance in 2018 : 4/5

Academic/professional Qualitification/membership(S)

- Master in Business Administration, Management & Science University (2015)
- General Islamic Studies, Darul Uloom Zakariya Islamic University, South Africa (2010)

Experience:

- Chief Executive Officer, Intelligent Aqua Sdn. Bhd (2018-present)
- General Manager (Business Development), Alam Sekitar Malaysia Sdn. Bhd (2016 – 2018)
- Business Development Executive, Alam Sekitar Eco-Technology Sdn Bhd (2013 – 2016)
- Business Development Executive, PJ Bumi Berhad (2010-2013)
- Syariah Advisor to the Group, Progressive Impact Corporation Berhad (July 2010 – October 2010)

Usamah is the son of Zaid bin Abdullah and Zaidah binti Mohd Salleh and brother of Fatimah Zahrah binti Zaid.

FATIMAH ZAHRAH BINTI ZAID

ALTERNATE DIRECTOR TO
ZAIDAH BINTI MOHD SALLEH

AGE 34 GENDER FEMALE

Date of Appointment : 2 Sept 2016

Academic/professional Qualitification/membership(S)

- Bachelor Degree in Engineering (Chemical), University of Malaya
- Master in Business Administration, Putra Business School, University of Putra Malaysia (UPM)

Experience:

- General Manager, Zaiyadal Keluarga Sdn. Bhd (2017-present)
- Proposal Engineer, Foxboro (Malaysia) Sdn. Bhd (2010-2013)
  Project Engineer, Foxboro (Malaysia) Sdn. Bhd (2007-2010)

Fatimah Zahrah is the daughter of Zaid bin Abdullah and Zaidah binti Mohd Salleh and sister of Usamah bin Zaid.

DELIVERING OUR VISION AND MANAGING A MORE AGILE ORGANISATION

DATO' DR. LUKMAN BIN IBRAHIM
Group Executive Director
Progressive Impact Corporation Berhad

SHAMUDDIN BIN SULAIMAN
Chief Executive Officer
Alam Sekitar Malaysia Sdn. Bhd

DR. CHIN TEEN TEEN
Chief Executive Officer
ALS Technichem (M) Sdn. Bhd
& PT. ALS Indonesia

JOHAR BIN YUSOF
Chief Executive Officer
Asma International Sdn. Bhd
Saudi Asma Environmental Solutions LLC
Asma Advanced Solutions LLC

EXECUTIVE LEADERSHIP TEAM

DATO' DR. LUKMAN BIN IBRAHIM

Group Executive Director
Progressive Impact Corporation Berhad

AGE 53 GENDER MALE

> **Date of appointment:**
> 1 March 2018

Note: The full profile is available at the Leadership Section of the Annual Report 2018.

SHAMUDDIN BIN SULAIMAN

Chief Executive Officer
Alam Sekitar Malaysia Sdn. Bhd.

AGE 54 GENDER MALE

> **Date of appointment:**
> 1 February 2018

> **Academic/Professional Qualification(s):**
> Bachelor of Science in Civil Engineering, University of Wisconsin, Milwaukee, USA.

> **Experience:**
> Joined ASMA in October 2006 and has held various positions in ASMA, the last being the Chief Operating Officer.

DR. CHIN TEEN TEEN

Chief Executive Officer
ALS Technichem (M) Sdn. Bhd
& PT. ALS INDONESIA

AGE 55 GENDER FEMALE

> **Date of appointment:**
> 1 November 1998

> **Academic/Professional Qualification(s):**
> PhD in Analytical and Inorganic Chemistry, University of Vermont, USA.
> MSc (Chemistry), University of British Columbia, Canada.
> BSc, University of New Brunswick, Canada.

> **Experience:**
> Joined ALS in March 1997 and has held the current position since November 1998.

JOHAR BIN YUSOF

Chief Executive Officer
Asma International Sdn. Bhd
Saudi Asma Environmental Solutions LLC
Asma Advanced Solutions LLC

AGE 54 GENDER MALE

> **Date of appointment:**
> 1 March 2018

> **Academic/ Professional Qualification(s):**
> Master in Business Administration (Finance), IIUM.
> Bachelor in Electrical Engineering, University of Miami, USA

> **Work experience:**
> Joined PICORP Group of Companies in 2003 and has held various positions within the Group, the last being the Group Chief Executive Officer.

ABD. RAZAK BIN MASIRUN
Group IT Manager

DR. SALINAH BINTI HJ. TOGOK
Group Financial Controller
Group Risk and Compliance Manager

AHMAD SHAHDAN BIN KASSIM
General Manager
PICORP Corporate Research & Developement

AZLI BIN MD ZIN
Group Senior Manager
Legal, Secretarial and Human Capital

ENVIRONMENTAL TEAM

SHAMUDDIN BIN SULAIMAN
Chief Executive Officer
Alam Sekitar Malaysia Sdn. Bhd.

AMIRUL SHAZLI BIN MOHAMED
General Manager
- Consultancy and Technical

SYAMSUL AMRI BIN A RAZAK
General Manager - Business Development

ARDI BIN BAKHTIAR
Head of Execution | Environment

NORAIDAH BINTI AB HAMID
Head of Execution | Waste Water

AZIZAH BINTI SALLEH
Finance Manager

AZMI BIN SUMAIRI
Head of Department | Air

ZAFINA BINTI ZAINOL ABIDIN
Head of Department | Water

SUZANA BINTI SHAARI
Head of Department
| Environmental Monitoring Services

ENVIRONMENTAL TEAM

MUHAMMAD FAIRUZ BIN HASSIM
Head of Department | Project Management and Control

ABD. RAZAK BIN MASIRUN
Head of Department | IT System and Infrastructure

SAMSUL BIN KASPIN
Head of Department | Environmental IT

SITI JOHARA BINTI SULAIMAN
Head of Department | Quality, EHS & Risk

Gs. SITI MANEESA BINTI AMIRUDDIN
Head of Department | Geographic Information System (GIS)

MIMI SHUHAIDAH BINTI YUSOF
Head of Department | Technical & Innovation - Waste Water

HASLINA BINTI MANSOR
Lead Consultant | Consultancy & Technical

INTERNATIONAL ENVIRONMENTAL TEAM

JOHAR YUSOF
Chief Executive Officer
Asma International Sdn. Bhd
Saudi Asma Environmental Solutions LLC
Asma Advanced Solutions LLC

NADZRAH HASHIM
Chief Operating Officer
Saudi Asma Environmental Solutions LLC
Asma Advanced Solutions LLC

ADIB NOR AFIFI
Financial Controller

IZHAN ZANI MOHAMAD REDUAN
Business Development Manager

YOUSSIF ELSMANI
Project Manager- Jeddah KPI

DR. AYMAN IBRAHIM
Project Manager
- Makkah Health Monitoring

DR. SHAABAN SAID ELHOSSARY
Project Manager
- Jeddah Pest Laboratory

MOHAMED IBRAHIM
IT Manager

KHALED AL SAQR
Human Resource Manager

LABORATORY TESTING SERVICES TEAM

DR. CHIN TEEN TEEN
Chief Executive Officer
ALS Technichem (M) Sdn. Bhd
& PT. ALS Indonesia

NOR HAFIZAH ALI
Finance & Admin Manager

LIM ENG HWA
Sales Manager

DR. CH'NG AI YING
Laboratory Manager – Food

JONES HUTAGAOL
Finance & Admin Manager

YAP CHEN LOON
Technical Business Manager

SUZANNA O.R. LUMME
Business Manager

HANNAH YASMIN ANNE BINTI ABDULLAH LEE
Laboratory Manager – Microbiology

DANNY YEO SIOW YAK
Quality Manager

LEE YIU LAY
Laboratory Manager
– Environmental

SUZILAWATI BINTI SUTRISNO
Team Leader (Sample Login)

NAZIRAH BINTI ARIFFIN
Lab Supervisor - Environmental

ASYIK AULADI
Project Manager

DR. HERNIWANTI
Operations Manager

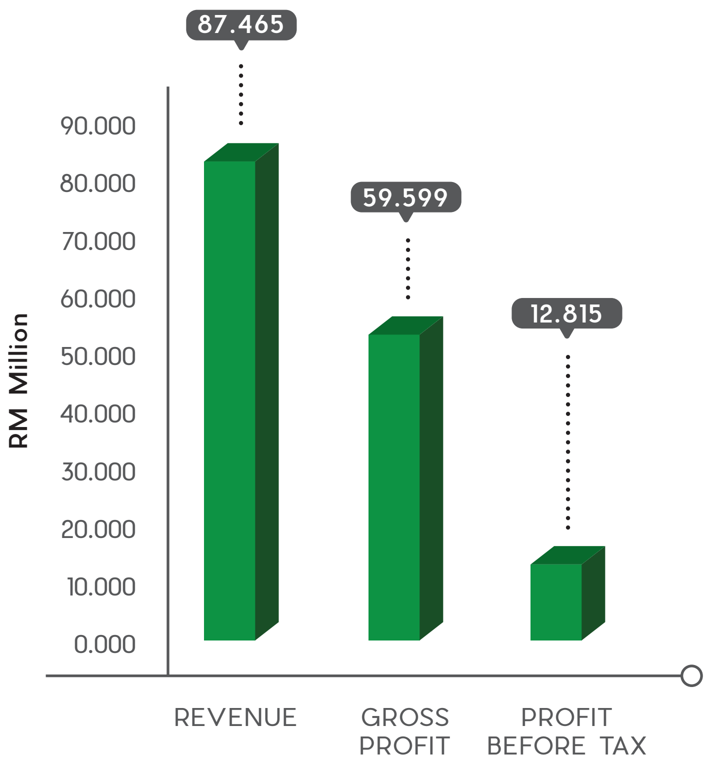
DANIEL AGUNG PRIMANTO
Research and Development

03

PERFORMANCE

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

FINANCIAL HIGHLIGHTS



Gross Profit (GP) Margin

Profit Before Tax (PBT) Margin

Amidst the challenging economic and business environment for PICORP Group in 2018 which was also the first full year post-concession, PICORP Group achieved a total revenue of RM87.5 million for the year which was 4% higher than the previous year (FY2017: RM83.9 million).

The various strategic initiatives undertaken by PICORP Group to grow its business in the environmental consultancy and monitoring segment while garnering growth in the revenue from laboratory testing services both locally and abroad are reflected in the revenue performance with PICORP Group registering a record high revenue during the five-year period from FY2014 to FY2018 despite losing its substantial revenue source from the concession business.

For the year under review, PICORP Group achieved a commendable PBT of RM12.8 million, albeit it being a figure lower than the previous year, reflecting PICORP Group's sustainable profitability position.

PICORP GROUP AT A GLANCE

MARKET CAPITALISATION

RM80 MILLION

> AS AT 31 DECEMBER 2018

KEY BUSINESS ACTIVITIES

1. Environmental Consultancy & Monitoring
2. Laboratory Testing Services
3. Waste Water Treatment & Solution

MARKET PRESENCE

MAS INA KSA

5-YEAR PICORP GROUP FINANCIAL SUMMARY

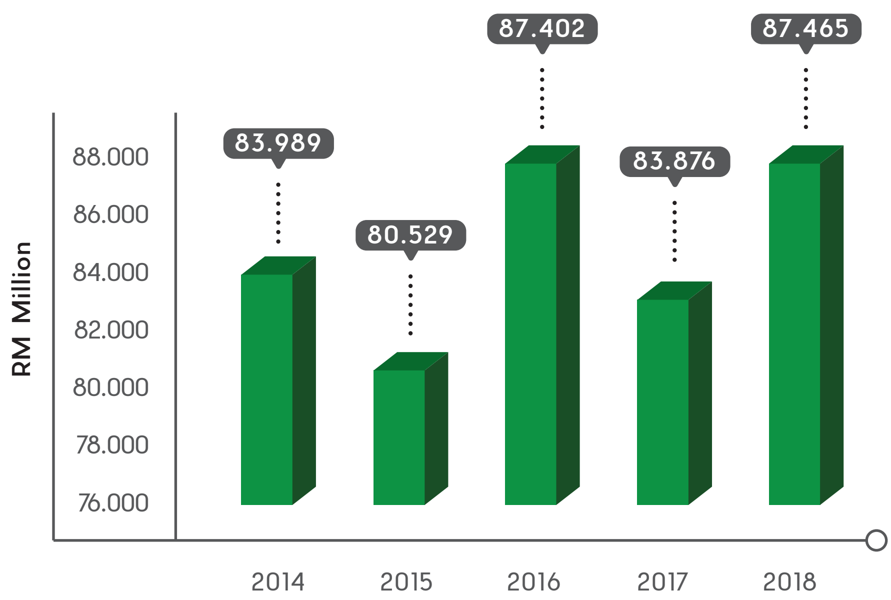
FINANCIAL YEAR ENDED 31 DECEMBER 2018	2014	2015	2016	2017	2018
Key Operating Results (RM thousand)					
Revenue	83,989	80,529	87,402	83,876	87,465
Cost of sales	(21,368)	(14,462)	(17,762)	(22,067)	(27,866)
Gross profit	62,621	66,067	69,640	61,809	59,599
Other income	1,674	5,067	4,468	2,650	1,224
Administrative and other operating expenses	(41,840)	(58,009)	(66,844)	(50,353)	(46,541)
Profit before interest and tax (PBIT)	22,455	13,125	7,264	14,106	14,282
Finance costs	(95)	(265)	(977)	(1,282)	(1,467)
Profit before tax (PBT)	22,360	12,860	6,287	12,824	12,815
Tax expense	(8,369)	(13,866)	(8,460)	(5,315)	(5,655)
Profit / (Loss) after tax	13,991	(1,006)	(2,173)	7,509	7,160

FINANCIAL YEAR ENDED 31 DECEMBER 2018	2014	2015	2016	2017	2018
Key Operating Results (Cont'd) (RM thousand)					
Profit / (Loss) attributable to:					
* Owners of the company	8,445	(2,283)	(7,406)	1,006	448
* Non-controlling interests	5,546	1,277	5,233	6,503	6,712
Profit / (Loss) after tax	13,991	(1,006)	(2,173)	7,509	7,160
Other Key Data (RM thousand)					
Total assets	167,960	178,802	165,752	154,743	156,848
Total liabilities	32,809	55,313	51,242	43,358	48,081
Shareholders' equity	111,067	96,041	88,241	84,581	80,386
Gross profit margin	75%	82%	80%	174%	68%
PBT margin	27%	16%	7%	15%	15%
Financial Ratios					
Revenue growth	-13%	-4%	9%	-4%	4%
Current ratio	2.28	1.68	1.71	1.99	1.87
Debt / equity ratio	0.30	0.58	0.58	0.51	0.60
Share Statistics					
Net dividend per share (sen)	0.61	0.61	0.61	0.50	0.50
Dividend yield	3.07%	3.25%	4.36%	3.85%	4.17%

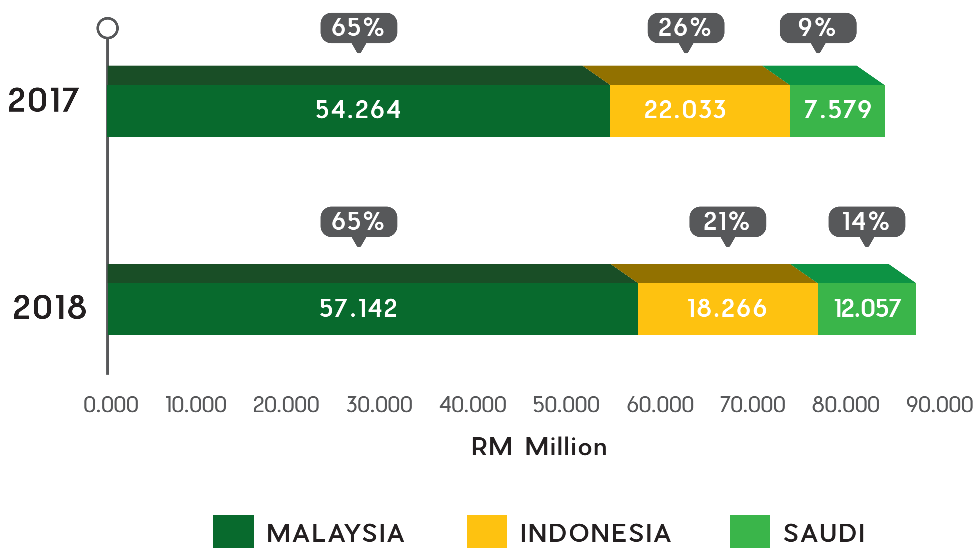
FINANCIAL PERFORMANCE

The increase in PICORP Group's revenue for FY2018 to RM87.5 million from RM83.9 million for FY2017 was attributable to the increase in environmental consultancy and monitoring services revenue both in Malaysia and Kingdom of Saudi Arabia (Saudi) as well as the revenue from the laboratory testing services segment in Malaysia.

Revenue

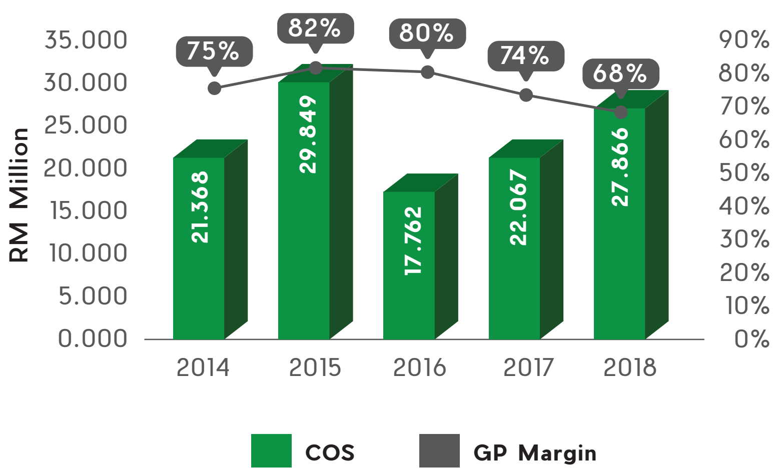


Revenue Contribution By Geographical Breakdown



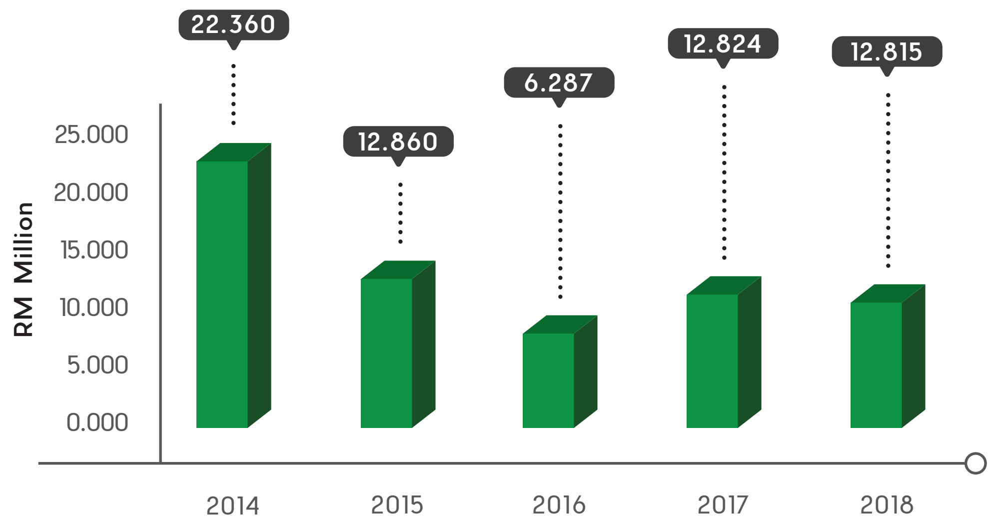
In terms of geographical breakdown, about 65% of PICORP Group's revenue for FY2018 was generated from the Malaysia operations, 21% from Indonesia operations while the remaining 14% from Saudi operations. For the year under review, the contribution from foreign operations increased by 2% to RM30.3 million in FY2018 from RM 29.6 million in FY2017. In terms of foreign operations, the geographical contribution shifted from Indonesia to Saudi with Indonesia and Saudi contributing 21% and 14% of revenue for FY2018 as compared to 26% and 9% for FY2017, respectively. Despite the drop in revenue from Indonesia operations, it is worth mentioning that the revenue contribution from this region is still sizable for PICORP Group.

Cost of Sales (COS) / Gross Profit (GP) Margin



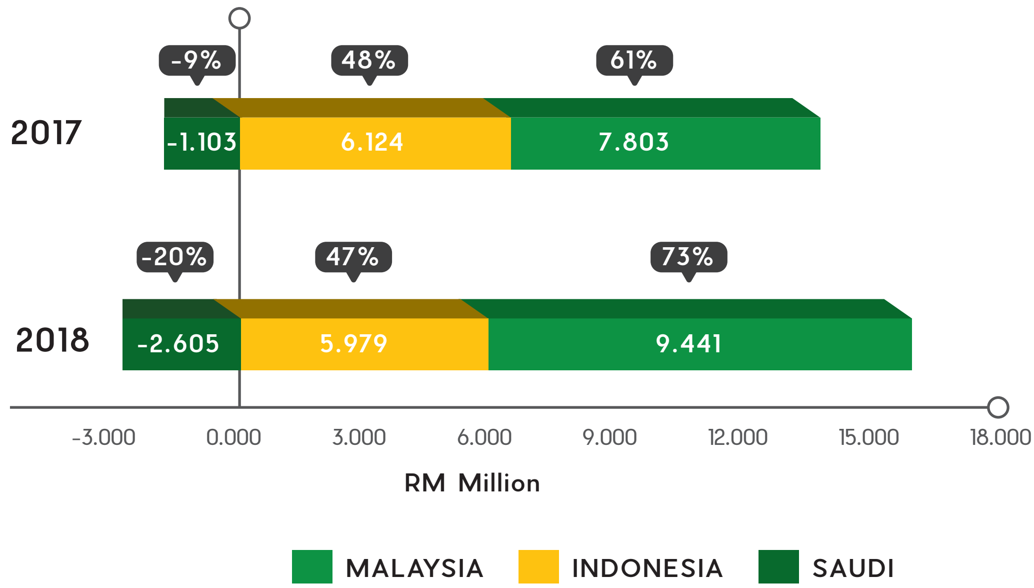
Pressure on margin continued to be the key challenge for PICORP Group in FY2018. PICORP Group's COS increased by 26% to RM27.9 million during the year as compared to RM22.1 million in the previous year mainly due to increase in the procurement costs. As a result, PICORP Group's gross profits experienced a slight shortfall from RM61.8 million in FY2017 to RM59.6 million in FY2018 due to the shrinking margin at the back of increasing costs of equipment, labour and material.

Profit Before Tax (PBT)



Despite recording a lower GP for FY2018, PICORP Group was still able to maintain its PBT margin for FY2018 at 15% which is the same level as FY2017. This was mainly due to a number of cost improvement initiatives which has helped to contain the operating costs to RM46.4 million in FY2018 from RM50.4 million in the previous year. With all these cost improvement initiatives in place, PICORP Group achieved a PBT of RM12.8 million for FY2018.

PBT Contribution by Geographical Breakdown



In terms of geographical segment, Malaysia operations continued to be the major contributor to PICORP's PBT with 73% contribution of for FY2018 which was higher than 61% in the previous year. The loss before tax of RM2.6 million suffered by Saudi operations for the FY2018 reduced the PBT contribution from outside Malaysia to 27% of Group PBT from 39% in FY2017.

Current Ratio

As at 31 December 2018, PICORP Group's current ratio was still healthy at 1.87 times, slightly lower compared to 1.99 times as at 31 December 2017. This was mainly due to increase in borrowings by 17% from RM21.7 million in the previous financial year to RM25.3 million for the current year.

WORKING CAPITAL MANAGEMENT

PICORP Group business was financed by internal and external sources of funds. The internal sources comprise shareholders' equity and cash generated from the business operations while external sources are from various credit facilities extended to PICORP Group by financial institutions. PICORP Group's principal utilisation of funds has been for its business growth and operations.

As at 31 December 2018, PICORP Group had cash and bank balances of RM22.8 million as compared to RM29.8 million as at 31 December 2017. The Group's current borrowings increased by 17% from RM21.7 million to RM25.3 million as at 31 December 2018.

The Board of Directors of PICORP is of the opinion that, after taking into consideration the cash and cash equivalents, the trade receivables, the expected funds to be generated from operating activities and amount unutilised under the existing banking facilities, PICORP Group will have adequate working capital to meet their present and foreseeable requirements for a period of 12 months from the date of this Annual Report.

PICORP CORE BUSINESSES

ENVIRONMENTAL CONSULTANCY & MONITORING SERVICES

- Environmental Consultancy
- Environmental Monitoring
- Environmental Monitoring Equipment & Systems Integration
- Environmental Data Management
- Environmental Training
- Public Health Management

LABORATORY TESTING SERVICES

- Environmental Sampling & Testing
- Food Safetytesting
- Halal&Toyyiban Assurance testing
- Pharmaceutical & Medical Devices Testing

WASTE WATER TREATMENT & SOLUTIONS

- Design, technology provider and construction of sewage treatment plants
- Operation & Maintenance of sewage treatment plants

The core businesses of PICORP are the provision of environmental consultancy & monitoring services, laboratory testing services and waste water treatment & solutions. Its major clients are primarily from the oil and gas sector, power sector, food and pharmaceutical sectors, amongst others. These clients are mainly private sectors, state governments and municipalities in Malaysia, Indonesia as well as Saudi.

Environmental consultancy & monitoring services include consultancy services (i.e. environmental impact assessment, environmental management plan etc), monitoring services (i.e. air, water, noise, vibration, etc), monitoring equipment & systems integration (i.e. continuous air/water quality monitoring system) environmental data management and environmental training.

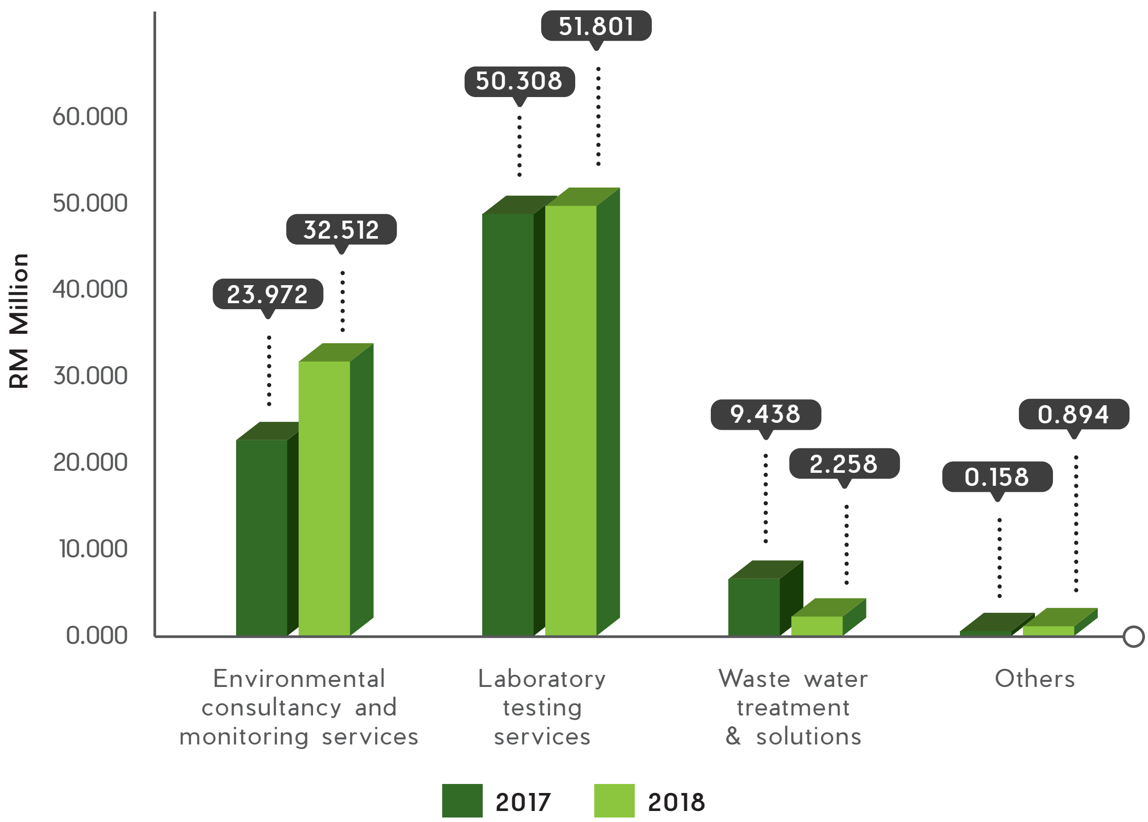
In the meantime, the range of our laboratory testing services include provision of environmental sampling & testing, food safety testing, halal & toyyiban assurance testing and pharmaceutical & medical devices testing.

The scope of supply and services under the waste water treatment & solutions segment include system design, technology and construction of sewage treatment plants, operation & maintenance of sewage treatment plants and public health management.

PICORP's strong track record and presence in the environmental services and laboratory testing services is proven through the recognitions received by its subsidiaries. In the environmental services segment, the established relationship between its subsidiary, Alam Sekitar Malaysia Sdn Bhd (ASMA) with the Malaysian Department of Environment (DOE) through its 22-year concession has earned ASMA various awards, with the most recent one being acknowledged as the DOE's 2018 Strategic Partner for Environmental Sustainability. ASMA's role in environmental services is also recognised by one of its clients, Putrajaya Corporation who awarded ASMA as a Strategic Partner under Local Agenda 21 Putrajaya for 2017/2018.

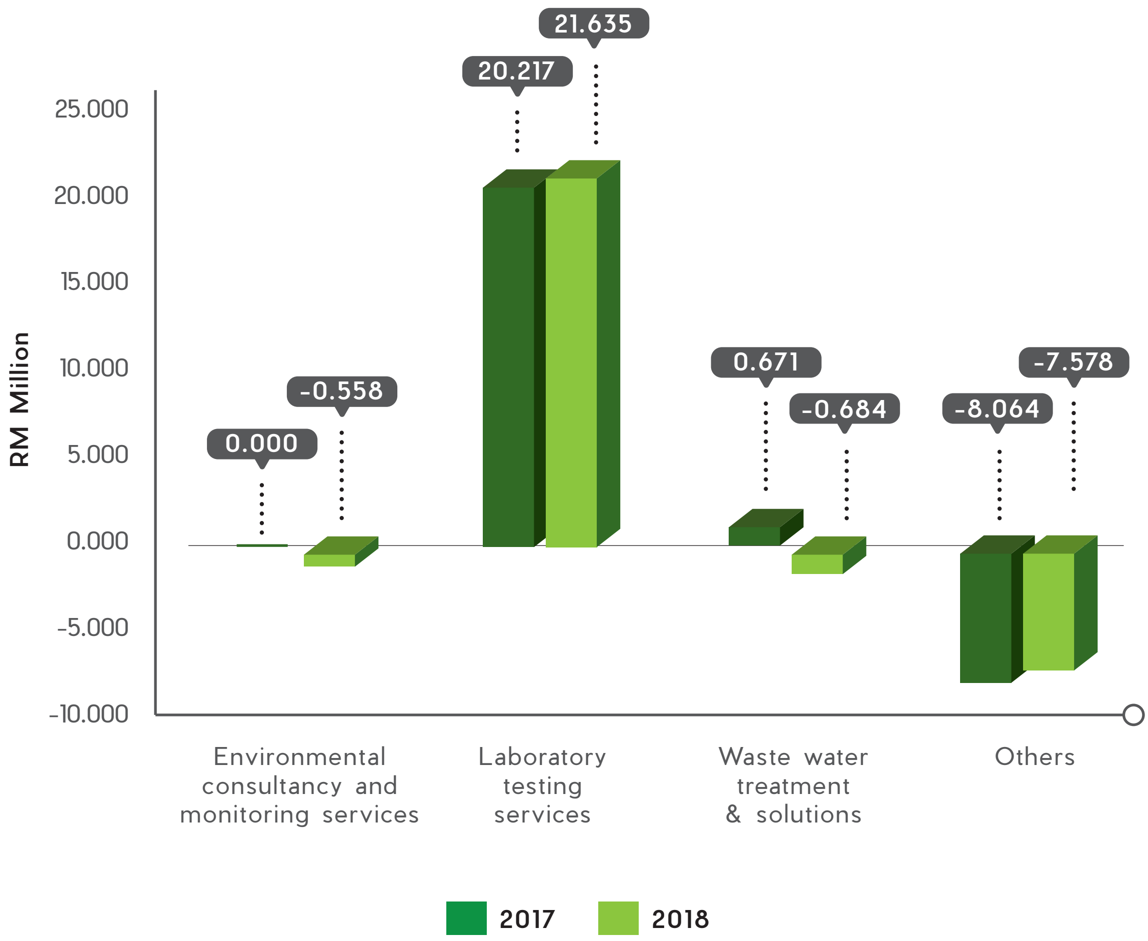
In the laboratory testing services segment, ALS Technichem (M) Sdn Bhd (ALS Malaysia) continues to operate as one of Malaysia's largest analytical and testing services businesses and our partnerships span across major sectors including environmental, food, pharmaceutical industrial and tribology services. Backed by strong brand presence and outstanding quality services, ALS Malaysia alongside its subsidiary company, PT ALS Indonesia (ALS Indonesia) are among the top laboratory testing providers in Malaysia and Indonesia, respectively. During the year under review, ALS Malaysia's branch in Johor Bahru and Kota Kinabalu won the IKM Laboratory Excellence Award for 2018 in addition to the IKM Laboratory President Award Year 2017 to 2020 won by Shah Alam branch. These awards were given in recognition of the laboratory's commitment to achieve excellence in providing quality and competent testing services pertaining to local legislation especially in the fields of health, safety and the environment.

Revenue Contribution From Core Businesses



Generally, PICORP Group's segmental revenue composition for FY2018 remained similar to FY2017 with the laboratory testing services being the main contributor for revenue for both years. Specifically, laboratory testing services contributed RM51.8 million or 60% of PICORP Group's revenue which was slightly higher than FY2017. The environmental consultancy & monitoring services ranked second in contribution with a recorded revenue of RM32.5 million or 37% of PICORP Group's revenue as compared to a RM23.9 million or a contribution of 28% of PICORP Group's revenue. Waste water treatment & solutions contributed RM2.3 million or 3% of the total revenue while other supporting products and services accounted for RM0.9 million or 1% of the total revenue.

Profit Before Tax (PBT) Contribution From Core Businesses

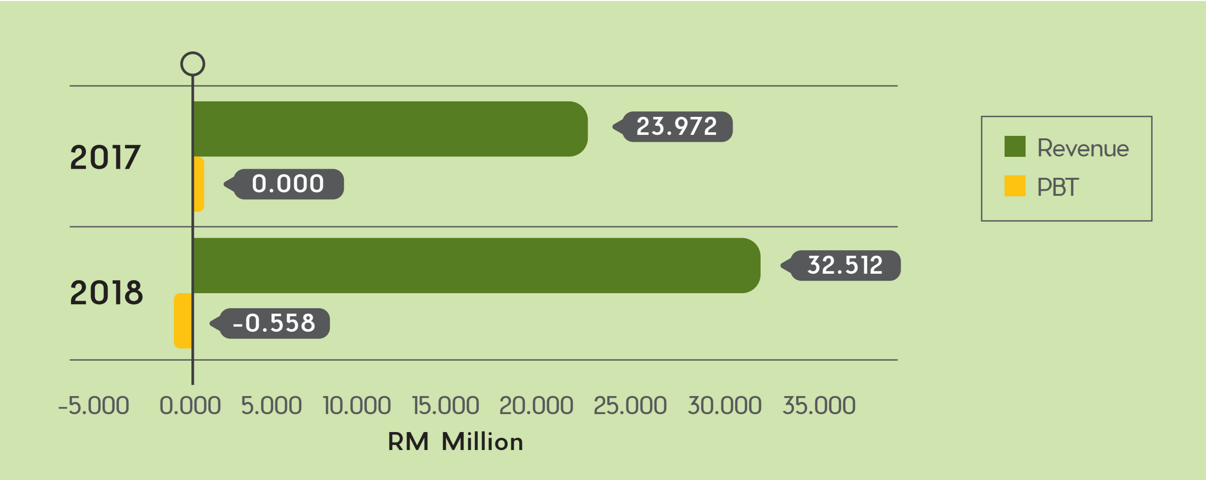


In terms of profitability, the major contributor for PICORP Group's PBT for FY2018 was laboratory testing services, which contributed RM21.6 million of PICORP Group's total PBT as compared to RM20.2 million in FY2017.

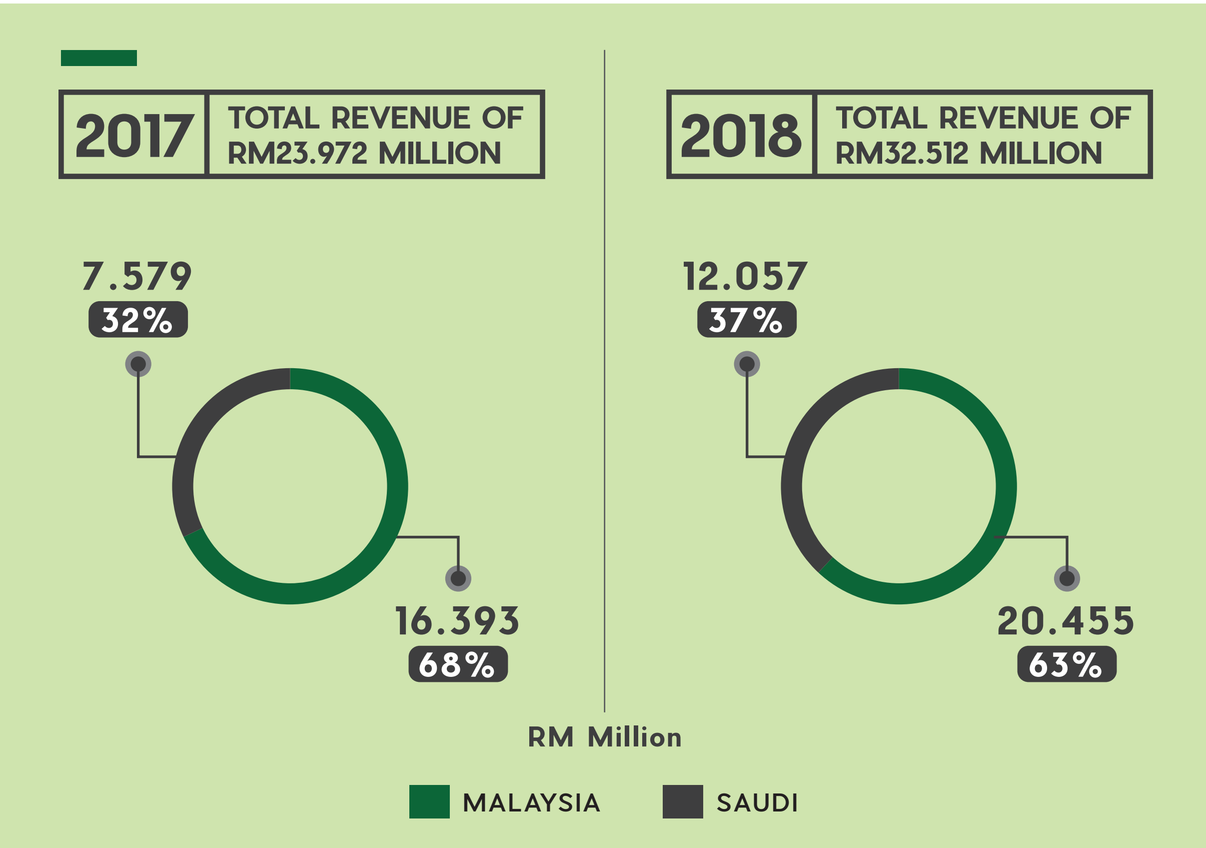
For FY2018, the environmental consultancy & monitoring services and the waste water treatment & solutions suffered a loss before tax of RM0.6 million and RM0.7 million, respectively. The losses were attributed mainly by margin pressure and higher COS.

The PBT from Others include results from investment activities and office rental. Corporate elimination was also part of the performance for Others.

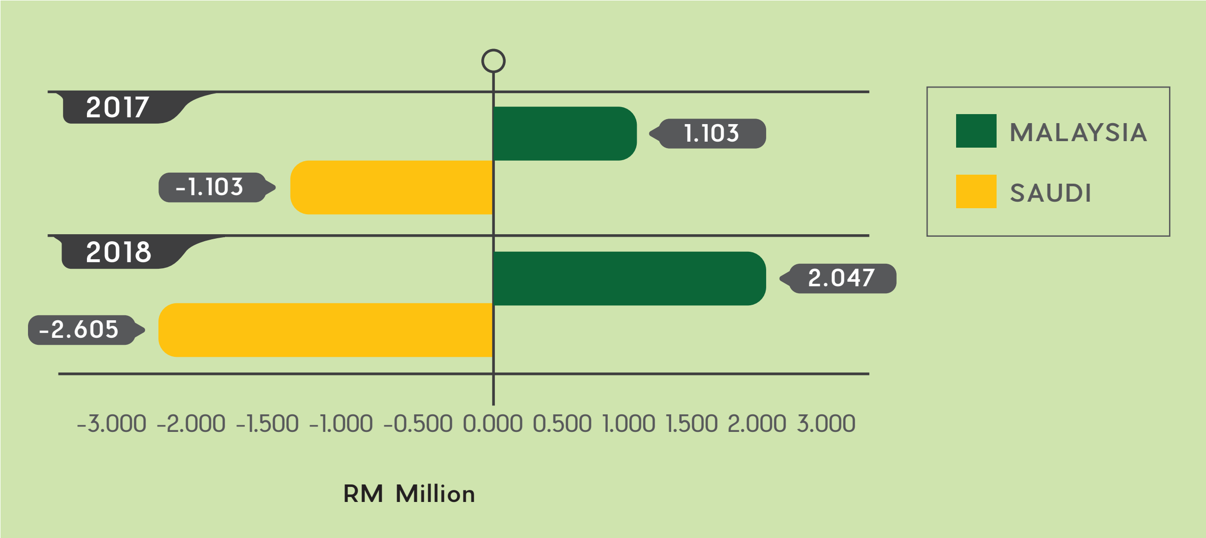
ENVIRONMENTAL CONSULTANCY AND MONITORING SERVICES



Revenue Contribution by Geographical Breakdown



PBT Contribution by Geographical Breakdown



For FY2018, environmental consultancy & monitoring services generated revenue of RM32.5 million, a healthy growth of 36% as compared to FY2017 of RM23.9 million.

Revenue for this segment was derived from the Malaysia and Saudi operations where for FY2018, the Malaysia operation was represented by Alam Sekitar Malaysia Sdn Bhd (ASMA) whilst the Saudi operations by Saudi ASMA Environmental Solutions LLC (Saudi ASMA).

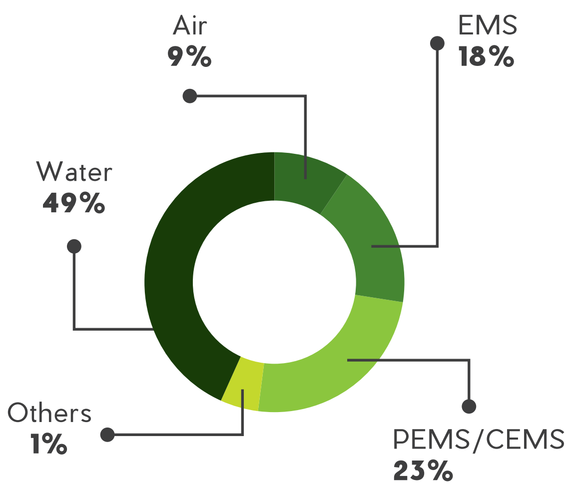
In terms of PBT contribution by geographical area, Malaysia operation reported a PBT of RM2.0 million while Saudi had to report a loss before tax of RM2.6 million.

Malaysia operation

For FY2018, Malaysia operations through ASMA achieved environmental revenue of RM20.5 million as compared to RM16.4million in the previous year. ASMA's major revenue contributors for FY2018 were predominantly derived from its water services and Predictive Emission Monitoring System (PEMS) / Continous Emission Monitoring System (CEMS) segment with both contributing RM10.0 million and RM4.8 million, representing 49% and 23% of total revenue from this segment, respectively.

During the financial year, ASMA's water segment executed the contract for drinking water quality monitoring stations and river monitoring stations in Selangor, online lake water quality monitoring stations in Putrajaya as well as river water quality monitoring stations in Johor. In the PEMS/CEMS segment, ASMA installed a number of PEMS and CEMS stacks during the financial year under review.

As a result, the PBT for ASMA for FY2018 was RM2.0 million against RM1.1 million for FY2017.



ENVIRONMENTAL SEGMENTS	REVENUE RM Million
Water	10.027
PEMS/CEMS	4.811
EMS	3.583
Air	1.875
Others	0.159

EMS : Environmental Monitoring Services

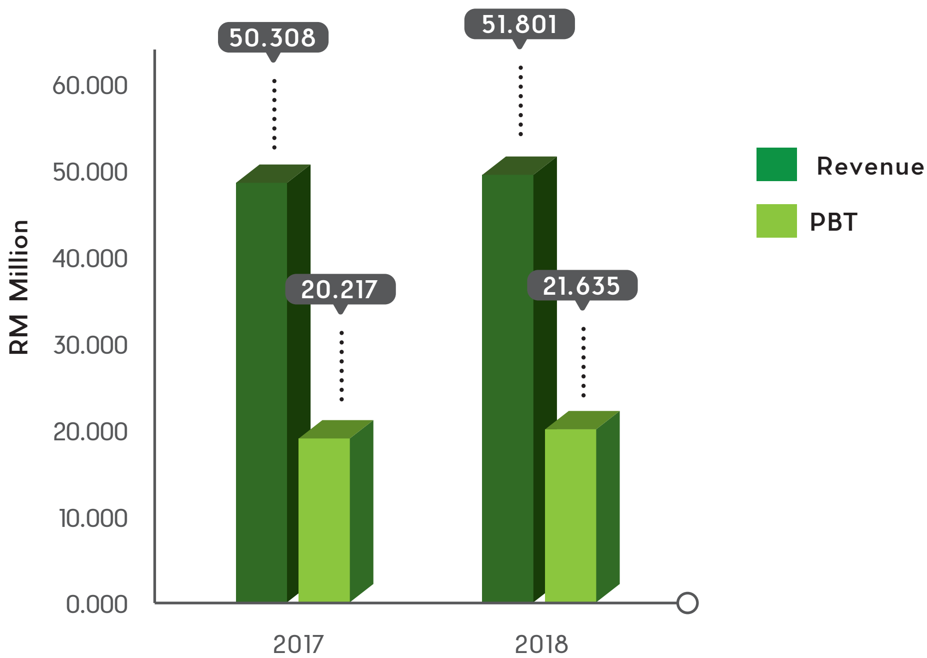
Saudi operation

Saudi ASMA, the subsidiary which provides environmental consultancy and services in Saudi is involved mainly in providing public health and environmental management services. Its customer base comprised mainly the government agencies. Presently, Saudi ASMA has an ongoing contract with the Jeddah Municipality for the pest control monitoring services and the operation and development of the Municipality's public health laboratory and the Makkah Municipality for the health monitoring services. The increase in revenue from the Saudi operation from RM7.6 million in FY2017 to RM12.1 million in FY2018 was mainly attributable to the public health laboratory project which was awarded during the year under review.

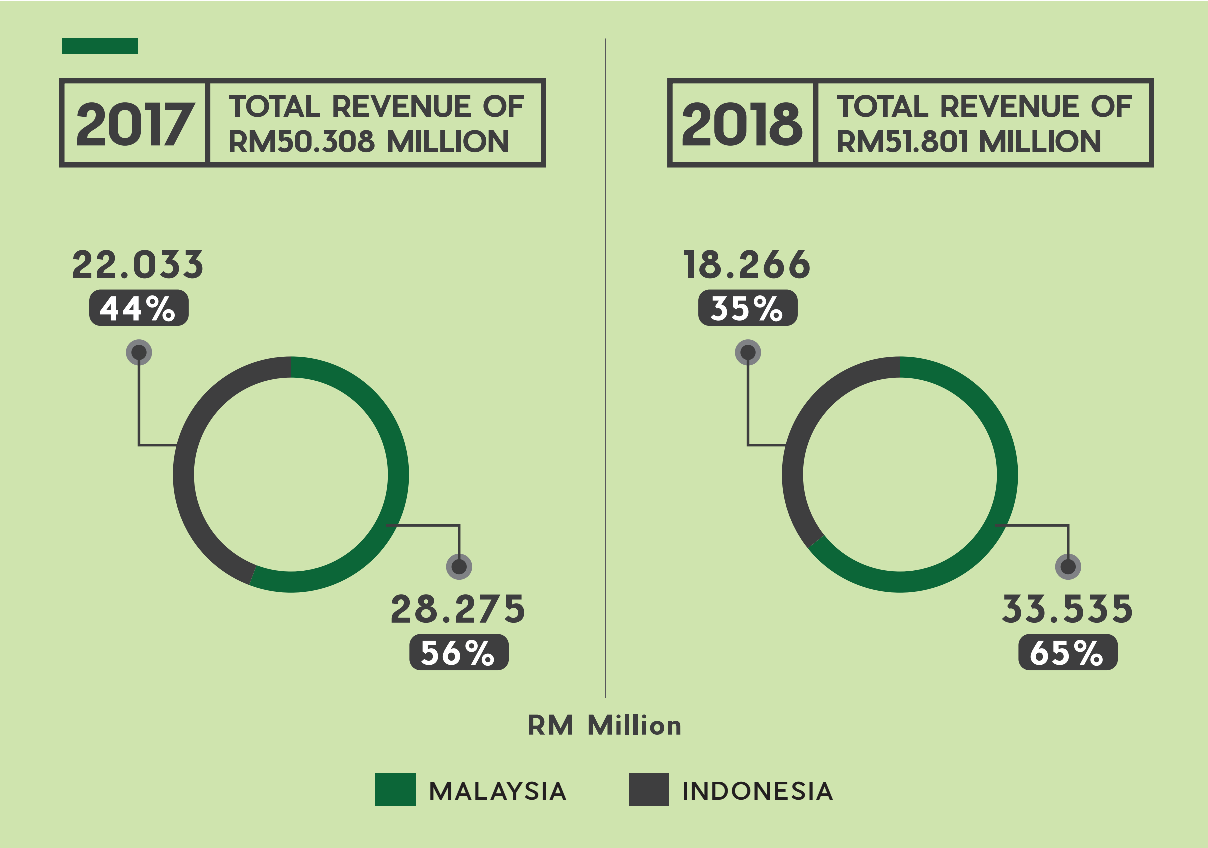
Contribution from this region increased from RM7.6 million or 32% of the segment's total revenue in FY2017 to RM12.1 million or 37% of the segment's total revenue in FY2018.

Despite the improved revenue by 59% and the various initiatives undertaken to improve margins and minimise costs, Saudi ASMA suffered a loss before tax of RM2.6 million due to high mobilisation costs for the new Jeddah public health laboratory project. The management team has taken immediate remedial and recovery actions to minimise the cost of sales, results of which will be reflected in FY2019's performance.

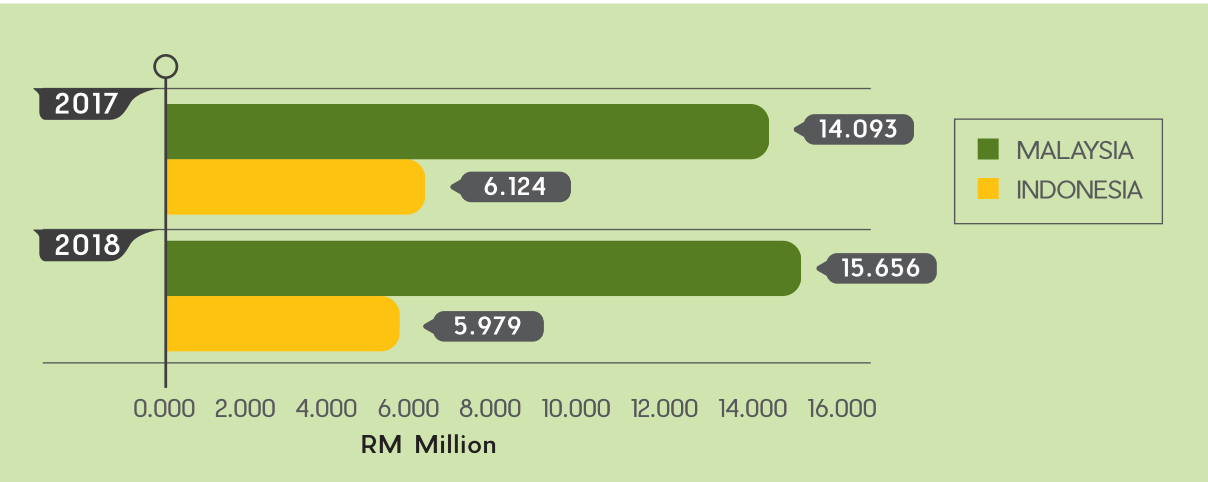
LABORATORY TESTING SERVICES



For FY2018, the laboratory testing services recorded revenue of RM51.8 million which is higher by 3% as compared to FY2017 of RM50.3 million. Revenue for this segment was derived from the Malaysia and Indonesia operations whereby in FY2018, the Malaysian operation contributed 65% of the segment's total revenue. Meanwhile, the remaining 35% was contributed by the Indonesia operation. The contribution from the Indonesia operation dropped from RM22.0 million in FY2017 to RM18.3 million in FY2018 due to expiry of a number of existing contracts and delays in securing new contracts.



PBT Contribution by Geographical Breakdown



In terms of PBT, for FY2018, this segment achieved a PBT of RM21.6 million which was higher than the previous year of RM20.2 million.

Malaysia operation

The Malaysia operation for Laboratory testing services which is represented by ALS Malaysia, is involved in the food and pharmaceutical industry as well as the environmental industry. Food and pharmaceutical industry are further broken down into Nutrition and Contaminants. Meanwhile, the environmental industry comprise Air Industrial Hygiene, Environmental Health, Organics and Inorganics. The Malaysia operation which is headquartered in Shah Alam has branches in Penang, Johor Bharu and Kota Kinabalu.

Known for its high data integrity, ALS Malaysia is acknowledged as the market leader in the environmental testing work as well as microbiology in Malaysia.

For FY2018, ALS Malaysia achieved a revenue of RM33.5 million as compared to RM28.3 million in the previous year, an increase of 18%. Revenue contribution from the Malaysia operation increased from 56% of the total revenue from this segment in FY2017 to 65% in FY2018. The increase in revenue from this region is mainly contributed by the increase in the environmental and food pharmaceutical division.

To further improve its laboratory testing capabilities, ALS Malaysia has successfully obtained accreditation for a number of new tests which among others include Dissolved Oxygen Measurement, Volatile Organic Compounds and EDTA (Preservatives) in Canned Foods. In striving towards customer excellence, ALS Malaysia has introduced a work shift structure and a 7-day work week to ensure that the clients get their reports fast. In the meantime, as part of the company initiatives to improve costs, ALS Malaysia has embarked on a sample miniaturisation to generate savings from consumable as well as delivery costs. During the year, ALS Malaysia has also implemented a new accounting system, SAGE Enterprise Management as part of its process excellence initiatives. With the new accounting system, which has a workflow online notification and approval, ALS Malaysia is able to automate the credit control as well as the reporting processes.

All these initiatives put together, enabled ALS Malaysia to register a PBT for FY2018 of RM15.7 million which is higher by 11% as compared to FY2017 of RM14.1 million.

EXELLENCE IKM LABORATORY AWARD

MAKMAL PANEL HALAL CERTIFICATION

Indonesia operation

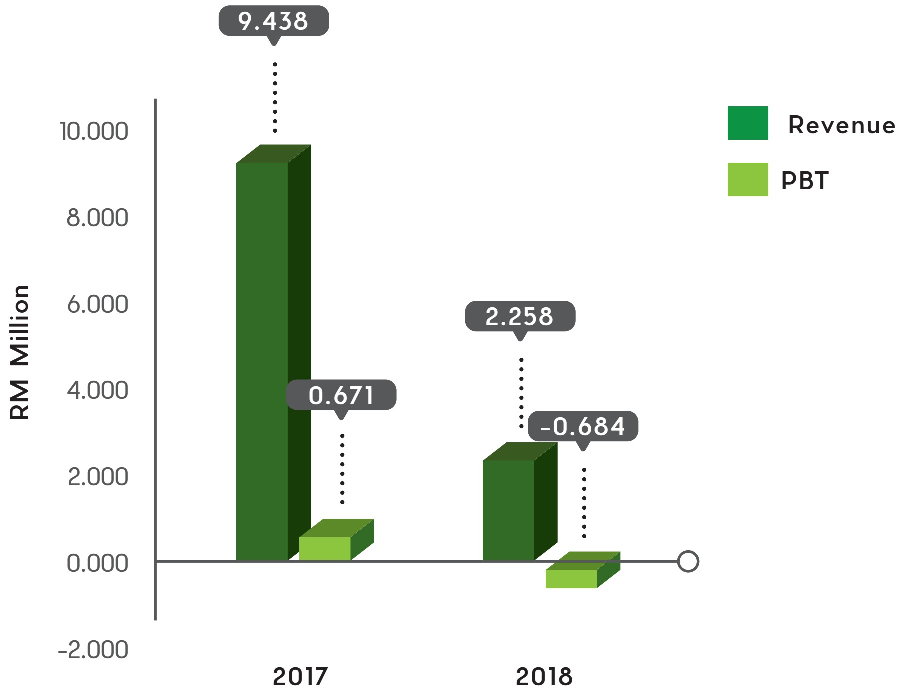
ALS Indonesia is involved in laboratory testing services mainly in the environmental industry. Its revenue was generated mainly from the delineation and excavation project carried out in Sumatera in relation to facility remediation and land restoration activities for Chevron Indonesia. The Indonesia operation which is headquartered in Sentul, has only one physical branch i.e. in Pekan Baru.

Like its Malaysian counterpart, ALS Indonesia too has embarked on the implementation of the SAGE Enterprise Management system which is aimed towards process and reporting automation.

For FY2018, ALS Indonesia's total revenue dropped by 20% to RM18.3 million as compared to RM22.0 million in the previous year. As a result, the revenue contributed by this region dropped from 44% of total revenue in laboratory segment to 35% in FY2018. The drop is mainly due to expired oil and gas contracts.

Despite the significant drop in revenue, PBT from the Indonesia operations for FY2018 of RM6.0 million was only 3% lower than the previous year of RM6.1 million. This PBT performance was achieved due to the company's cost improvement initiatives which has helped to lower its cost of sale. The gross profit margin for ALS Indonesia FY2018 was reported at 87% which is higher compared to 80% for FY2017.

WASTE WATER TREATMENT AND SOLUTIONS



For FY2018, the main contributors in this segment were ASMA which acted as the Design and Build contractor
as well as Alam Sekitar Eco-Technology as the patent holder of the Bi-Act SDO technology.

For FY2018, waste water treatment and solutions generated a revenue of RM2.3 million, a drop of 76% from the previous year of RM9.4 million due to completed contracts as well as delays in securing new contracts.

In terms of PBT, for FY2018, this segment incurred a loss of RM0.7 million as compared to PBT of RM 0.7 million in the previous year. The losses is mainly due to lack of projects awarded during the period under review.

BUSINESS OUTLOOK

The business outlook for PICORP Group is mixed against the backdrop of challenging and uncertain economic, business and political landscapes in Malaysia, Indonesia and Saudi vis a vis the opportunities in the environmental & laboratory segment. Amidst economic, business and political uncertainties, PICORP Group will continue its focus on expanding its laboratory testing services segment while growing its environmental consultancy and monitoring segment. In addition, PICORP Group shall focus on integrating its internal processes and improving its capabilities for the provision of its core businesses. These continuous improvement through operational excellence initiatives should mitigate any adverse effects from the uncertainties in the business landscape including the rising costs of operating business.

ENVIRONMENTAL CONSULTANCY AND MONITORING SERVICES

Malaysia operation

Environmental regulations as well as public and private awareness towards the need to care for the environment shall continue to be the key drivers of business opportunities for this segment.

In seizing this opportunity in the air segment, ASMA's product offering include CEMS which is a hard-ware-based solution approved by DOE as well as PEMS, a software-based solution with ability to provide reliable, accurate and real-time emission estimation with lower total cost of ownership. Both CEMS and PEMS are approved by DOE to provide emission monitoring systems to be installed by the industries under the Environmental Quality (Clean Air) Regulations 2014 which will be in force starting July 2019.

Looking ahead, ASMA foresees further opportunities in testing and auditing requirement under the Clean Air Regulation 2014 whereby companies are required to perform an independent regular relative accuracy audit (RAA) and relative accuracy test audit (RATA) to ensure that emission monitoring systems are working as intended. ASMA is currently one of the key service providers for RAA and RATA.

Offering a complete environmental quality monitoring system is the key value preposition for ASMA. Banking on this value proposition, ASMA shall focus on establishing network and on expanding its market reach leveraging predominantly on its 22 years' experience managing an integrated environ-mental quality monitoring system.

On this note, ASMA aims to focus its business development efforts towards offering environmental systems solutions to the state government linked companies, public and private entities.

The above strategies which has enabled ASMA to achieve a breakthrough during the financial year which was also its first year of full non-concession with a record-high revenue of RM20.5 million shall continue to be the strategies moving forward. As a comparison, in the past, the average value of non-concession revenue attained by ASMA was around RM10.0 million per annum. The achievement signifies ASMA's ability to break away from its high dependency on concession and grow its customer and revenue under a non-concession business model.

As this segment of PICORP's business is highly competitive, post-concession, ASMA is compelled to submit competitive bids in open tenders to secure contracts, hence the pressure on margins. To address the shrinking margin, ASMA has taken various steps including reviewing its pricing strategy and costing structure, strengthening its project management capabilities to ensure timely delivery of project according to quality levels expected by clients and embarked on an effort to centralise its procurement function to better manage cost from suppliers. These initiatives commenced in Q2 2018, will continue to remain the company's focus in 2019 and are expected to produce their intended outcome in 2019.

Saudi operation

Saudi ASMA will continue to focus on public health and environmental management whilst ASMA Advanced Solutions LLC ("ASMA Advanced") will focus on water and wastewater management scope of services. The solution offered to the prospects shall be based on the existing technology, products and services of the Group as well as from other sources acquired through collaborations and strategic alliances. Saudi ASMA aims to leverage on ASMA's existing environmental consultancy and monitoring services to grow the business in Saudi.

Besides this, Saudi ASMA aims to extend its existing pest and health mmonitoring services to other municipalities in Saudi such as Riyadh, Madinah and Makkah. The management team shall continue to strengthen its project execution process to improve and minimise mobilisation costs.

LABORATORY TESTING SERVICES

Malaysia and Indonesia operations

Our laboratory testing operations in both Malaysia and Indonesia remain committed to maintain the strong and sustainable growth strategies which have made each a leading laboratory testing service provider in the market it operates. Both ALS Malaysia and Indonesia aims to maintain this market leadership position across the broad range of industry sectors nominated in Environmental Sampling and Testing, Industrial Hygiene Testing, Food Sampling and Testing, Medical Devices and Pharmaceuticals Testing as well as Tribology Testing. We seek to build strong partnerships with our clients by delivering cost-effective solutions backed by the very best in quality, service and technical capabilities.

We foresee that the general economic environment continues to be very price-sensitive requiring businesses to embark on cost adjustments necessary to continue its growth in existing markets. To overcome this challenging economic landscape, ALS Malaysia and Indonesia are both set to enhance its capabilities to provide clients with a broad range of solutions and services, delivered with the superior turnaround time and quality on which ALS has built its reputation all these years. With this in mind, ALS Malaysia and Indonesia shall continue to remain focused on being ready to take advantage of future opportunities by targeting organic growth in the more stable environmental, food and pharmaceutical sectors.

Additionally, ALS Malaysia and Indonesia hopes to leverage on the opportunities ahead of the global expansion as well as technical diversifications undertaken by the ALS Group which includes diversification in its technical service capabilities through acquisitions in food and environmental testing and oils analysis in mainland Europe and North and South America.

Closer to home, the Malaysian operation aims towards increasing its food analysis works which includes the Halal and Toyyiban assurance, leveraging on the ever-growing food and beverage industry. Our laboratory facilities and human capital resources will be enhanced to support the above strategy. The food safety analysis provides vast opportunities where its compliance portfolio spans the whole value chain from farm to fork. On a similar note, ALS Indonesia is also looking at the opportunity in Halal market.

In the meantime, ALS Malaysia in recent years has been aggressively building up its molecular biotechnology applications for industrial clients which among others include PCR screening test, Food GMOs testing, speciation test, Halal and other custom biotechnology services and shall continue in these pursuits moving forward.

With all these in place, both laboratories in Malaysia and Indonesia are confident that the quality of the assets, operating model, and strategic disciplined focus, will help not only to maintain its market leadership position but also to increase the market share in the respective countries despite the challenging market conditions.


WASTE WATER TREATMENT AND SOLUTIONS

Malaysia operation

Recognising the challenges in this segment due to the current slowdown in the property sector, ASMA's focus in 2019 shall be to establish its presence in other sectors namely healthcare and learning institutions.

Other initiatives taken to overcome the challenges ahead include cost improvement initiatives through cost standardisation and improvement as well as centralisation of procurement function. In parallel, to ensure that the technology remains relevant in the market, ASMA has initiated the process to register a patent under a newly developed Bi-Act SDO 2.

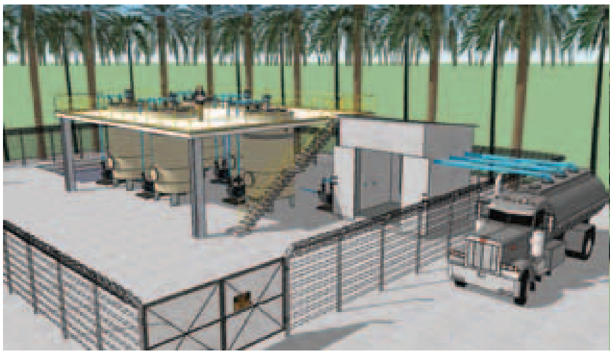
Saudi operation

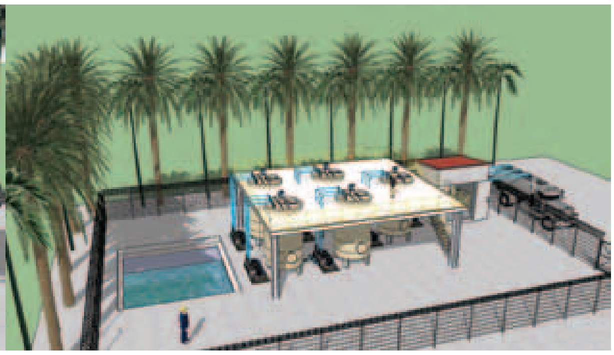
PICORP's joint venture company in Saudi, ASMA Advanced Solutions LLC (ASMA Advanced) shall continue to focus in offering waste water treatment and purification technologies to the Saudi market. The Bi-Act SDO technology is capable of providing one of the most critical solutions required by the Saudi wastewater market that is on minimising the non-beneficial sludge.

In addition, ASMA Advanced is also promoting a water purification system known as Intelligent Aqua that is capable of converting contaminated or wastewater into reusable purified water.

The company's total offering is in line with Saudi Vision 2030 of optimising its water infrastructure and increasing the reusability of sewage water to safeguard its environment and natural resources.

These technologies are expected to improve performance of Saudi operation for FY2019 and beyond.





BUSINESS RISKS

PICORP financial condition and results of operations have been and are expected to be affected by a number of key risks. These risks have been identified and mitigating measures undertaken to ensure our exposure to all anticipated risks are addressed and remain within the Group's overall risk appetite.

KEY GROUP RISKS	DESCRIPTION	KEY MITIGATION STEPS
Business growth and sustainability	Risks relating to ability to identify and develop and secure high impact projects	• Beef up the Business Development (BD) team and intensify BD activities. • Offer Build-Operate-Transfer / Build-Own-Operate project business model to strategic accounts that requires strategic facilities for integrated environmental monitoring system / waste water treatment plants. • Participate in major tenders and collaborate with strategic partners that could complement our core competencies
Human capital management	Risk relating to ability to develop an efficient and effective talent management and succession planning programmes to ensure business continuity	• Identify key functions • Identify high potential candidates for the key functions • Assess against capabilities • Develop succession planning, knowledge transfer plan as well as training • Establish Human Resource policies • Measure, monitor, report progress of the programme
Human resources policy	Risk relating to ability to establish a human resource policy (that shall represent the specific guidelines) and common practices. across the Group	• Review and align human resources policies and practices across the Group.
Foreign investments	Risks relating to changing regulatory, economic, fiscal and monetary policies that may materially and adversely affect PICORP's operation abroad	• Diversify the client-base to cover wide range of private entities to prevent high dependency on a single customer or segment • Seek early advice from the local business lawyer to ensure compliance to the local laws. • Option for natural hedging in financing the local projects • Consider insurance policy to mitigate the political risk

DIVIDEND

PICORP has a dividend policy to pay a total net dividend pay-out not less than 40% of its net profit after tax and minority interest.

The Board of Directors has recommended a final single tier dividend of 0.35 sen per share for the financial year ended 31 December 2018, subject to the shareholders' approval at the forthcoming Annual General Meeting. The proposed final dividend shall be equivalent to RM 2,296,686 (net).

04
SUSTAINABILITY

Enriching the quality of lives,
Crafting a sustainable future.

"SERVING ALLAH, RESPECT FOR THE PEOPLE AND THE ENVIRONMENT"

This is our Purpose. This is the reason why we are here. This is what instigates and steers us as individuals and as an organisation. This is how we serve the stakeholders while crafting sustainability for the success of this World and the Hereafter.

SCOPE & FRAMEWORK

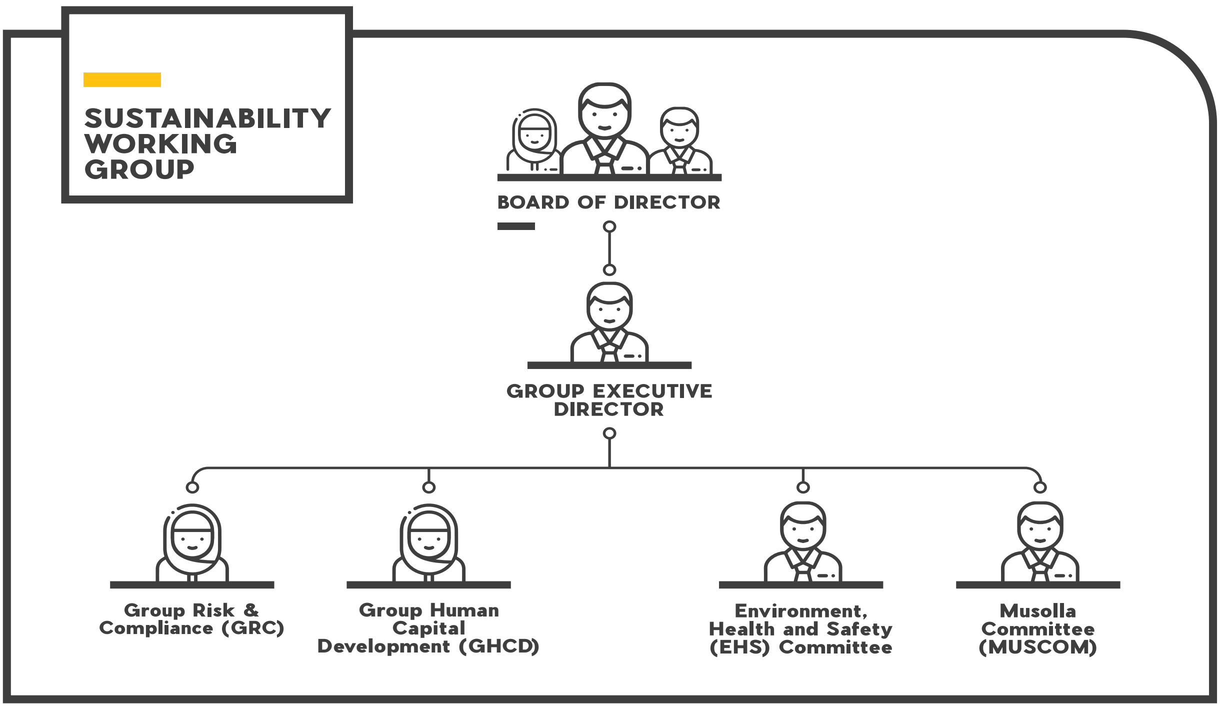
Our approach to sustainability has been fuelled by our business growth. We understand our priorities through the lens of our pursuit of 'Integrated Environmental and Analytical Laboratory Solutions Provider'. Being the company whose principal businesses are in the provision of environmental consultancy and monitoring services as well as laboratory testing services, sustainability is already embedded in our purpose. Therefore, PICORP believes it is prominent not only to ensure the sustainability of our organisation through the creation of stakeholder value, but also to be evident in our action and communication. For this reason, we aim to illustrate our strategic approaches to address sustainability challenges and opportunities in contributing towards the betterment of the business, environment and society in this Sustainability Statement.

This annual Sustainability Statement covers the sustainability initiatives and practices, community activities and performance for the financial year 2018 for PICORP and all its subsidiaries in Malaysia, Indonesia and Saudi. This Statement is prepared in accordance with the Second Edition of the Bursa Malaysia Sustainability Reporting Guide (2018). It addresses material issues or those that reflect economic, environmental and social impacts and issues that significantly influence our stakeholders. Accordingly, the contents of this report are crafted according to our Economic, Environmental and Social ("EES") impacts.

SUSTAINABILITY GOVERNANCE STRUCTURE

Understanding the value of sustainability to be embedded in the business strategy, robust governance structure is imperative for a successful and effective sustainability management in the organisation. Sustainability governance facilitates the organisation in instigating sustainability strategies across the businesses, managing goal-setting and strengthening relationship with external stakeholders. The Board acknowledges its noteworthy roles and responsibilities in guiding the plans and strategies towards sustainable development, with a particular focus on the environmental, social and governance aspects of the business

Similar to the onset of the Sustainability Reporting in 2017, the Board maintains the formalisation of the Sustainability Agenda for PICORP and the Sustainability Working Group ("SWG") comprising Group Risk and Compliance ("GRC"), Group Human Capital Development ("GHCD"), Environmental, Health and Safety ("EHS") Committee and Musolla Committee ("MUSCOM") led by the Group Executive Director ("GED") to administer the incorporation of sustainability in PICORP's businesses, as well as to prepare PICORP for its sustainability disclosure.



MATERIAL SUSTAINABILITY MATTERS

Our entire sustainability framework rests on understanding and managing issues that are material to PICORP and stakeholders which, if not controlled, may have substantial EES impacts which may negatively affect our performance in the long run. To determine these issues, we carry out a materiality assessment every year, guided by the Second Edition of the Bursa Malaysia Sustainability Reporting Guide (2018).

We identify the areas we believe are utterly important to both PICORP and our key stakeholders through open and consistent communication, and we focus on shaping positive change in these key areas.

This year, PICORP identified the following key sustainability matters being classified into themes of sustainable business growth (Economic), environmental stewardship (Enviroment) as well as social responsibility (Social), known as EES.

ECONOMIC

- Product Quality
- Research & Development
- Corporate Governance
- Branding & Reputation
- Economic Performance
- Ethical Business Practices and Transparency
- Sustainable Value Chain Management
- Project Delivery
- Customer Satisfaction

ENVIRONMENTAL STEWARDSHIP

- Environmental regulatory compliance
- Environmental awareness
- Subscribed to DOE Environmental Mainstreaming Tools ;
  - Environmental Policy (EP)
  - Environmental Monitoring Committee (EMC)
  - Environmental Facility (EF)
  - Environmental Competency (EC)
  - Environmental Reporting and Communication (ERC)
  - Environmental Transparency (ET)

SOCIAL RESPONSIBILITY

- Diversity and Inclusion
- Occupational Health and Safety Management
- Human Capital Learning &
- Development
- Talent Acquisition and Retention
- Integrity & Governance
- Labour practices
- Employee Satisfaction Index
- Anti-corruption

ENGAGING OUR STAKEHOLDERS

As the leading environmental and laboratory testing service providers in Malaysia, our operations embrace the lives of thousands of people – not only our customers and employees but also our vendors, shareholders, the Government and regulators as well as the community. Our stakeholders comprise any group or individual that influences, or is influenced by our business activities. Each of the stakeholder group is equally important to us, and we engage with them regularly on the most appropriate platforms through meaningful engagements in order to provide business or operational updates as well as to obtain feedback from them in keeping abreast of the evolving economic, environmental and social expectations.

Our engagement sessions take place in many forms, predominantly face-to-face interactions, in group and one-on-one session. We believe in engaging with our key stakeholders in order to build and maintain strong relationships based on trust. We partake in relevant networks and forums, and have teams across PICORP that manage our relationships with specific stakeholder groups.

The table below summarises the standard methods used in engaging with our stakeholders throughout the year and its outcomes:

STAKEHOLDER GROUP	ENGAGEMENT APPROACH	FREQUENCY OF ENGAGEMENT	ACHIEVEMENTS	MATERIAL AREA ALIGNMENT
Employees	· PICORP regular Speak Up meetings, Town Hall meetings · Annual events · Employee Performance Review · Training opportunities, i.e. Workplace Safety & Health Training, ISO training · Talent & Management Programme · 360 Employee Assessment · Employee Satisfaction Index	Weekly/Monthly/ As needed Annually Annually Annually / As needed Annually / As needed Annually Annually	· Regular updates on the employees/ corporate activities · Company events like Family Day, Intercompany Games, Sports Day for better work-life balance · Long service awards, salary increments and bonus to reward high performers · Effective performance tracking, improved work efficiency and better career development as well as solid succession planning programme	· Occupational Health & Safety Management · Human Capital Learning & Development · Talent Acquisition and Retention · Labour practices · Employee Satisfaction Index
Shareholders/ Investors	· Annual General Meeting · Investor Relation sessions	Annually As needed	· Briefing to shareholders on economic performance, business direction and strategies	· Corporate Governance Branding & Reputation · Economic Performance

STAKEHOLDER GROUP	ENGAGEMENT APPROACH	FREQUENCY OF ENGAGEMENT	ACHIEVEMENTS	MATERIAL AREA ALIGNMENT
Clients / Customers	· Appointment of a key account manager for each customer · Regular meetings/ engagements with customers to obtain feedback · Top Management engagement	As needed As needed As needed	· Evaluate capability and deliverability of jobs and services as well as identify area for improvements · Regular project management meetings · CEO Interface Session · Timely response to attend to customer needs · Visits to project sites	· Product Quality · Economic Performance · Project Delivery · Customer Satisfaction
Regulators / Government Authorities	· Corporate governance compliance such as Bursa Malaysia Securities Berhad Securities Commission, Quality Management System (ISO9001:2008) and Environmental Management System (ISO14001:2004) · Regular meetings with Departmental of Environmental (DOE) on Clean Air Regulations (CAR) · Environmental compliance at project sites	As needed As needed As needed	· Create reputable branding as well as keeping track with the current market regulations · To gain understanding on environmental regulations and to work with the authority to encourage compliance by industries · Complied with the environmental requirements for SPAN, IWK, JAS, JPS, local authorities and etc	· Corporate Governance · Branding & Reputation · Environmental Regulatory Compliance
Business Partners / Associate Partners	· Strategic planning meetings	As needed	· Conduct strategic business planning meetings to improve economic performance	· Economic performance
Local community	· Charitable giving · Internship opportunities · Public events such as Hari Raya Open House · Trainings on environmental compliance and best practices	Annually As needed Annually As needed	· Build positive relationship with the community · Partnership with university/ college to provide internship opportunity · Create local employment at project sites	· Community Engagement · Environmental Awareness
Suppliers / Subcontractors	· Suppliers & subcontractors' assessment · Vendor database through prequalification	Annually As needed	· Performance monitoring · Improve efficiency throughout value chain	· Sustainable Value Chain Management
Media	· Media releases · One to one interview	As needed As needed	· Reach out to public on company's strategic direction, future aspiration to promote company branding and reputation	· Branding & reputation
Non-Governmental Organisations / Industry Associations	· Partnership and support in community and environmental sustainability · Industry exhibitions and conferences	As needed As needed	· Keeping track with industry updates · Environmental quality conservation and education · Involvement in events organised by government agencies such as Hari Alam Sekitar by DOE	· Environmental awareness

MANAGING MATERIAL SUSTAINABILITY MATTERS

We live in an uncertain and rapidly changing world, where change and disruption is the new normal. We need to keep pace with those changes by managing materiality which helps us ascertain and prioritise the sustainability issues that matter most to our business and stakeholders through the inclusion of economic, environmental and social issues in our business model. Being the forefront of the environmental monitoring with 22 years of concession experience serving the nation under the Department of Environmental, Ministry of National Resources and Environment of Malaysia, PICORP through its subsidiary, Alam Sekitar Malaysia Sdn Bhd ("ASMA") focuses on continuously delivering innovative solutions in air, water and waste water to the government agencies, state governments as well as private sectors. In addition, ALS Technichem (Malaysia) Sdn Bhd ("ALS Malaysia") and its subsidiary, PT ALS Indonesia ("ALS Indonesia") have been operating as the leading commercial laboratory testing service provider in Malaysia and Indonesia. ALS Malaysia continues to operate as one of Malaysia's largest analytical and testing service provider and our partnerships span across major sectors including environmental, food, pharmaceutical industrial and tribology services. Backed by robust brand presence and outstanding quality services, ALS Malaysia alongside its subsidiary company, ALS Indonesia are among the top laboratory testing providers in the environmental, food pharmaceutical as well as tribology sector in Malaysia and Indonesia, respectively. Likewise, our Saudi operations through Saudi ASMA Environmental Solutions LLC ("Saudi ASMA") and ASMA Advanced Solutions LLC are growing progressively in their pursuits of public health and environmental management as well as water and waste water treatment solutions, respectively.

The above is a distinctive manifestation of sustainability at the heart of our business activities and is indeed reflected in our people, business, community and environment in which PICORP and its subsidiaries operate.

OUR BUSINESS

OUR COMMUNITY

OUR PEOPLE

OUR ENVIRONMENT

Recognising employees as the company's most valuable asset, it is important to provide our people with support and encouragement to create a sense of belonging and make them feel that they are an integral part of PICORP. Thus, we are committed to providing a safe, healthy, fair and respectful workplace for everyone in PICORP. Our objectives are to maximise work productivity whilst achieving healthy work-life balance through the creation of a harmonious working environment.

Our values are abiding by the orders of Allah and avoiding His prohibitions.

We advocate a healthy living style: Work-life balance & raising health and safety awareness.

We value diversity and embrace individual differently, including women empowerment and multicultural.

Our Talent Management strategy helps us find the right talent and ensure that our people excel both personally and professionally.

OBEDIENT TO ALLAH, RESPECTFUL CULTURE & FAIR TREATMENT

Spiritual performance 2018: at a glance

'Obedient to ALLAH' core value has always been the pillar of PICORP in conducting its business activities and taken precedence over any other matters. Hence, it is of great concern of PICORP that the core value is promulgated within the company. Owing to this responsibility, various religious programmes have been conducted and tailored towards the spiritual needs of the employees. Laman Hidayah (luncheon religious sessions) are conducted at least four (four) days a week i.e. from Monday to Thursday for a duration of one (1) hour during the lunch hour delivered by *Ustaz* and *Ustazah* from local and abroad. Various topics touched include al-Quran and *tajwid, fiqh, aqidah, hadith,* Islamic history and many other diverse topics deem relevant towards the spiritual well-being and betterment of the employees.

"No people gather together in a house of the houses of Allah, reciting the Book of Allah and studying it among themselves, except that tranquility descended upon them, mercy covers them, the angels surround them and Allah makes mention of them to those in His presence."

Prophet Muhammad (pbuh) (Recorded in Muslim)

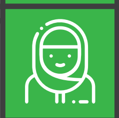
TOTAL NUMBER OF ATTENDANCE

12% ↑	2018 : 2,744
	2017 : 2,440

TOTAL NUMBER OF LAMAN HIDAYAH

36% ↑	2018 : 132
	2017 : 97

2018 ATTENDANCE BY GENDER COMPOSITION IN PICORP

	% ATTENDANCE	NO OF ATTENDANCE TO LAMAN HIDAYAH
	4%	113
	96%	2,631

During work days, prayers in congregation are highly encouraged among employees. In the congregation, all employees regardless of positions, stand shoulder to shoulder in worshipping Allah, portraying the sense of togetherness, unity and equality. These congregational prayers are organised at PICORP workplaces namely MERCU PICORP, Jeddah office and Sentul office for the compulsory prayers during work days.

In spite of having daily religious programmes to instil the value and culture, newly recruited employees are necessitated to partake in a special orientation programme to inculcate this holistic culture. New employees are required to attend an orientation session that embraces elements to develop a professional Muslim with intellectual quotient (IQ), emotional quotient (EQ) and spiritual quotient (SQ), specially tailored to PICORP. This 3-day and 2-night onboarding programme aims to improve employee integrity, self-confidence and productivity in making sure business objectives are achieved.

LAMAN HIDAYAH CONDUCTED	
2018	132
2017	97

MUKMIN PROFESIONAL PROGRAMME	
2018	1
2017	4

LAMAN HIDAYAH PARTICIPANTS	
2018	2,744
2017	2,440

MUKMIN PROFESIONAL PARTICIPANTS	
2018	33
2017	90

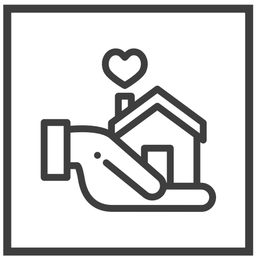
PICORP is committed to providing a workplace that is fair, flexible, safe, supportive and free from discrimination, employment disadvantage, where all employees are valued and treated with respect despite having varying age group, experiences and expectations, in Malaysia, Indonesia and Saudi. PICORP adopts fair treatment to everyone, regardless of gender, ethnicity, age group, sexual orientation, disabilities, religion, political inclinations and nationality to create stronger, better relationships with our employees based on trust and respect.

Respect for human rights

We recognise the importance of human rights in our workplace as we believe that a respectful workplace creates a happy employee and ultimately conveys productive results. We comply with the local Employment Act in the country we operate. We do not tolerate human rights abuse among our employees and we ensure equal opportunities in the workplace.

Communication

PICORP is committed to managing the business by embedding principles of good corporate governance in the business operation. In this regard, PICORP is transparent and fair in managing the complaints of violations via the whistleblowing system from internal and external parties. PICORP emphasises on the whistleblowing system as a mechanism to channel employee grievances to the highest authority in PICORP. In addition, PICORP holds Speak Up Meetings on a weekly basis to allow employees to express their views and concerns while keeping the employees updated on the current results and achievement of the company.



SAFE AND HEALTHY WORKPLACE

The workplace should be a safe environment where employees can do their jobs without the fear of injury or death. As one of the central concerns within PICORP, investing in Environmental, Health and Safety ("EHS") is simply the right thing to do. Since 2012, a Health, Safety and Environmental Policy has been established across PICORP to create a culture and attractive workplace that fosters and develops work health, safety and well-being for employees, customers, contractors and community in the offices and vicinity where we operate as well as at our project sites.

The Board oversees the healthy and safe workplace so the Group is able to protect its assets, ensure business continuity and maximise productivity. To assist the Board, we have an experienced consultant to advise and establish the Safety, Health & Environment aspects of the workplace in PICORP.

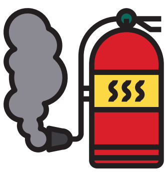
Likewise, series of awareness trainings, assistance, consulting, and regulatory compliance support in a variety of fields are held for employees to emphasise on the importance of workplace health and safety. EHS team members at both offices and project sites are actively involved in conducting activities to ensure each employee is well-educated on safety and health knowledge. A total of 18 EHS awareness related programmes were conducted in 2018 across all companies within PICORP. These have resulted in improved outcomes in Fatality Rate and Lost Time Injury Frequency Rate (LITFR) in PICORP. Despite these improved results, PICORP will continue to strive to improve on our safety commitment and discipline and must remain vigilant across all of our operations to ensure everyone goes home without injury.

Among the activities are:

1

Emergency Response Team ("ERT") training

2



Fire Drill Exercise

3

Red tag or Sort Program (5S program)

4

EHS New Initiatives

Emergency Response Team (“ERT”) training

To prepare for and address incidents across the organisation, PICORP formed an Emergency Response Team (“ERT”) to respond to any emergency incident for example, a natural disaster or an interruption of business operations.

An ERT training was conducted on 27 November 2018 to strengthen the ERT in facing any emergency situation such fire and accident. Trained by professionals from Kota Anggerik Fire and Rescue Station, theory of fire training and important life-saving actions like the lifting technique for handling unconscious victim, using fire extinguisher were demonstrated for a total of 27 participants within PICORP.

Fire Drill Exercise

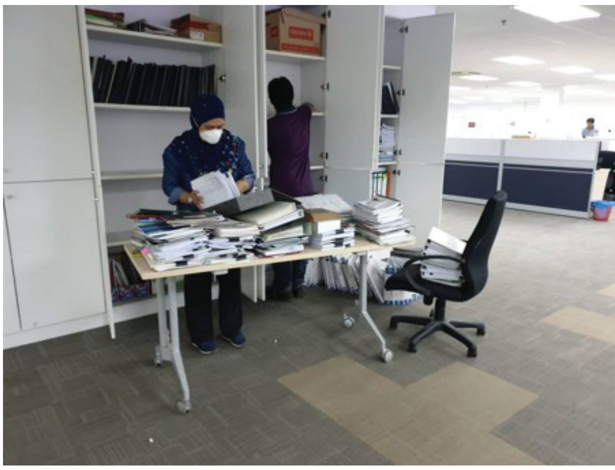
Held on 21 December 2018, a fire drill exercise was conducted in Mercu PICORP as a method of practicing how a building would be evacuated in the event of fire or other emergencies. The exercise was facilitated by Kota Anggerik Fire and Rescue Team. This exercise aims to ensure that everyone is well aware on how to exit safely and as quickly as possible if a fire, smoke, or other emergency occurs at the workplace. All employees within PICORP including the tenants of Mercu PICORP were involved in the fire drill.


5S Red Tag or Sort Programme

Heaps of unneeded equipment, tools, and stocks with unknown owners can pose hazzards at workplace as they take up more space. To mitigate this issue, a 5S Red Tag or Sort Programme was conducted in the month of December 2018 and covered various departments within PICORP. 5S is a lean method for implementing order in the workplace to improve efficiency by eliminating the waste. The 5S programme shall eventually enhance employee safety and morale due to the improvements in the work environment.

The 5S Red Tag Programme starts with sorting out what is needed in the work area. This removes clutter from the work area and makes it easier to access the tools, material and documents needed. The work team in the area reviews all items and removes those items that are not needed. Items that are used infrequently is moved to a storage area outside the work area. A "red tag" process is often used. This involves placing a red tag on items to be removed from the area followed by putting the red tagged items in a designated red tag area. The purpose of the red tag area is to allow people to inspect the red tag items and decide on whether they are to be stored, reused , sold or thrown away. It is a good idea to hold items in this area for a period of time so the risk of mistakenly disposing items that are needed is reduced.

Outcome of Red Tag Project



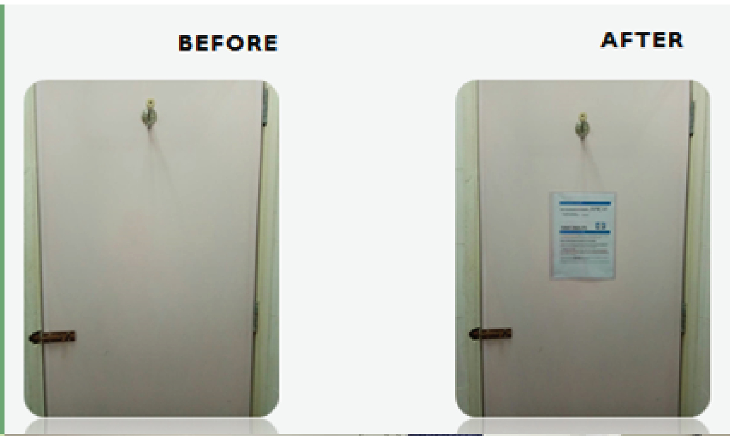

EHS New Initiatives

The EHS team vigorously promotes and creates awareness on EHS among the employees by organising various activities. The objectives are:

- To ensure that all employees are aware of the health and safety practices.
- To achieve Zero Accident.
- To comply with Factories and Machineries Act 1967 and Occupational Safety and Health Act 1994.
- To implement, develop and continual improvement in Environment, Health and Safety.

A. Toilet Talk

EHS Information and promotion are placed at the toilet door and updated monthly.



B. Walk-A-Talk

This initiative is held to create safety culture via face to face interaction by approaching department by department with specific topic such as accident reporting, health issues and ergonomic.

C. Safety Toolbox briefing

Conducted every Monday during Speak Up Meeting, EHS team member share EHS topic to all employees for their understanding and awareness. Their famous slogan “Safety First” is chanted to kickstart the session.

D. Safety Inspection, Walkabout and Audit

To mitigate any unforeseen incidents at workplace, frequent safety inspection, walkabout and fire audit are conducted at site

0% Fatality among work-related employee or subcontractor for the past four years (Environmental Divison)

0% Lost Time Injury Frequency Rate (LTIFR) of 0 per million hours worked. (Laboratory Testing Division)

EMBRACING DIVERSITY & INCLUSION

We ensure that the business is driven by highly reliable and competent workforce through robust hiring process while promoting diversity and inclusivity.

Successful organisations embrace diversity and strive for inclusion among their employees. PICORP values, appreciates, respects and adapts to each other and cultural and generational differences as we understand the mosaic of people who bring a variety of backgrounds, styles and perspectives are assets to the organisation with which they interact. It is sometimes difficult, but the intent is to make the most of everyone's potential contribution.

GENDER OF EMPLOYEES

	2017	2018
Male	335 (66%)	397 (67%)
Female	176 (34%)	194 (33%)

TOTAL NUMBER OF EMPLOYEES } 591

MALAYSIAN 286

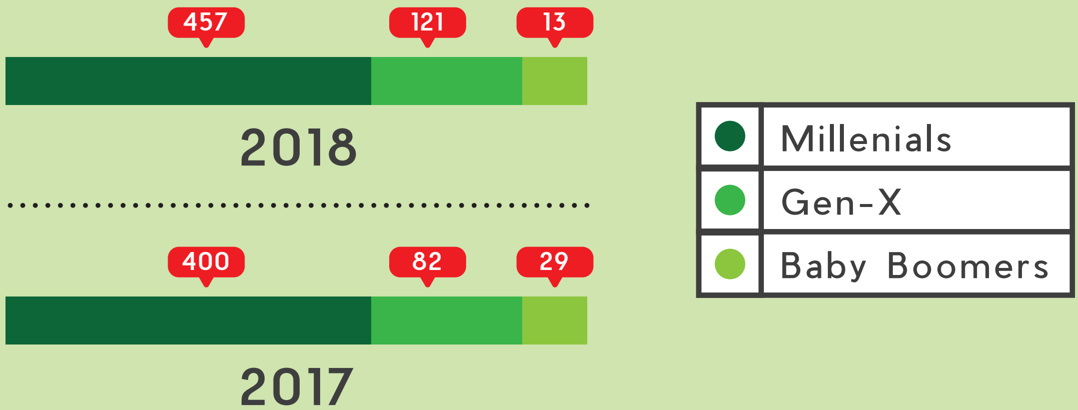
INDONESIAN 199

SUDANESE 65

SAUDI ARABIAN 25

OTHERS 16

AGE GROUP OF EMPLOYEES



WOMEN EMPOWERMENT

PICORP treats both male and female employees equally in terms of salary, staff benefits and welfare as well as career opportunities. We recruit talent based on experience and related technical knowledge. Gender is not a consideration in our recruitment process. Here at PICORP, female employees are given opportunities to hold senior positions should they are capable in delivering the job.

TALENT MANAGEMENT PROGRAMME

TALENT MANAGEMENT AT PICORP

Success at a certain position is influenced by various factors, which are always in need to be discovered when companies attempt to hire the best candidate to fill up the vacancies or to promote the deserving and capable employee to a higher position. Among the many elements such as qualification, experience or background, job fit is the most crucial one as it affects the compatibility of the individual to the job's nature as well as the organisational culture. To identify the "Job Fit" of the employees in preparing for the succession planning, PICORP incorporated this area in the Talent Management programme.

In 2018, the PICORP Human Resources and Management completed their Talent Management assessment tailored for its Level 1 Management. The psychometric assessment tool, known as Managerial Leadership Job Model, gives a glimpse at the compatibility to the job position and provides meaningful insights particularly on thinking style, behavioural traits and interest. The model identifies each skill possessed by the candidate and determine whether the skill matches the job for each candidate. Among the skills being assessed are learning index, verbal skill, verbal reasoning, numerical ability, numeric reasoning, energy level, assertiveness, sociability, manageability, attitude, decisiveness, accommodating, independence and objective judgement. In addition, the model also sums up the top interest of each candidate.

Series of training, coaching and mentoring by the Group Executive Director ("GED") were conducted on weekly to monthly basis. Diverse topics were covered including business challenges, interpersonal skill, motivation and engagement, making decision, and so on.

EXECUTIVE DEVELOPMENT PROGRAMME (EDP) AT ALS

The Executive Development Programme (EDP) is ALS's newest learning opportunity designed for senior leaders who want to catalyse their upward career in ALS. The objective of the EDP is to build a strong leadership foundation within ALS that drives commercial and technical excellence while inspiring the current and future leaders towards achieving the unified ALS vision.

Participants of this EDP programme will carry out formal learning and On-the-Job Development EDP workshops with a 4-day intensive session. During the 2-year programme, participants are supplemented with Virtual Learning and e-Learning Modules. On-the-Job learning is the primary method for skill acquisition and improved business performance for adults in the workplace. It is at the heart of the EDP Program and is achieved through the creation of quality roles and supplemented by coaching, training, assessment and e-learning.

The intent of formal learning is to equip each participant with the knowledge, skills and practice they need in handling roles of increasing complexity and responsibility. The EDP provides a structured foundation and fosters the development of appropriate behaviors and competencies for a successful career. The majority of learning process happens while on-the-job and those which cannot be obtained on the job will be supplemented by formal learning and coaching.

EDP Workshop in Bangkok 21-24 May 2018

iLEAD (LEADERSHIP ENABLEMENT AND DEVELOPMENT) PROGRAMME AT ALS

Global iLEAD programme, the sequel of the Executive Development Programme (EDP), is designed to provide all the supervisors and managers with the skills to professionally and confidently operate effectively in the ALS environment. Two (2) candidates from ALS Malaysia were selected in 2018 and required to complete four (4) processes in this 24-month programme.

- Process 1 ORIENTATION
- Process 2 COURSE WORK
- Process 3 ACCOUNTABILITY
- Process 4 CELEBRATE SUCCESS

EMPLOYEE TRAINING & DEVELOPMENT

Continual learning and development are encouraged and supported at PICORP. Without doubt, our integrated people development model enables employees to play an active role in the learning and development process. Employees are encouraged to enhance their knowledge by pursuing tertiary educations. To further demonstrate its support, PICORP approves a policy to partially subsidise the tuition fees for those who pursue their Master's degree.

PICORP's investment on training for staff trebled as compared to the year 2017. As training presents a prime opportunity to expand the knowledge base of all employees, PICORP understand its importance for employee performance, productivity and adherence to quality standards which is evident in each huge investment in training expenses while improving employee satisfaction and morale.

TRAINING EXPENSES

RM341,695	RM120,908	↑182%
2018	2017	

EMPLOYEE ENGAGEMENT PROGRAMME

Among the employee engagement programmes organised by PICORP were PICORP 2018 CFO Conference which was held on 3 July 2018 to provide insights on the latest update on the accounting standards and to improve networking among the accountants within PICORP. The conference was attended by the Finance Personnel from PICORP Berhad, Alam Sekitar Malaysia Sdn Bhd, Saudi Asma Environmental Solutions LLC, ALS Malaysia and ALS Indonesia.

ALS Malaysia (Shah Alam branch) found their way to relax and rejuvenate amidst their hectic schedule! Located at a quaint town in Benta, Pahang, Jeram Besu waterfall is an exceptional location for a team building programme. Team building is all about understanding, appreciating, developing and maximising the people in the team for a better teamwork, communication, leadership, trust and respect. Held from 8th to 10th September 2018, 70 staff from ALS's branch laboratories all over Malaysia enjoyed themselves while getting to meet their fellow colleagues and experiencing eye-opening extreme sports, team spirit, discovery of hidden talents and camaraderie.

ASMA also organised a hiking activity at Broga Hill as a way to get together with the staff on Saturday morning, 28 October 2018. This group hiking activity allows employees to improve relationships among them and promote teamwork. Not only the employees get to explore nature, this activity sets aside everyday stresses and stimulates the adrenaline to boost the mood and energy levels.

ASMA organised a bowling tournament amongst employees on 27 November 2018 at Alam Lanes, AEON Mall, Shah Alam. The tournament was held to foster teamwork, encourage camaraderie amongst the employees and lets employees build interpersonal relationships that can help on their daily job. Improving health and wellbeing was certainly a factor but such programmes were also designed to improve employee engagement, organisational culture and staff retention that were considered the greater catalysts.

OUR BUSINESS

Creating a more diversified customer experience

We are committed to delivering the highest standard of corporate governance and transparency throughout our business operations as well as delivering sustainable growth to our stakeholders. These guiding principles have been embedded in the PICORP culture and we shall continue to conduct ourselves in an ethical, transparent and accountable manner.

EMBEDDING INTEGRITY & ETHICS IN BUSINESS PRACTICES

Adopting the highest standards of corporate governance:
Code of Conduct and Risk Management Framework

HEALTHY ECONOMIC GROWTH

Healthy economic performance to create long term returns to shareholders

SUSTAINABLE VALUE CHAIN MANAGEMENT

Strive for most cost-effective value chain management
Supplier and sub-contractor evaluation process

COMMITMENT TO OUR CUSTOMERS

Deliver quality solutions to customers and review our performance through Customer Satisfactory Survey: Fast-response to customer service

EMBEDDING INTEGRITY & ETHICS IN BUSINESS PRACTICES

Obedient to ALLAH

Guided by PICORP CORE VALUE of Obedient to ALLAH, all employees of PICORP possess the highest standards of self-regulation as well as corporate governance and integrity.

Code of Conduct

All employees are guided by the PICORP's Code of Conduct which is communicated to all new recruits upon joining PICORP. Each employee is briefed clearly about do's and don'ts as well as PICORP's expectations on the integrity in all areas of our business operations.

Risk Management Framework

Our risk management practices are generally aligned with the principles of ISO 31000:2010 and COSO 2004 Enterprise Risk Management Integrated Framework (2017 update). The Group adopts a risk management framework that is integrated into and where appropriate embedded into the day-to-day business activities and management decision framework of the Group.

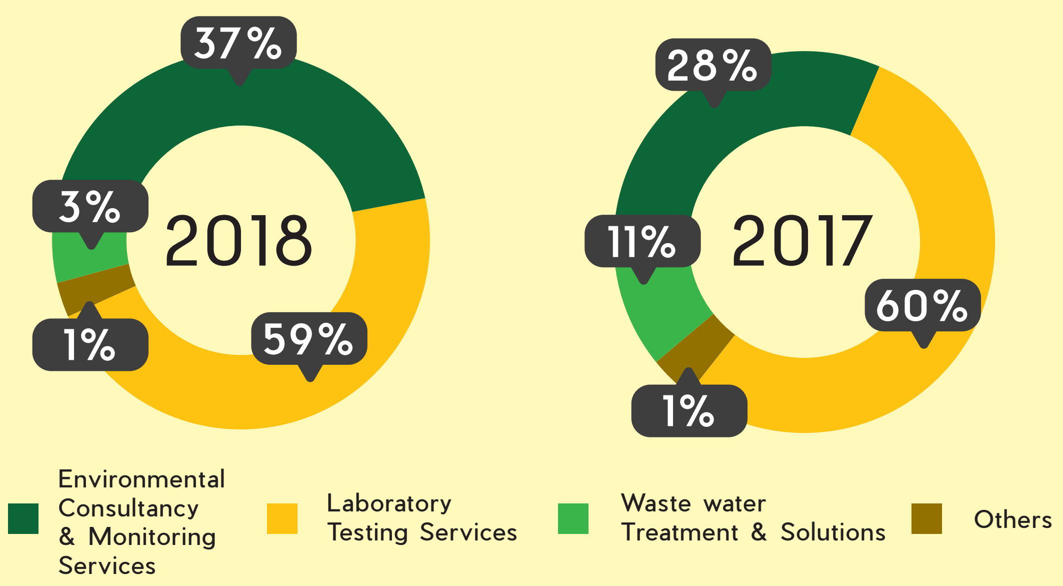
PICORP safeguards its shareholders' investments by identifying and mitigating potential risks through its Enterprise Risk Management ("ERM") Framework. Risk Management function in PICORP is championed by the Group Risk and Compliance team alongside the Corporate Risk Management Committee where both directly report to the Board Risks Management Committee, guided by our PICORP ERM Policy.

Healthy Economic Growth

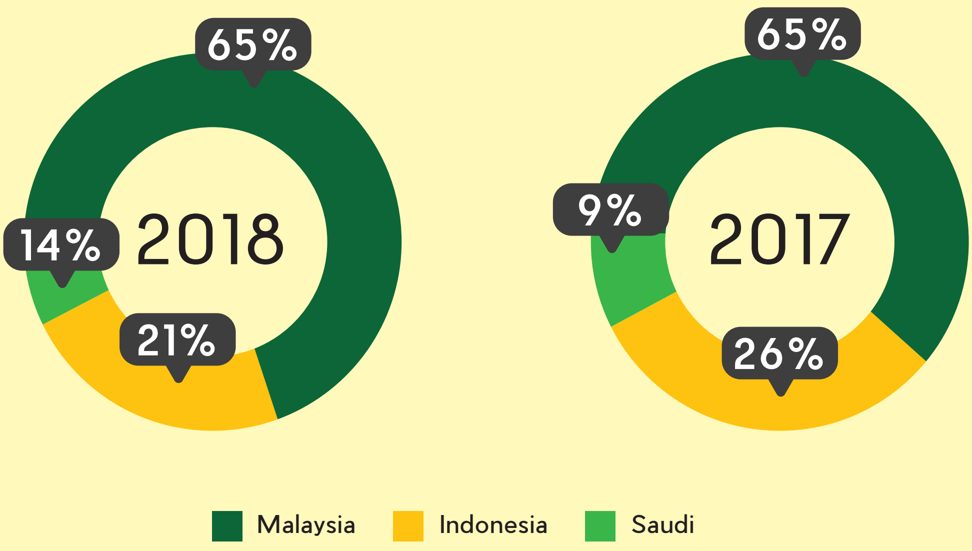
PICORP is committed to delivering healthy and sustainable returns to its shareholders. For the FY2018, PICORP generated a PBT of RM12.8 million which is the same as the previous year, reflecting PICORP's sustainable profitable position.

Economic Data (Group Level) (RM thousand)	2016	2017	2018
Revenue	87,402	83,876	87,465
Profit Before Tax (PBT)	6,287	12,824	12,815

REVENUE CONTRIBUTION BY CORE BUSINESSES



REVENUE CONTRIBUTION BY GEOGRAPHICAL BREAKDOWN



Sustainable Value Chain Management

PICORP is committed to ensuring a fair and neutral value chain throughout its operation to ensure the most cost-effective solutions and efficient deliverability.

In addition, PICORP continues to work with third-party vendors and service providers who, at a minimum, uphold the relevant environmental laws, regulations and policies of the countries in which they do business. In this regard, we are committed to maintain a green and clean environment guided by our Integrated Management System Policy and ISO 14001:2015 Environmental Management as well as ISO17025 for our laboratory analysis and consultancy where applicable. The ISO certification is reviewed annually by the relevant accreditation agencies.

ALS Malaysia's branch in Johor Bahru and Kota Kinabalu won the IKM Laboratory Excellence Award for year 2018 in addition to the IKM Laboratory President Award Year 2017 to 2020 won by its Shah Alam branch. This award was given out in recognition of the laboratory's commitment to achieving excellence in providing quality and competent testing services pertaining to local legislation especially in the fields of health, safety and the environment. Both laboratories are audited and required to operate a quality system according to the requirements as stipulated in MS ISO/IEC 17025:2017. The requirements include:

- Appropriate management structure for implementation and monitoring of the quality system;
- Adequate control of test samples and has adequate and right resources for the scope of works; and
- Implement an effective quality assurance/control programmes to ensure validity of test results.

The above-mentioned awards also requires laboratories to operate with safety and health features in the workplace. This includes:

- Good laboratory design to facilitate safe operation;
- Staff responsible to health and safety aspects of laboratory;
- Hazard communication;
- Operation control over hazardous chemical and waste;
- Safe use of equipment; and
- Complying with local laws and regulations

ENVIRONMENTAL PLEDGE

Creating environmental awareness among suppliers and customers

For a better future in our environment, we request all our Suppliers and Contractors to pledge and comply with our Environmental Policy.

ASMA ENVIRONMENTAL PLEDGE FOR THE SUPPLIERS AND VENDORS

Dear Sir/ Madam,

Alam Sekitar Malaysia Sdn. Bhd (ASMA), as an environmental company that is committed to contribute to sustainability in Malaysia and further to our Environmental Performance, has implemented Environmental Management System (EMS) complied with the ISO 14001standard requirements.

In keeping with ASMA Environmental Management, we adhere to the attached environmental policy and request that all our Suppliers and Contractors to ensure the better future in our environment by observing the following environmental requirements.

- Comply with all legal and other requirements;
- Minimise the production of all kinds of waste produced while carrying out any works outside or within our premise;
- Control the use of materials and resources (e.g. electricity, fuel, chemical, paper, etc) to be both energy and resource efficient;
- Ensure that wastewater is discharged to in accordance with legal requirement;
- Reuse and recycle in material/ waste wherever possible;
- While working on any of our premise contractors are required to ensure that all waste material are properly handled, stored and disposed of in an efficient and sensitive manner to avoid any spillages and leakages;
- Regularly maintain all vehicles used for the purpose of conducting business with the company to ensure that noise and air emission are controlled;
- For supplying products to ASMA, it is encouraged to use recyclable packaging and take back or reuse the transportation packaging wherever possible.

OUR BUSINESS

Creating a more diversified customer experience

Commitments to our Customers

We seek to constantly improve ourselves to provide the best possible solutions to our customers. In order to meet our customers' expectations, customers' feedback is deemed important to us. Hence, Customer Satisfaction Survey, conducted annually, is reviewed and analysed to identify any shortfalls in which any remedial action shall be taken, where necessary.

For our laboratory testing services division, ALS adopted ALS Global standard questionnaire in getting feedbacks from customers with slight transformation as compared to the previous survey. The survey conducted in 2018 demonstrated that 72% of their customers viewed ALS Malaysia as their laboratory of choice in Malaysia with Top 3 reasons cited in the survey are the quality, client service interaction and ease of engaging ALS. Quality of result and technical expertise are rated the highest factor for the client to choose ALS. This survey had garnered more than 95% positive comments about ALS Malaysia.

ALS Malaysia and Indonesia have been conducting numerous client engaging activities such as seminars, talks, joint technical group meetings and participated in related exhibitions in 2018. ALS Malaysia will continue to focus on automation and workflow optimization to improve future operating margins.

CUSTOMER SATISFACTION SURVEY

ALAM SEKITAR MALAYSIA SDN.BHD	
2018	85%
2017	86%

In 2018 ASMA developed a customer satisfaction survey which is aligned with SERVQUAL concept that emphasised on reliability, assurance, tangible, empathy and responsiveness. For 2018, ASMA was rated at "Exceed Expectation" ratings with 85% scores albeit 1% decrease as compared to last year's results. Our customers gave positive feedback on ASMA partnership and collaboration in addressing the Department of Environment's ("DOE") ad-hoc request and appreciated ASMA's commitment in delivering quality services.

EXHIBITION & SEMINAR

We often conduct seminars to customers either by request or invitation to enhance their understanding and knowledge in specific field. For instance, on 12 April 2018, Saudi ASMA conducted a seminar for the Jeddah Municipality on "the Malaysian experience in the fight against dengue fever and pest control."

ALS Malaysia, on the other hand, organised series of technical seminar at various branches in Shah Alam, Kota Kinabalu, and Johor Bahru.

ALS Malaysia hosted a Food Safety Testing Seminar together with 3M Malaysia Sdn Bhd on 9th October 2018. An impressive number of participants joined the seminar held at Shah Alam office where ALS Senior Microbiologist and 3M Senior Scientific Affairs & Education Specialist talked about foodborne pathogens and innovative pathogens detection methods.

In October 2018, ALS Malaysia also participated in the MIHA International Conference & Exhibition (MIHA ICE 2018). It was in support of MIHA to enhance the Industrial Hygiene knowledge through training, technical conferences and other platforms of exchange of information.

RESEARCH & DEVELOPMENT PROGRAMMES AND INITIATIVES

Behind every competitive business environment, there is a critical need for companies to ride on the technological wave in order to stay ahead & to remain relevant, hence the requirement for the Research & Development ("R&D") division. R&D is a key component of many organizations and, when well-planned and used, enables a business to produce increased wealth over a period of time.

RR&D Drivers

1. Digitalization Trend
2. Green Initiatives
3. Competitiveness
4. Market Responsiveness
5. New Product Introduction (NPI)

Among the initiatives undertaken by PICORP Corporate R&D and ALS Malaysia R&D division are:

1 SDO Plates crack & disintegrate

Aimed at resolving ASMA's issue on Bi-Act SDO plates, R&D has proposed new SDO plate material that can withstand weathering effect & have a longer lifetime. With this, ASMA is more confident to commit a longer warranty for the SDO plates, thus, increase customers' trust & confidence.

2 VOC fenceline monitoring

To provide online seminar by using "Zoom"- is a suitable tool to provide seminar online to client, expending the reaches of ALS Malaysia

3 Alcohol testing in food seminar

To provide insight on how ethanol is tested in food and introduction to Halal in food. Atttendees are aware that ALS Malaysia is one of the few laboratories approved by JAKIM as a certified laboratory for Halal testing.

4 VOC in drinking water

To expose the importance of VOC detection in drinking water and ways to read the data.
All the consultants and industry players attended, showed the capacity and facilities available in ALS to provide solutions.

SDO: Super Dissolved Oxygen
VOC: Volatile Organic Compound

2018 Achievement & Recognition

- **Recognised as Rakan Kongsi Strategik Local Agenda 21 Putrajaya (2017-2018) by Perbadanan Putrajaya**
- **Recognised by DOE for Sumbangan Kearah Kelestarian Alam Sekitar- Sempena Hari Alam Sekitar Negara dan Anugerah Langkawi 2017/2018**
- **HALAL testing certification with DNA testing as an additional scope approved by JAKIM**
- **Awarded IKM Laboratory Excellence Award 2018 by Institut Kimia Malaysia (for ALS branch in Johor Bahru and Kota Kinabalu)**

OUR ENVIRONMENT

Minimising our environmental impact

BUSINESS FOR ENVIRONMENT

Our products aids companies to comply with environmental regulations which ultimately contribute to a cleaner environment and healthier nation.

DESCRIPTIONS
Monitor the level of emission from selected industries
Laboratory Testing (Environ-mental, Food, Pharmaceutical and Tribology)

TECHNOLOGY FOR ENVIRONMENT

Our technology is not only environmental friendly but also catalyst in environmental protection.

DESCRIPTIONS
Innovative waste water treatment technology (Bi-Act SDO)
Predictive Emission Monitoring System (PEMS)
Drinking Water Monitoring

PROCESS FOR ENVIRONMENT

Activities within the company which are environmentally cautious.

DESCRIPTIONS
Ensure e-waste contractor complies with DOE requirements
Ensure workshops carry out proper e-waste disposal

TARGET GROUP	TARGET GROUP	TARGET GROUP
Any industries applied to Environmental Quality Act 1974 and Food Safety Act	Developers and Indah Water Konsortium (IWK) Oil & Gas Industrial Player Utilities Provider	PICORP's employees, subsidiaries, suppliers and sub-contractors

OUTCOMES	OUTCOMES	OUTCOMES
- Helps improved the quality of air and water - Compliance to Food Safety	- Low power consumption - Land saving - Low sludge yield - Excellent effluent quality	Improve the quality of environment by recycling, proper e-waste disposal, scheduled waste management and selection of environmental friendly vendor

ENVIRONMENTAL MAINSTREAMING GUIDED SELF-REGULATION ("GSR")

INTENTION

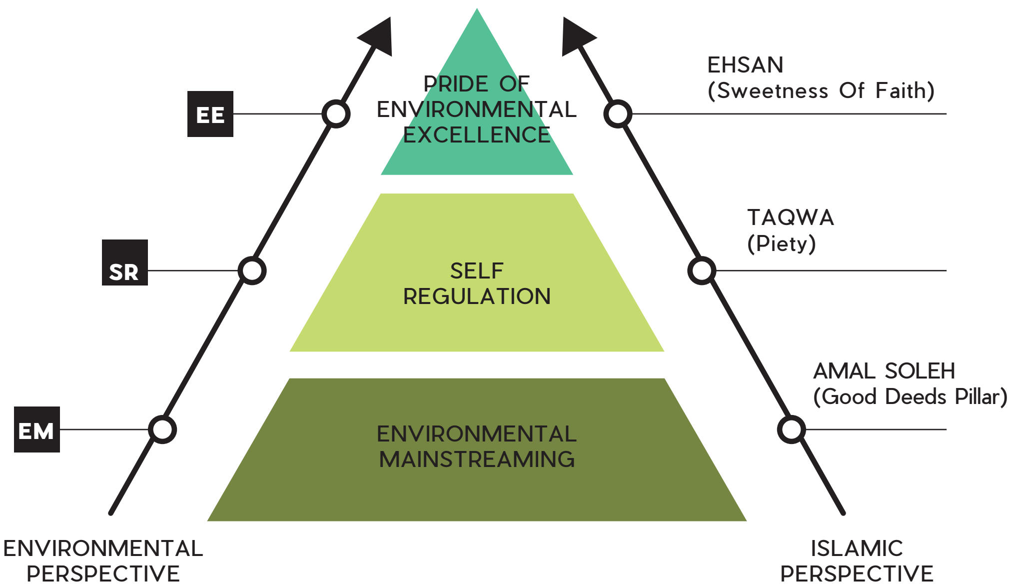
1

Facilitate Industries to Achieve Environmental Sustainability

2

Portray High Degree of Environmental Transparency, Accountability & Strong Commitment Among Industries

Department of Environment's Goal: Self Regulation



Adopted from Guided Self-Regulation ("GSR"), Department of Environment (2017)

TECHNOLOGY FOR ENVIRONMENT

1. Bi-Act SDO

Bi-Act SDO Innovative Sewage Treatment Technology

LOW POWER CONSUMPTION
Save more than 50% of energy consumption

LAND SAVING
> 50% area saving compared to conventional systems

LOW SLUDGE YIELD
Desludging frequency once within 3 to 5 years

EXCELLENT EFFLUENT QUALITY

Has zero low green house gas (GHG) emission

Conserves the use of energy and natural resources

Minimise degradation to the environment

Promotes the use of renewable resources

Safe for use and promotes healthy and improved environment for all forms of life

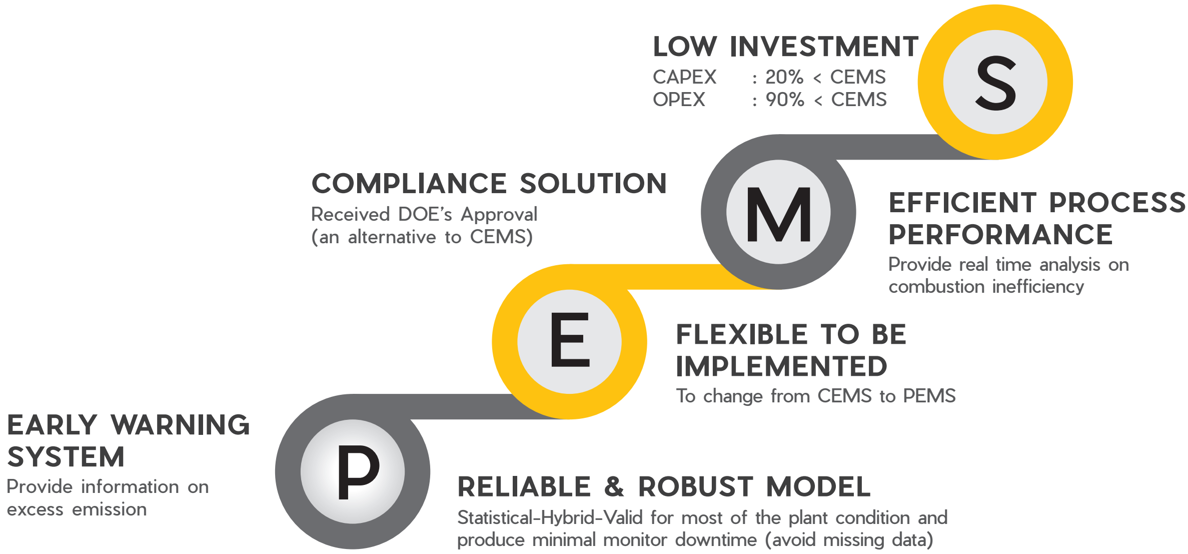
Example of Land Saving using Bi-Act SDO

	SDO Area	Conventional System	% of Land Saving
Project A (19,950 PE)	5,058m^3	11,735m^3	56%
Project B (8,635 PE)	2,708m^3	6,272m^3	56%
Project C (785 PE)	750m^3	915m^3	18%

The table above shows that the Bi-Act SDO technology provides land saving up to 50% compared to the conventional system. For project A and B, the percentage of land saving is 56% while land saving for Project C is about 18%. The table demonstrates that the bigger capacity of a wastewater plant, the higher percentage of land saving.

2. Predictive Emission Monitoring System (“PEMS”)

PEMS uses an advanced software model to predict emission rates of various sources such as Boilers, Gas Turbine, Furnace, Cogenerations, etc. PEMS utilises existing inputs from the process control system to determine the emission rates of various pollutants that are regulated. In other words, PEMS is an air emission monitoring system that helps us to monitor the emission data and control pollutants released into the atmosphere which may be detrimental to environmental sustainability.



3. Intelligent Aqua Water Purification System ("IA")

Intelligent Aqua ("IA") is a waste water purification system, transforming waste water effluent into pure water. With very high degree of adsorption, IA uses special blended Activated Carbon to remove impurities, colour, odour, biological and chemical molecules, dissolved solids from the water.

PICORP "Shades of Green"

PICORP "Shades of Green" is a corporate social responsibility programme ("CSR") on Mangrove Rehabilitation organised by PICORP in collaboration with Selangor State Forestry Department, Global Environment Centre ("GEC"), a non-profit organisation working on environmental issues of global importance as well as Zaiyadal Aquaculture Sdn. Bhd ("Zaiyadal Aquaculture").

On 3 November 2018, 700 mangrove saplings were planted at Zaiyadal Aquaculture's tiger prawn farm at Sungai Besar, Selangor to recover and achieve greater sustainability in restoring the surrounding mangrove ecosystem at the hatcheries.

102 volunteers from all companies within PICORP Group took part in this initiative together with members of PICORP Board of Directors who were present on that day.

MANGROVES: 12 FACTS YOU NEED TO KNOW

1. Mangrove forests are a unique ecosystem generally found along sheltered coasts where they grow abundantly in saline soil and brackish water subject to periodic fresh- and salt-water inundation.
2. Mangrove trees have specific characteristics such as tough root systems, special bark and leaf structures and other unique adaptations to enable them to survive in their habitat's harsh conditions.
3. The habitat is soft, silty and shallow, coupled with the endless ebb and flow of water providing very little support for most mangrove plants which have aerial or prop roots (known as pneumatrophores, or respiratory roots) and buttressed trunks.
4. Despite its smelly reputation, a mangrove forest is a very dynamic and highly productive ecosystem.
5. Mangroves protect coastlines against erosive wave action and strong coastal winds, and serve as natural barriers against tsunamis and torrential storms.
6. Mangroves prevent salt water from intruding into rivers.
7. Mangroves retain, concentrate and recycle nutrients and remove toxicants through a natural filtering process.
8. Mangroves provide resources for coastal communities who depend on the plants for timber, fuel, food, medicinal herbs and other forest products.
9. Mangroves can be harvested sustainably for wood and other products,
10. Mangroves are an important breeding ground for many fishes, crabs, prawns and other marine animals, essential for sustaining a viable fishing industry.
11. Malaysia's mangroves are more diverse than those in tropical Australia, the Red Sea, tropical Africa and the Americas.
12. About 50% of fish landings on the west coast of Peninsular Malaysia are associated with mangroves.

Source: WWF Malaysia

OUR COMMUNITY

"We care about the communities that sustain our business and we are committed to giving back to these communities through long-term partnerships, volunteer efforts and targeted social investments."

↑ 9%	2018 > RM72,650
	2017 > RM66,817
	Gifts and Donations

SCHOOL STUDENTS	UNIVERSITY STUDENTS	OTHER COMMUNITY
School Adoption Programme	Internship Programme	Local employment Aidilfitri Open House and Celebration

SCHOOL STUDENTS

To help the nation produce more *Hafiz* and *Hafizah*, we have established a School Adoption Programme where we contributed RM24,000/year (RM2,000 monthly). Besides, zakat contribution to other schools are as charted:

ZAKAT ↑ 74%

ZAKAT CONTRIBUTION	
2018 | RM437,849	Benefited 21 schools and 2833 students
2017 | RM252,521	Benefited 16 schools and 1,986 students

UNIVERSITY STUDENTS

Continuous internship programme is made available upon demand for all departments in PICORP. With diverse businesses, students have the flexibility to explore their career aspirations across various industries, while gaining insights into the workplace culture. Undergraduates shall get hands-on experience working with some of the best minds in the industry with the guidance they will need along the way.

COMMUNITY

Everyone had wonderful time during Chinese New Year celebration at ALS Malaysia's Open House held at its Shah Alam branch on 16 February 2019. It was a special celebration as the guests were entertained by the lion dances performed by ALS staff and other interesting activity like Chinese caligraphy and photobooth.

PICORP Hari Raya Open House was held on July 29, 2018 (15 Syawal 1439H) to celebrate Aidilfitri festive season with our stakeholders. We invited our suppliers, customers, ***tahfiz*** students and public in the neighbourhood to celebrate with us. The objectives are to maintain good relationship and foster harmony among PICORP's stakeholders.

05

ACCOUNTABILITY

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Progressive Impact Corporation Berhad ("PICORP or the Company") presents this statement to provide the shareholders and investors with an overview of the Corporate Governance ("CG") practices of the Group under the leadership of the Board during the financial year ended 31 December 2018 ("FY2018"). This overview takes guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance ("MCCG").

This statement is made pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") with guidance drawn from Practice Note 9 of the MMLR and the Corporate Governance Guide (3rd edition) issued by Bursa Securities.

This overview statement is to be read together with other statements in this Annual Report, namely the Statement on Risk Management and Internal Control, Audit Committee Report and Sustainability Report as well as the CG Report 2018 ("CG Report") which is available at the Company's website, **www.picorp.com.my.**

The Board considers that the Company has complied with the Practices of MCCG in all material aspects except for the following Practices: -

- Practice 4.1 (At least half of the board comprises independent directors);
- Practice 6.1 (The board has in place policies and procedures to determine the remuneration of Senior Management); and
- Practice 7.2 (The board discloses on a named basis the top five senior management's remuneration component in bands of RM50,000).

The explanation for departures is disclosed in the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board is responsible for the CG practices of the Group. Being at the helm of the Group, the Board governs the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group. The Board determines the strategic objectives and policies of the Group, and ensures effective leadership through oversight on management and robust monitoring of the activities and performance of the Group.

In order to ensure orderly and effective discharge of the above functions and responsibilities of the Board, it has established various Board Committees with delegation of specific responsibility areas, namely:-

- Audit Committee ("AC");
- Nominating Committee ("NC");
- Remuneration Committee ("RC"); and
- Board Risk Management Committee ("BRMC").

The Board retains collective oversight over the above Board Committees. These Board Committees have been constituted with clear terms of reference and they are actively engaged to ensure that the Group is in adherence to good CG practices.

In fostering a strong CG culture within the Group, the Board has always strived for the highest standard of CG practice and adopted the same as a "way of life" in every aspect of the organization. The Chairman leads the Board by setting the tone at the top and managing the Board effectiveness by focusing on strategy, governance and compliance.

The Board and Board Committees have a Board Charter and respective Terms of References ("TORs"), which are available on the Company's website. The Board Charter sets out the principles of the Group, structure and authority of the Board. It is a comprehensive reference document for Directors on matters relating to the Board and its processes.

The Company has set up a Whistleblowing Policy as an avenue for employees and stakeholders to report genuine concerns about malpractices, unethical behaviour, misconduct or failure to comply with regulatory requirements without fear of reprisal. Whistleblowing reports can be addressed directly to the Chairman of the Board or Chairman of the AC via their mobile numbers and email addresses. Staff have been notified via email that any information received including the identity of the individual who discloses such information shall be provided with the legal protection accorded under the Whistleblower Protection Act 2010 (ACT 711). All reports and information received shall be investigated and acted upon accordingly.

The Code of Conduct was established on 7 November 2018 to emphasize on ethical conduct in all aspects of the Group's activities including conflict of interests and privacy and confidentiality of information. It also sets out prohibited activities or misconducts such as bribery and illegal/unethical trading practices, acceptance of entertainment and gifts, misuse of position, etc. The Code of Conduct applies to all employees in the Group. The employees are expected to safeguard the integrity, reputation and performance of the Group by behaving ethically and professionally at all times.

Further details pertaining to the Board Charter, TORs of various Board Committees, Whistleblowing Policy and Code of Conduct are set out in the CG Report, and these documents can be found at the Company's website, www.picorp.com.my.

The Directors allocate ample time to discharge their responsibilities effectively and attend Board and Board Committee meetings with sufficient regularity to deliberate on matters under their purview. Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. During the year, the Board has deliberated on business strategies and critical issues concerning the Group, including business plan, annual budget and financial results. The attendance of individual Directors at Board and Board Committees meetings during FY2018 are outlined below: -

BOARD MEETING	DATE
01.2018	27 Feb 2018
02.2018	12 April 2018
03.2018	13 June 2018
04.2018	30 Aug 2018
05.2018	07 Nov 2018

DIRECTORS	NUMBER OF MEETINGS ATTENDED				
	Board	AC	NC	RC	BRMC
Chairman / Senior Independent Non-Executive Director					
Datuk Abdul Hamid bin Sawal	5/5	4/4	2/2	2/2	N/A
Executive Directors					
Zaid bin Abdullah	5/5	N/A	N/A	N/A	N/A
Dato' Dr Lukman bin Ibrahim*	5/5	1/1	1/1	1/1	4/4
Non-Independent Non-Executive Directors					
Zaidah binti Mohd Salleh	5/5	4/4	N/A	N/A	N/A
Usamah bin Zaid	4/5	N/A	N/A	N/A	N/A
Independent Non-Executive Directors					
Dato' Hajjah Rosnani binti Ibarahim	5/5	4/4	2/2	2/2	4/4
Lee Weng Chong **	5/5	3/3	N/A	1/1	N/A

* *Redesignated from Independent Non-Executive Director to Group Executive Director, resigned as Chairman of AC, and member of NC & RC on 1 March 2018.*
** *Appointed as Chairman of AC and member of RC on 1 March 2018.*

In performing their duties, the Board members have full access to the Company Secretaries, who are qualified to act under the Companies Act 2016 and provide advisory to the Board, particularly on CG issues and compliance with the relevant policies and procedures, laws and regulatory requirements in addition to the administrative matters.

2. Board Composition

The Board recognises that diversity brings a wide range of perspectives and diverse set of competencies, experience and knowledge that enable the Group to keep pace with the changing dynamics of the business environment and retain its competitive advantage.

At present, the Board is made up of seven (7) members comprising one (1) Independent Non-Executive Chairman, one (1) Executive Deputy Chairman, one (1) Group Executive Director, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors.

Appointments to the Board are made through the NC via a formal, thorough and transparent process, taking into account objective criteria such as qualifications, skills, experience, professionalism, integrity and diversity needed on the Board in the context of the Group's strategic direction.

The NC currently has the following members, both of whom are Independent Non-Executive Directors:

(a) Datuk Abdul Hamid bin Sawal – Chairman
(b) Dato' Hajjah Rosnani binti Ibarahim

Both NC members had full attendance of the NC meetings held during FY2018.

In accordance with the Constitution of the Company, all Directors who are appointed by the Board may only hold office until the next following Annual General Meeting ("AGM") subsequent to their appointment and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM. The Constitution provides that at least one-third of the Board shall retire from office at least once in every three years.

Pursuant to the Board Charter, an Independent Director whose tenure has exceeded a cumulative term of nine years may continue to serve on the Board subject to re-designation as a Non-Independent Director. The Board shall justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine years. If the Board continues to retain the Independent Director after the twelfth year, the Board shall seek annual shareholders' approval through a two-tier voting process – Tier 1: large shareholders and Tier 2: other shareholders.

The Board, through the NC, conducts an annual review of its size and composition to determine if the Board has the right size and composition to support the Company's objectives and core values. Based on the assessment conducted on 28 February 2019, the Board was of the view that the Company has a well-balanced Board with good representation of female directors and members having diverse skill sets and core competencies. The Board was also satisfied that there was a mutual respect amongst Directors which contributed to effective and robust decision-making process.

The Board, through the NC, also assesses the independence of the Independent Directors annually. Based on the annual assessment carried out on 28 February 2019, the Board was satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during deliberations at the Board and Board Committee meetings. In view thereof, the Board will be tabling a resolution to retain Mr Lee Weng Chong, who has served for a cumulative term exceeding nine years, as an Independent Director for shareholders' approval at the upcoming AGM of the Company. The Board will also table a resolution to retain Datuk Abdul Hamid Bin Sawal, who has served as an Independent Director of the Company since 23 May 2011 and will reach the nine-year term limit on 22 May 2020, to continue to act as an Independent Director of the Company.

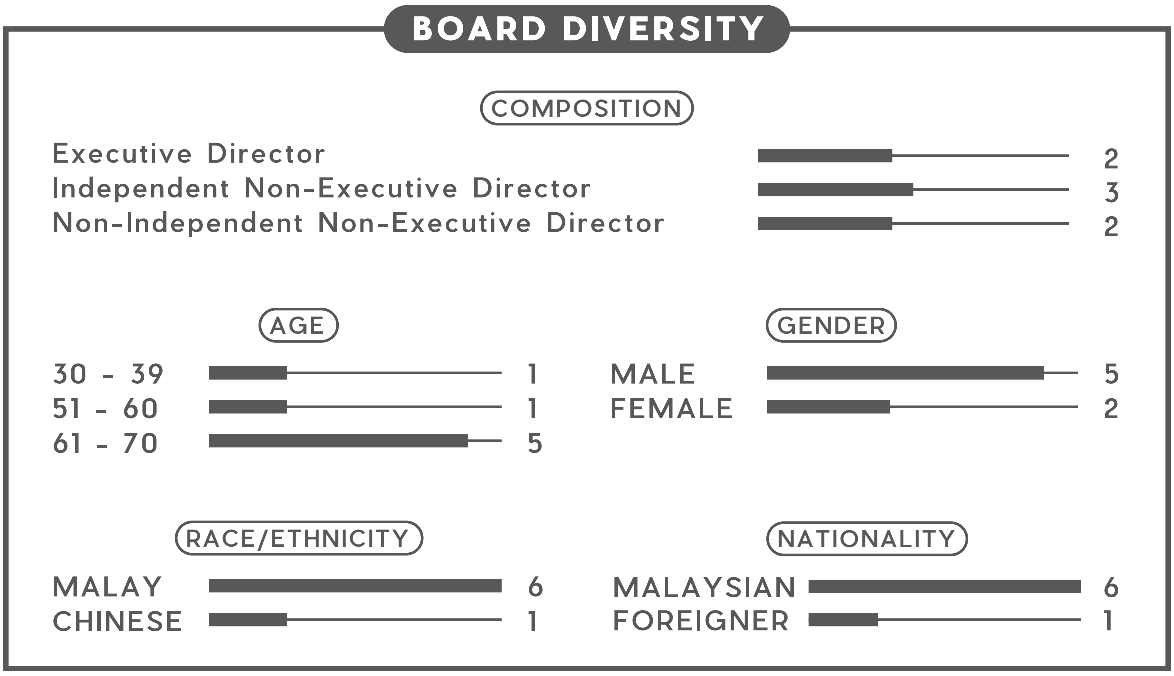
The justifications of the Board are as below:

(a) a Director's independence cannot be determined arbitrarily with reference to a set period of time. The judgement and objectivity of both Directors have not been impaired by the length of their tenure as Independent Directors;
(b) the Group has greatly benefited from the services of both Directors who have an acute understanding of the Group's corporate history and business;
(c) both have devoted sufficient time and commitment to discharge their responsibilities as Independent Directors;
(d) both have consistently challenged Management on strategies by asking questions and participating actively in deliberations and decision-making and they provided advice to Management by sharing diverse perspectives; and
(e) the Board has assessed both Directors and was of the view that they were independent in character and judgment, independent of management and free from any relationships or circumstances which were likely to affect or could appear to affect their judgment.

Some activities carried out by the NC in FY2018 in discharge of its duties are as below:

- carried out the annual assessment on the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director and reported to the Board. The assessment considered the contribution and performance of Directors on their competency, time commitment, integrity and experience in meeting the needs of the Group. The evaluation process involved a peer and self-review assessment;
- assessed the independence of the Independent Non-Executive Directors and reported the same to the Board;
- reviewed and made recommendations to the Board on the re-election of Directors based on the assessments conducted;
- assessed the character, experience, integrity and competence of the Group Chief Executive Officer ("Group CEO") and Group Chief Financial Officer and their time in discharging their respective roles;
- recommended the Board to seek shareholders' approval at the 26th AGM to allow Mr Lee Weng Chong to continue to serve as an Independent Director;
- deliberated and made recommendation to the Board on the re-designation of Independent Non-Executive Director to Group Executive Director following the re-designation of the Group CEO to Chief Executive Officer of a subsidiary; and
- deliberated and made recommendations to the Board on the restructuring of the Board Committees.

The Company is committed to the positive promotion of equality, diversity and inclusion in its work-force throughout the Group. The Company is an equal opportunity employer and does not practise discrimination of any form, regardless age, gender, race and religion, throughout the organization. The Board has also established the Boardroom Diversity Policy which can be viewed on the Company's website. The Board currently has two (2) female Directors and a female alternate Director.



The Board, together with the management, attended applicable trainings to keep abreast with general economic, statutory requirements, industry and technical developments. During the year, all members of the Board have attended various training programmes as summarized below:-

Name	Name of Course/Seminar/Talk	Details
Datuk Abdul Hamid bin Sawal	Digital Marketing–Audit the ROI	Date: 3 December 2018 Organizer: Malaysian Institute of Accountants
	Remuneration Committee: Attracting and Retaining the Best Talents	Date: 13 August 2018 Organizer: Bursatra Sdn Bhd
Zaid bin Abdullah	Digital Marketing–Audit the ROI	Date: 3 December 2018 Organizer: Malaysian Institute of Accountants
Zaidah binti Mohd Salleh	Digital Marketing–Audit the ROI	Date: 3 December 2018 Organizer: Malaysian Institute of Accountants
Dato' Hjh Rosnani binti Ibarahim	Remuneration Committee: Attracting and Retaining the Best Talents	Date: 13 August 2018 Organizer: Bursatra Sdn Bhd
Lee Weng Chong	Duties and Responsibilities of Directors	Date: 10 October 2018 Organizer: Tricor Hive Sdn Bhd
Dato' Dr Lukman bin Ibrahim	Digital Marketing – Audit the ROI	Date: 3 December 2018 Organizer: Malaysian Institute of Accountants
Usamah bin Zaid	Strategic Leader Course	Date: 23 February & 23 March 2018 Organizer: In-house training by Dato' Dr Lukman Ibrahim
	Finance and Accounting for Non-Finance	Date: 26 October 2018 Organizer: In-house training by Dato' Dr Lukman Ibrahim
	Digital Marketing – Audit the ROI	Date: 3 December 2018 Organizer: Malaysian Institute of Accountants
Fatimah Zahrah binti Zaid	Duties and Responsibilities of Directors	Date: 15 February 2019 Organizer: Tricor Knowledge House Sdn Bhd
	Strategic Leader Course	Date: 23 February & 23 March 2018 Organizer: In-house training by Dato' Dr Lukman Ibrahim
	Best Practices in Procurement Management	Date: 10–11 May 2018 Organizer: Comfory Sdn Bhd
	Data Analysis Utilizing Microsoft Excel (Level 2)	Date: 1-2 August 2018 Organizer: Profound Learning Solutions Sdn Bhd
	Finance and Accounting for Non-Finance	Date: 26 October 2018 Organizer: In-house training by Dato' Dr Lukman Ibrahim
	Digital Marketing – Audit the ROI	Date: 3 December 2018 Organizer: Malaysian Institute of Accountants

3. Remuneration

The Company aims to set remuneration at levels which are sufficient to attract and retain high caliber Directors and Senior Management needed to run the business successfully, taking into consideration all relevant factors particularly with the vast expansion of international business in Saudi Arabia.

As for oversight on remuneration matters, the Board has established the RC which comprises the following members, all of whom are Independent Non-Executive Directors:

(a) Datuk Abdul Hamid bin Sawal – Chairman
(b) Dato' Hajjah Rosnani binti Ibarahim
(c) Mr Lee Weng Chong

All RC members had full attendance of the RC meetings held in FY2018.

On 28 February 2019, the Board established and approved the Remuneration Policy which can be viewed on the Company's website.

The RC implements policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of the Board and Senior Management.

Detailed disclosures on the remuneration of individual Directors for FY2018 are as below:

COMPANY LEVEL

DIRECTOR	Salary (RM'000)	Bonus (RM'000)	EPF (RM'000)	Benefits-in-kind (RM'000)	Directors' Fee (RM'000)	Others (RM'000)	TOTAL (RM'000)
Chairman / Senior Independent Non-Executive Director							
Datuk Abdul Hamid bin Sawal	N/A	N/A	N/A	N/A	40	32	72
Executive Directors							
Zaid bin Abdullah	880	145	181	81	28	150	1,465
Dato' Dr Lukman bin Ibrahim	N/A	N/A	N/A	N/A	28	24	52
Non-Independent Non-Executive Directors							
Zaidah binti Mohd Salleh	N/A	N/A	N/A	N/A	28	38	66
Usamah bin Zaid	N/A	N/A	N/A	N/A	28	12	40
Independent Non-Executive Directors							
Dato' Hajjah Rosnani binti Ibarahim	N/A	N/A	N/A	N/A	28	36	64
Lee Weng Chong	N/A	N/A	N/A	N/A	28	28	56

GROUP LEVEL

DIRECTOR	Salary (RM'000)	Bonus (RM'000)	EPF (RM'000)	Benefits-in-kind (RM'000)	Directors' Fee (RM'000)	Others (RM'000)	TOTAL (RM'000)
Chairman / Senior Independent Non-Executive Director							
Datuk Abdul Hamid bin Sawal	N/A	N/A	N/A	N/A	40	32	72
Executive Directors							
Zaid bin Abdullah	880	145	181	81	44	150	1,481
Dato' Dr Lukman bin Ibrahim	N/A	N/A	N/A	N/A	42	24	66
Non-Independent Non-Executive Directors							
Zaidah binti Mohd Salleh	N/A	N/A	N/A	N/A	67	32	99
Usamah bin Zaid	N/A	N/A	N/A	N/A	28	12	40
Independent Non-Executive Directors							
Dato' Hajjah Rosnani binti Ibarahim	N/A	N/A	N/A	N/A	30	36	66
Lee Weng Chong	N/A	N/A	N/A	N/A	28	28	56

To avoid any potential controversy within the Company while maintaining harmony amongst management and employees, besides respecting the Senior Management's privacy and confidentiality, the Board had decided not to disclose the detailed remuneration packages of the senior management on named basis as required under Practice 7.2. The Board will take steps to ensure that the remuneration of Senior Management commensurate with their individual performance, taking into consideration the Company's performance and that the remuneration is in line with the industry in order to retain and motivate the personnel.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee ("AC")

The AC comprises three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. One of the AC members is a member of the Malaysian Institute of Accountants. The composition of AC is reviewed annually by the NC. With the view of maintaining an independent and effective AC, members of AC shall be financially literate, possess the appropriate level of expertise and experience and have a strong understanding of the Group's business.

The AC undertakes an annual assessment of the suitability and independence of the External Auditors. On 28 February 2019, the AC carried out the annual exercise and having given consideration to the following criteria, the AC had recommended the Board to table the External Auditors' re-appointment at the 27th AGM for shareholders' approval:

(a) experience, level of service, the adequacy of their resources and the level of knowledge and competency of the audit team;
(b) the quality and scope of the planning of the audit in assessing risks and how External Auditors maintained or updated the audit plan in response to changing risks and circumstances;
(c) ability to provide constructive observation and recommendations on areas requiring improvements;
(d) communication to the AC about new and applicable accounting practices and auditing standards and the impact on the Company's financial statements; and
(e) level of engagement with the AC.

The details of the AC and its activities are set out in the AC Report of this Annual Report.

2. Risk Management and Internal Control Framework

The Board is cognizant that a robust risk management and internal control framework helps the Group to achieve its value-creation targets by providing risk information to enable better formulation of the Group's strategies and decision making.

The Board fulfils its responsibilities in the risk governance and oversight functions through its BRMC in order to manage the overall risk exposure to the Group. Whilst BRMC assessed and monitored the efficacy of the risk management activities and controls, the adequacy and effectiveness of the internal controls were reviewed by the AC in relation to the internal audit function for the Group.

The Group has established policies and framework for the oversight and management of material business risks. The BRMC, through the Corporate Risk Management Committee ("CRMC", a management-level committee), maintains detailed risk registers which are reviewed and updated on quarterly basis. Meetings of BRMC are scheduled ahead of Board meetings to ensure that the key focus areas of risks are promptly reported and deliberated at the Board meetings.

The Board is of the view that the system of internal control and risk management in place during the year under review, is sound and sufficient to safeguard the Group's assets, as well as shareholders' investments, and the interests of customers, regulators, employees and other stakeholders. Further information on the Group's risk management and internal control framework is made available on the Statement on Risk Management and Internal Control of this Annual Report.

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

1. Communication with Stakeholders

The Group ensures that its communication with the shareholders and various stakeholders is transparent, timely and with quality disclosure. The Group, in its effort to maintain high standard for the dissemination of material information of the Group to the stakeholders, had in early 2018 revamped its website to showcase the Group in the best possible light.

The Group has also engaged an external consultant to manage the Investor Relation section in the Group's website to ensure immediate broadcast on the Group's material information which include Annual Report, unaudited quarterly results, announcement to Bursa Securities, stock information, policies and statements, etc.

The following digital marketing fanpage were created to share information on activities of the Group, product knowledge, etc. and serve as alternative channels to reach out to a broader range of the public, shareholders and interested parties: -

- Progressive Impact Corporation Berhad
- picorp_berhad
- picorp_berhad

2. Conduct of General Meetings

The Group is of the view that the AGM is an important means of communicating with its shareholders to address their concerns. At the 26th AGM held on 13 June 2018, all Directors were present to engage directly with the shareholders and be accountable for their stewardship of the Company. The Chairman invited the members, corporate representatives and proxies who were present to raise questions pertaining to the Company's Audited Financial Statements and proposed resolutions set out in the Notice of the 26th AGM, before putting the resolution to vote by poll.

This CG Overview Statement was approved by the Board on 17 April 2019.

AUDIT COMMITTEE REPORT

The Audit Committee ("AC") was established by the Board of Directors with the primary objective to assist the Board of Directors in fulfilling its fiduciary responsibilities in corporate governance, system of internal controls and financial reporting practices of the Group, in accordance with the AC's Terms of Reference ("TOR").

The TOR of the AC is available on the Company's website, www.picorp.com.my.

Composition of AC

Lee Weng Chong	Chairman, Independent Non-Executive Director
Datuk Abdul Hamid bin Sawal	Member, Senior Independent Non-Executive Director
Dato' Hajjah Rosnani bin Ibarahim	Member, Independent Non-Executive Director
Zaidah binti Mohd Salleh *	Member, Non-Independent Non-Executive Director

* *Member of Malaysian Institute of Accountants*

The composition of the AC meets the requirements as stated in Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities")

Meetings

The AC held a total of four (4) meetings during the financial year ended 31 December 2018 ("FY2018") and the details of attendance of the AC members are as follows:

Name of Director	1st AC Meetings 27/02/2018	2nd AC Meeting 12/04/2018	3rd AC Meeting 30/08/2018	4th AC Meeting 07/11/2018	Total attendance in FY 2018
Lee Weng Chong*	N/A	√	√	√	3/3
Datuk Abdul Hamid bin Sawal	√	√	√	√	4/4
Zaidah binti Mohd Salleh	√	√	√	√	4/4
Dato' Hajjah Rosnani bin Ibarahim	√	√	√	√	4/4
Dato' Dr Lukman bin Ibrahim**	√	N/A	N/A	N/A	1/1

* *Appointed as Chairman and member of AC on 1 March 2018*
** *Resigned as Chairman and member of AC on 1 March 2018*

Summary of Work of AC

The AC's activities during the FY2018 comprised the following:-

1. Financial Reporting

a. Reviewed the audited financial statements of the Group prior to recommending the same for the Board's approval;
b. Reviewed the quarterly financial statements and consolidated results of the Group prior to recommending the same for the Board's approval;
c. Received the relevant business, financial and tax-related updates from management, including their plans and strategies;
d. Reviewed and discussed with the external auditors on the readiness for implementation of Malaysian Financial Reporting Standards ("MFRS") 15 and MFRS 9.

2. External Audit

a. Reviewed and discussed the scope of work and audit plan in respect of the audit for the FY2018 including significant events during the year, significant risks, potential key audit matters and key audit areas;
b. Reviewed the suitability, objectivity and independence of the external auditors in order to recommend their re-appointment to the Board for recommendation to the shareholders for approval during the 26th Annual General Meeting of the Company;
c. Reviewed the audit fees prior to recommending the same for the Board's approval;
d. Met with the external auditors without the presence of the executive directors and management to enquire on significant findings, fraud consideration, management capabilities and/or management co-operation level.

3. Internal Audit

a. Reviewed and approved the internal audit plan for the FY2018;
b. Reviewed the adequacy of the scope, functions, competency and resources and overall performance of the internal auditors;
c. Reviewed the internal audit reports and assessed the findings highlighted and appraised the adequacy and effectiveness of management's response in resolving the audit issues reported;
d. Reviewed on the follow-up review reports issued by the Internal Auditor and assessed the status of corrective actions taken by management in implementing the agreed action plan within the agreed timeline;
e. Met with the internal auditors without the presence of the executive directors and management to enquire on areas of concern, fraud consideration and management co-operation level capability.

4. Related Party Transactions

a. Reviewed the recurrent related party transactions of a revenue or trading nature of the Group;
b. Reviewed the Circular to Shareholders in Relation to the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

5. Other Activities

a. Reviewed the following reports for inclusion in the Annual Report prior to recommending the same for the Board's approval:
   - Audit Committee Report
   - Statement on Risk Management and Internal Control
   - Corporate Governance Overview Statement
   - Corporate Governance Report
   - Management Discussion and Analysis
   - Sustainability Statement
b. Reviewed the Statement to Shareholders in Relation to the Proposed Renewal of the Authority to the Company to Purchase up to 10% of the Total Number of Issued Shares in the Company.
c. Reviewed and confirmed the minutes of AC meetings; and
d. Reported to the Board on the proceedings of each AC meeting, through the AC Chairman.

Internal Audit Function

The objective of engaging professional Internal Auditors is to enhance and protect organizational value of the Group by providing risk-based and objective assurance, advice and insight. Baker Tilly Monteiro Heng Governance Sdn Bhd helps the Group with independent assessment to accomplish its objectives with systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes.

The total cost incurred for the internal audit function in FY2018 amounted to RM92,031 (2017: RM96,273).

During the FY under review, the internal audit activities include, inter alia, the following:-

a. Presented the internal audit findings and action plans to be taken by management to the AC;
b. Conducted follow-ups on previous audits to ensure corrective actions had been taken and reported the same to the AC;
c. Conducted audit review on the following activities as per the 2017 Audit Plan which was approved by the AC on 27 February 2018:-

COMPANY	KEY AUDIT AREAS
Progressive Impact Corporation Berhad	- Corporate governance review
ALS Technichem (M) Sdn Bhd Alam Sekitar Malaysia Sdn Bhd PT ALS Indonesia	- Talent management and succession planning of key management - Recruitment and resignation controls, covering procedures for agency appointment, if any - Training, career development and performance review, covering procedures for agency appointment, if any - Payroll compensation and benefits management - Payroll system and records access control - Timeliness of statutory payment made to relevant government authorities or agencies
ALS Technichem (M) Sdn Bhd	- Sales, service and reporting - Revenue and receivables - Vendor and contractor assessment and evaluation - Procurement and receiving control - Accounts payable management and payment controls
Alam Sekitar Malaysia Sdn Bhd	- Effectiveness of business development and sales processes - Accuracy and competitiveness of proposal preparation - Revenue and receivables - Procurement and receiving controls - Accounts payable management and payment controls

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

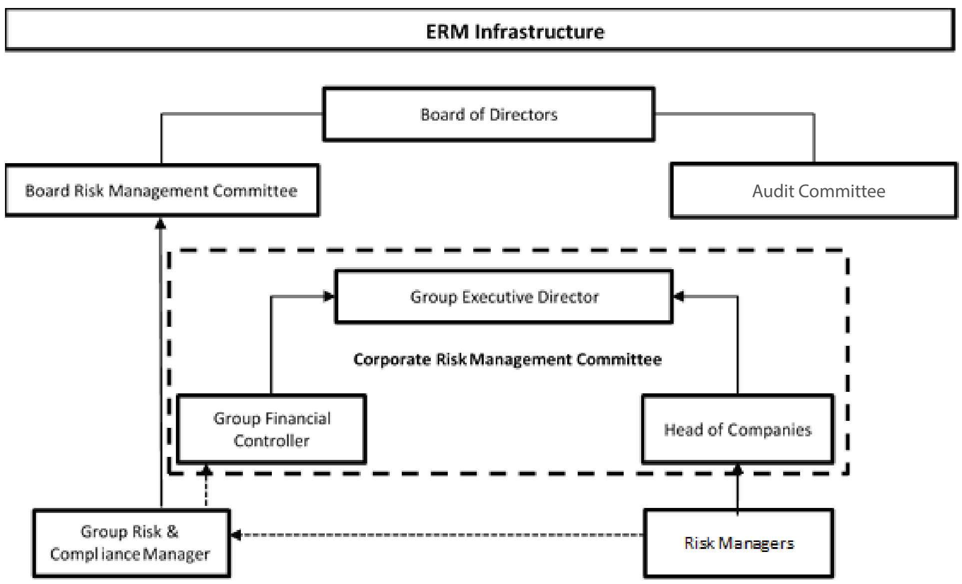
Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities), the Boards of listed companies are required to include in their annual report, a "statement about the state of internal control of the listed issuer as a group". Accordingly, PICORP's Board of Directors (Board) is pleased to provide the following statement that has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers endorsed by Bursa Securities which outlines the nature and scope of the risk management and internal control within PICORP Group during the financial year under review.

INTRODUCTION

Risk management and internal controls are integrated into management processes and are embedded in all day to day business activities of PICORP.

ERM GOVERNANCE STRUCTURE

The ERM governance structure provides clear accountabilities and responsibilities in managing risk within PICORP. This ensures that the ERM activities remain appropriate and prudent, and that significant risks are managed and monitored continuously. PICORP ERM governance structure is set out in the diagram below:



THE BOARD

The Board is responsible for the establishment as well as oversight of PICORP's risk management framework and internal control systems that are designed to manage PICORP's risk appetite within acceptable levels of tolerance as set by the Board and Management, rather than eliminate totally the risk of failure to achieve PICORP's goals and objectives in generating returns to shareholders. The Board periodically reviews the effectiveness and adequacy of the framework and systems by identifying, assessing, monitoring and communicating key business risks to safeguard shareholders' investment and PICORP's assets.

The Board has delegated the Risk and Governance responsibility to the Board Risk Management Committee (BRMC) which ensures independent oversight of internal control and risk management. Notwithstanding the delegated responsibilities, the Board acknowledges its overall responsibility in the establishment and oversight of PICORP's risk management framework and internal control systems of PICORP.

The Board is cognizant of the fact that its role in providing risk oversight sets the tone and culture towards managing key risks that may impede the achievement of PICORP's business objectives within acceptable risk profile. The Board also acknowledges that the internal control systems are designed as a tool to manage and minimise rather than eliminate occurrences of risks or material misstatement or unforeseeable circumstances, fraud or losses.

BOARD RISK MANAGEMENT COMMITTEE (BRMC)

The BRMC which consists of two (2) Board members, assists the Board to discharge its overall responsibility for risk oversight within PICORP. Specifically, the BRMC oversees the overall risk management processes, reviews and identifies key risks and ensures that infrastructure, resources, processes and systems for risk management are in order. The BRMC is governed by clearly defined Terms of Reference which can be referred on PICORP's website.

AUDIT COMMITTEE (AC)

The main responsibility of the AC is to assist the Board in assessing the effectiveness of PICORP's internal control systems and overseeing the financial reporting. AC also reviews the adequacy and integrity of PICORP's internal control systems and management information systems, including compliance with applicable laws, rules, directives and guidelines through the internal audit function. The AC has its Terms of Reference which is accessible at PICORP's website.

CORPORATE RISK MANAGEMENT COMMITTEE (CRMC)

In discharging its responsibilities, the BRMC is assisted by the CRMC which the Group Financial Controller (GFC) acted as the Chairman. The members of CRMC comprise the head of companies as well as the head of functions namely the Group Legal, Secretarial & Human Capital and Group IT. The responsibility of CRMC includes implementing the risk management processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as needed, and for providing assurance to the Board that the processes have been carried out. The CRMC is governed by clearly defined Terms of Reference which can be referred on PICORP's website.

GROUP RISK AND COMPLIANCE (GRC) UNIT

The GRC unit is responsible for developing, coordinating and facilitating the Risk Management processes within PICORP. Annual Review workshops with the relevant groups of risk and process owners are organized to review the existing risks and identify and assess new risks. This is followed by one-on-one sessions with the respective risk and process owners to further improve the level of risk awareness among the members of the organization.

HEAD OF COMPANY

The Head of Company is responsible to ensure effective implementation of this ERM and that all personnel adhere to its mandates. The detailed line accountability for risk management is fully aligned with PICORP's management structure. Accordingly, the approvals, responsibilities and accountabilities applicable to the identification, evaluation, management and reporting of the Group's risks are attributed to the Head of Company. Ultimately, the Head of Company is responsible for all risk information tabled to the CRMC and thereafter the BRMC.

RISK MANAGER

During the period under review, a Risk Manager was appointed by each company to further support the risk management processes within PICORP. The role of the Risk Manager is to assist the head of the company in the risk management function where he or she is tasked to facilitate and coordinate all the risk management activities at the company level under the guidance of the Group Risk and Compliance Manager.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional services firm to assist the Board and AC in providing an independent assessment on the adequacy, efficiency and effectiveness of PICORP's internal control system. During the financial year ended 31 December 2018, internal audit reviews were carried out in accordance with the approved risk based internal audit plan. Findings from the internal audit reviews, including the recommended corrective actions, were presented to the AC in their quarterly scheduled meetings. In addition, follow-up reviews were also conducted on a regular basis to ensure that corrective actions have been implemented on a timely manner.

Based on the internal audit review conducted, none of the weaknesses noted has resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this Annual Report.

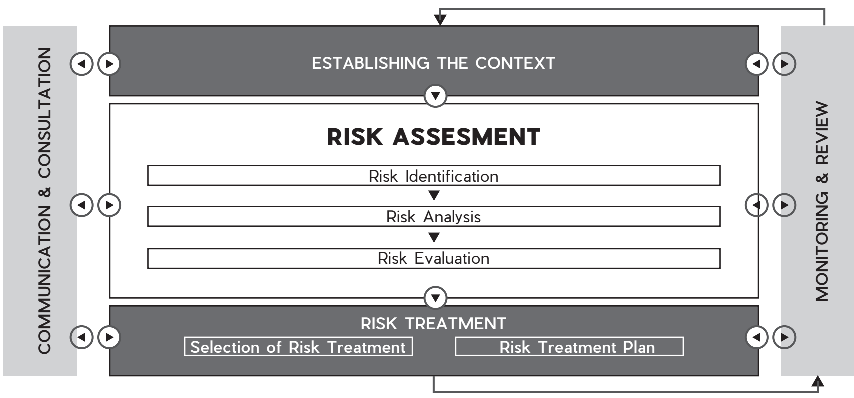
ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

A proactive ERM Framework is important to create and protect stakeholders' value with full integration of risk management in the organisation's governance structure as well as the decision-making process. In line with the statement above, PICORP has adopted an ERM Framework to govern its business and operations. This ERM Framework is generally aligned with the principles of ISO 31000:2010 and COSO 2004 Enterprise Risk Management – Integrated Framework (2017 update).

The framework enables PICORP to carry out organized and practical management of the organisational risk exposure on an ongoing basis which includes credit risk, market risk, operational risk, compliance risk, strategic risk and reputational risk. The ERM Framework outlines the risk management governance and structure, processes, accountabilities, as well as responsibilities throughout PICORP. It also provides the Board and Management with a tool to anticipate and manage both existing and potential risks, taking into consideration changes in PICORP's internal and external operating environment. ERM in PICORP enables Management to effectively deal with uncertainties and the associated risks and opportunities, enhancing the capacity to build or enhance value for stakeholders.

ERM PROCESS

PICORP has adopted the MS ISO 31000:2010 Risk Management Standard which serves as a guideline for identifying, evaluating, managing and monitoring significant risks by PICORP in order to align its risk management process with industry best practices. Figure 3 of MS ISO 31000:2010 illustrates PICORP Risk Management Process.



An ongoing process to identify, analyse, evaluate and treat the risks that may affect the achievement of PICORP's business objectives is in place. Departments and companies are responsible for managing risks within their respective areas of responsibilities and required to conduct risk reviews on an annual basis. Key risks are highlighted and deliberated regularly during the CRMC and thereafter BRMC.

RISK MANAGEMENT PORTAL

PICORP Risk portal continues to be the platform for risk management process in PICORP. Online access to the portal helps to improve risk management processes whereby users can access to the risk management dashboard online and real-time. To further improve the effectiveness of the portal, enhancements were incorporated which includes e-mail notifications to all the risk owners and the risk action plan owners to ensure that the status of the RAPs get updated on a timely basis.

A database of risks and controls information is captured in the risk portal. Key risks of key business units are identified, assessed and categorised based on the established risks parameters, to highlight the source of risk, their severity of impacts and the magnitude of likelihood of occurrence. All the risk profiles are presented to the CRMC on a monthly basis before being tabled to the BRMC on a quarterly basis for deliberation and approval.

The Management continuously strives to improve the related processes to ensure that the risk management processes are embedded and regarded as an effective management tool.

INTERNAL CONTROL SYSTEM

Supporting the ERM Framework and processes is an internal control system that facilitates the internal control design and operating effectiveness to manage key risks.

Internal Control System	Description
Organisational Structure & Authorisation Procedures	PICORP maintains a formal organisational structure that includes clear delegation of responsibilities and accountability. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures within the internal control system of PICORP's various business units.
Annual Business Plan	An annual budget is prepared by the Management and tabled to the Board for approval. Periodic monitoring is carried out to measure the actual performance against budget in order to identify any significant variances arising and facilitate the formulation and implementation of remedial action plans.
Group Policies and Procedures	Documented policies and procedures are in place and regularly reviewed and updated so as to ensure that it maintains its effectiveness and continues to support PICORP's business activities as PICORP continues to grow. During the financial year under review, PICORP established PICORP Group Limit of Authority to further improve the state of governance in PICORP.
Human Resource Policy	PICORP has in place, a comprehensive Human Resource Policy and Procedure Manual.
Monitoring and Review	Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performance of PICORP. Monthly management accounts containing key financial results, operational performances and comparison of actual performance against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board for their review and approval. The Board also plays an active role in deliberating and reviewing the business plans, strategies, performance and risks faced by PICORP.

Internal Control System	Description
Management by Objective (MBO)	PICORP has also put in place a "Management by Objective" (MBO) which linked to and guided by annual targets and accountability. MBO helps in defining and measuring progress towards attaining organisation goals. MBOs are quantifiable measurements, agreed to beforehand, that reflect the critical success factors of an organization. A series of goal-setting and coaching sessions have been introduced since 2014 to help the management to enhance staff performance.
Whistleblowing Policy	The Whistleblowing Policy and Guidelines was developed to enable any individuals to raise concerns regarding PICORP. The policy was developed to achieve two (2) primary objectives as follows:- > To provide a safe and acceptable for staff or any other stakeholders to raise concerns so that it can be addressed in an independent and unbiased manner; and > To provide an internal mechanism for the organisation to be notified about concerns at the workplace and further if required, take any action deemed.

ASSURANCE BY GROUP EXECUTIVE DIRECTOR & GROUP FINANCIAL CONTROLLER

In relation to the risk management and internal control process, the management (through CRMC), to the best of their ability and knowledge confirm that PICORP's risk management and internal control system is operating adequately and effectively as at 31 December 2018.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

The Statement has been reviewed by the External Auditors for the inclusion in the annual report of PICORP for the financial year ended 31 December 2018. The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of the internal controls.

CONCLUSION BY THE BOARD OF DIRECTORS

The Board considers the system of risk management and internal controls described in this Statement to be satisfactory and the risks to be at an acceptable level within the context of PICORP's business environment. The Board and Management will continue to take measures to strengthen the control environment and monitor the health of the risk management and internal controls framework.

For the financial year under review, the Board is satisfied that the system of risk management and internal controls is satisfactory and has not resulted in any material loss, contingency or uncertainty. The Board believes that the development of the system of risk and internal controls is an on-going process and has taken steps throughout the year to improve its risk management and internal control system and will continue to do so. This statement is made in accordance with a resolution of the Board dated 28 February 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

IN PREPARING THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 to prepare the financial statements for each financial year which have been drawn up in accordance with the Malaysian Financial Reporting Standards (MFRSs), the International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act 2016 in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company at the end of the financial years, the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:-

- adopted appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company shall keep proper accounting records which disclose the financial position of the Group and the Company with reasonable accuracy and to enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors are responsible for taking such steps that are reasonable to safeguard the assets of the Group and the Company and, to detect and prevent fraud and other irregularities.

This statement was approved by the Board of Directors on 17 April 2019.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

There were no proceeds raised from corporate proposals during the financial year ended 31 December 2018.

2. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued by the Company during the financial year. The Company did not have an Employee Share Scheme in existence during the financial year.

3. Recurrent Related Party Transactions ("RRPT")

The breakdown of aggregate value of transactions conducted during the financial year is as follows:-

Company Involved	Transacting Parties	Categories of Recurrent Transactions	Actual Value transacted during the financial year (RM)	Interested Directors / Major Shareholders and Persons Connected to Them
Alam Sekitar Malaysia Sdn Bhd ("ASMA")	Progressive Impact Technology Sdn Bhd ("PITECH")	Reselling of predictive emission monitoring system by PITECH as a non-exclusive distributor for ASMA	Nil	PITECH is a company in which Zaid and Zaidah are directors with shareholdings of 72% in PITECH held through Zaiyadal Keluarga Sdn Bhd ("ZKSB").
ASMA		Provision of engineering services by PITECH to ASMA	Nil	Usamah and Fatimah Zahrah are also deemed interested by virtue of their family relationship to Zaid and Zaidah.
ASMA		Provision of environment consulting services by ASMA to PITECH	Nil	
PICORP		Rental of 6,122 sq. ft, of office space in MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam to PITECH.	107,066	
PICORP		Provision of corporate services and support services by PICORP to PITECH	619,344	

Company Involved	Transacting Parties	Categories of Recurrent Transactions	Actual Value transacted during the financial year (RM)	Interested Directors / Major Shareholders and Persons Connected to Them
PICORP	IAM-Wonderware Sdn Bhd ("IAM-Wonderware")	Rental of office space of 7,934 sq. ft. in MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor to IAM-Wonderware	122,053	IAM-Wonderware is a company in which Zaid is a director and Zaidah is a shareholder with shareholdings of 22% held through PITECH. Usamah and Fatimah Zahrah are also deemed interested by virtue of their family relationship to Zaid and Zaidah.
ASMA	Foxboro (M) Sdn Bhd ("Foxboro")	Provision of engineering services by Foxboro to ASMA	Nil	Foxboro is a company in which Zaid and Zaidah are directors with shareholdings of 37% held through PITECH.
PICORP		Rental of 18,693 sq. ft. of office space in MERCU PICORP, Lot 10 Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam to Foxboro	371,298	Usamah and Fatimah Zahrah are also deemed interested by virtue of their family relationship to Zaid and Zaidah.
PICORP		Provision of corporate services and support services by PICORP to Foxboro	Nil	
PICORP	Untung Aquaculture Sdn Bhd ("Untung Aqua")	Rental of 22.5 acres of leasehold land located at Lot No. PT 7605, Mukim of Lumut, Manjung, Perak to Untung Aqua	17,100	Untung Aqua is a company in which Zaid and Zaidah are Directors with 100% interest in Untung Aqua held through ZKSB. Usamah and Fatimah Zahrah are also deemed interested by virtue of their family relationship to Zaid and Zaidah.
PICORP	Cosasco Sdn Bhd ("Cosasco")	Rental of 2,151 sq. ft. of office space in MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam to Cosasco	40,904	Cosasco is a company in which Zaid is a director. Cosasco is a wholly-owned subsidiary of Progressive Impact Engineering Sdn Bhd which in turn is wholly owned by PITECH.

Company Involved	Transacting Parties	Categories of Recurrent Transactions	Actual Value transacted during the financial year (RM)	Interested Directors / Major Shareholders and Persons Connected to Them
PICORP		Provision of corporate services and support services by PICORP to Cosasco	Nil	Usamah and Fatimah Zahrah are also deemed interested by virtue of their family relationship to Zaid.
ASMA Advanced Solutions LLC ("AAS")	Intelligent Aqua Sdn Bhd ("Intelligent Aqua")	Reselling of water treatment technology by AAS as a non-exclusive distributor for Intelligent Aqua	Nil	Intelligent Aqua is a company in which Zaid and Zaidah are directors with shareholdings of 60% and Johar is a director with shareholding of 17% in Intelligent Aqua held through PITECH and Intelligent Water Sdn Bhd.
ASMA International Sdn Bhd ("AIS")		Supply of water treatment technology by Intelligent Aqua to AIS	Nil	Johar is a Chief Executive Officer of AIS. Usamah and Fatimah Zahrah are also deemed interested by virtue of their family relationship to Zaid and Zaidah.
PICORP	ZKSB	Provision of corporate services and support services by PICORP to ZKSB	170,000	ZKSB is wholly owned by Zaid, Zaidah, Usamah and Fatimah Zahrah who are also directors.
PICORP		Rental of 2,294 sq. ft, of office space in MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam to ZKSB	49,264	

4. Material Contracts

There were no material contracts entered into by the Company or its subsidiaries involving Directors' and major shareholders' interest during the financial year ended 31 December 2018.

5. Non-Audit Fees

The fees paid/payable to the external auditor, Messrs. Ernst & Young, for the financial year ended 31 December 2018 are as follows: -

	Group (RM)	Company (RM)
Audit	350,500	203,000
Non-Audit	7,000	7,000
Total	357,500	210,000

Information on the list of properties is available at the Company's website www.picorp.com.my.

06

FINANCIAL STATEMENTS

DIRECTORS'
REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are described in Note 15 to the financial statements.

RESULTS

	Group RM	Company RM
Profit net of tax	7,159,980	2,431,164
Profit attributable to:		
Owners of the parent	448,151	2,431,164
Non-controlling interest	6,711,829	–
	7,159,980	2,431,164

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2017 were as follows:

	RM
In respect of the financial year ended 31 December 2017:	
Final dividend of 0.5 sen per share on 656,609,000 ordinary shares approved on 13 June 2018 and paid on 29 June 2018	3,283,045
In respect of the financial year ended 31 December 2018:	
Interim dividend of 0.15 sen per share on 656,609,000 ordinary shares approved on 30 August 2018 and paid on 12 October 2018	984,913

DIVIDENDS (CONT'D.)

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2018 of 0.35 sen per share on 656,196,000 ordinary shares amounting to dividend payable of RM2,296,686 will be proposed for shareholders' approval. The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 31 December 2019.

DIRECTORS

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

Zaid bin Abdullah**
Zaidah binti Mohd Salleh**
Datuk Abdul Hamid bin Sawal
Dato' Hajjah Rosnani binti Ibarahim**
Dato' Dr. Lukman bin Ibrahim**
Usamah bin Zaid**
Fatimah Zahrah binti Zaid (alternate director to Zaidah bt Mohd Salleh)
Lee Weng Chong

**These directors are also directors of the Company's subsidiaries.

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report, excluding those who are already listed above are:

Nadzrah binti Hashim
Johar bin Yusoff
Gregory Francis Kilmister
Greg Gordon Affleck
Timothy James Kilmister
Zainah binti Zaid
Rajesh M Naran
Uthai Yaibuathes
Apichai Yaibuathes
Ahmad Kamel Ismail
Abdul Wahab bin Nasser Al - Akeel
Mansoor Abdul Wahab bin Nasser Al - Akeel
Chin Teen Teen
Herizal

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no directors have received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The Directors' remunerations are as follows:

	Group RM	**Company RM**
Directors of the Company		
Executive	1,546,743	1,517,493
Non Executive	332,900	298,000
	1,879,643	1,815,493

INDEMNITIES TO DIRECTORS OR OFFICERS

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

DIRECTORS' INTERESTS

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

		Number of ordinary shares		
	1.1.2018	**Acquired**	**Sold**	**31.12.2018**
Direct interest:				
Zaid bin Abdullah*	47,925,100	–	–	47,925,100
Zaidah binti Mohd Salleh*	8,769,400	–	–	8,769,400
Lee Weng Chong	1,050,000	–	–	1,050,000
Usamah bin Zaid **	112,000	–	–	112,000
Fatimah Zahrah binti Zaid **	110,300	–	–	110,300

* Both of these Directors are in a spousal relationship
** These Directors are the children of Zaid bin Abdullah and Zaidah bt Mohd Salleh

DIRECTORS' INTERESTS (CONT'D.)

	Number of ordinary shares			
	1.1.2018	**Acquired**	**Sold**	**31.12.2018**
Indirect interest:				
Zaid bin Abdullah and Zaidah binti Mohd Salleh	310,414,922	5,000	–	310,419,922
Subsidiary - ALS Technichem (M) Sdn. Bhd.				
Direct:				
Zaid bin Abdullah	9,000	1,000	–	10,000

The directors, by virtue of their interest in the shares of the Company, are deemed interested in the shares of all the Company's subsidiaries to the extent the Company has an interest.

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

TREASURY SHARES

During the financial year, the Company acquired 303,000 of its own ordinary shares. The total amount paid to acquire the shares was RM29,905. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

As at 31 December 2018, the Company held as treasury shares a total of 1,604,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM231,497 and further relevant details are disclosed in Note 26 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONT'D.)

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) As at the date of this report, there does not exist:

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

  (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events during the year are disclosed in Note 15 to the financial statements.

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM	Company RM
Ernst & Young	350,500	203,000
Other auditors	93,980	–
	444,480	203,000

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for unspecified amount). No payment has been made to indemnify Ernst & Young for the financial year ended 31 December 2018.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 March 2019.

Zaid bin Abdullah

Datuk Abdul Hamid bin Sawal

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

We, Zaid bin Abdullah and Datuk Abdul Hamid bin Sawal, being two of the directors of Progressive Impact Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 14 to 112 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 15 March 2019.

Zaid bin Abdullah

Datuk Abdul Hamid bin Sawal

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

I, Salinah binti Hj Togok, being the officer primarily responsible for the financial management of Progressive Impact Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 112 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Salinah binti Hj Togok
at Shah Alam in Selangor
on 15 March 2019

Salinah binti Hj Togok
MIA Membership No: 22501

Before me,

INDEPENDENT
AUDITORS' REPORT

TO THE MEMBERS OF PROGRESSIVE IMPACT CORPORATION BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Progressive Impact Corporation Berhad, which comprise statements of financial position as at 31 December 2018 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 14 to 112.

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

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

Key audit matters (Cont'd.)

Impairment assessment of investment in a subsidiary

(Refer to Note 2.3(h), Note 3.2(a) and Note 15 to financial statements)

MFRS 136 – Impairment of Assets ("MFRS 136") requires an entity to assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, management should estimate the recoverable amount of the assets. Given the significance judgement and estimates involved in the assessment of the recoverable amount, we have identified the impairment of investment in subsidiaries as an important area of our audit.

The losses reported by the Company's subsidiary, Saudi ASMA Environmental Solutions LLC ("SAES"), indicated that the carrying amount of the investment in this subsidiary may be impaired. Accordingly, the Company estimated the recoverable amount of its cash generating units ("CGUs") based on value-in-use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the investment in SAES, and discounting them at an appropriate rate.

Our audit procedures included, among others obtaining an understanding of the methodology adopted by the management in estimating the VIU, assess whether such methodology is consistently applied with those used in the industry and evaluating the assumptions to which the recoverable amount of the CGU is most sensitive such as future revenue, profit margin, timing of the future cash flows, revenue growth rate and discount rate by performing the following:

i) enquired the project teams to obtain an understanding of the status of negotiations and the likelihood of securing the significant revenue contracts;

ii) evaluated the estimated profits to be derived from those significant revenue contracts by comparing the estimated profits with the actual profits derived from similar completed contracts in previous years;

iii) together with EY valuation specialists, evaluated the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset; and

iv) assessed the sensitivity of the cash flows to changes in the discount rate and revenue growth rate.

In addition, we also evaluated the Company's disclosures of each key assumption to which the CGU's recoverable amount is most sensitive, on which the Company has based its cash flow projection. The disclosures on key assumptions are in Note 15 to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Group's 2018 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Group's 2018 Annual Report, which is expected to be made available to us after the date of this auditors' report.

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

Information other than the financial statements and auditors' report thereon (cont'd.)

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 this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's 2018 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

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

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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:

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Najihah Binti Khalid
No. 03249/10/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
15 March 2019

STATEMENTS OF *COMPREHENSIVE INCOME*

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	4	87,464,974	83,876,301	12,675,262	10,449,022
Cost of sales	5	(27,866,019)	(22,066,756)	(1,370,866)	(1,340,518)
Other income	6	1,224,443	2,650,656	1,098,779	5,307,160
Staff costs	7	(25,933,162)	(27,080,408)	(4,648,808)	(4,332,589)
Depreciation and amortisation		(6,664,611)	(7,367,903)	(822,056)	(1,003,351)
Other operating expenses		(13,943,131)	(15,905,604)	(2,923,574)	(2,584,672)
Profit from operations		14,282,494	14,106,286	4,008,737	6,495,052
Finance costs	9	(1,467,405)	(1,282,588)	(1,394,498)	(1,113,938)
Profit before tax	10	12,815,089	12,823,698	2,614,239	5,381,114
Taxation	11	(5,655,109)	(5,315,006)	(183,075)	(44,704)
Profit net of tax		7,159,980	7,508,692	2,431,164	5,336,410
Other comprehensive income to be reclassified to profit or loss in subsequent period:					
Foreign currency translation		(350,339)	(2,135,990)	–	–
Actuarial (loss)/ gain on retirement benefit		(203,776)	66,212	–	–
Other comprehensive loss for the year, net of tax		(554,115)	(2,069,778)	–	–
Total comprehensive income for the year		6,605,865	5,438,914	2,431,164	5,336,410
Profit attributable to:					
Owners of the parent		448,151	1,006,104	2,431,164	5,336,410
Non-controlling interest		6,711,829	6,502,588	–	–
		7,159,980	7,508,692	2,431,164	5,336,410
Total comprehensive income attributable to:					
Owners of the parent		102,795	357,967	2,431,164	5,336,410
Non-controlling interest		6,503,070	5,080,947	–	–
		6,605,865	5,438,914	2,431,164	5,336,410
Earnings per share (sen) attributable to owners of the parent					
Basic	12	0.1	0.2		

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

STATEMENTS OF *FINANCIAL POSITION*

AS AT 31 DECEMBER 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Assets					
Non current assets					
Property, plant and equipment	13	39,050,127	39,032,480	1,462,423	524,783
Investment properties	14	37,219,322	37,908,940	41,213,220	41,902,838
Investment in subsidiaries	15	–	–	32,726,339	15,586,357
Prepaid land lease payment	16	829,057	933,318	175,000	200,000
Goodwill on consolidation	17	860,972	860,972	–	–
Deferred tax assets	30	175,145	54,293	–	–
		78,134,623	78,790,003	75,576,982	58,213,978
Current assets					
Inventories	18	–	432,678	–	–
Trade and other receivables	19	39,952,987	33,335,960	12,163,846	26,239,318
Contract assets	20	5,335,484	2,188,725	–	–
Tax recoverable		3,164,331	2,759,512	76,888	93,986
Other current financial assets	21	7,462,226	7,406,901	11,462	37,222
Cash and bank balances	22	22,798,662	29,829,518	9,596,903	7,346,134
		78,713,690	75,953,294	21,849,099	33,716,660
Total assets		156,848,313	154,743,297	97,426,081	91,930,638

		Group		Company	
	Note	**2018**	**2017**	**2018**	**2017**
		RM	**RM**	**RM**	**RM**
Equity and liabilities					
Current liabilities					
Trade and other payables	23	14,717,840	15,694,593	13,128,184	18,658,876
Borrowings	24	25,353,898	21,753,923	12,753,542	98,839
Income tax payable		1,947,418	753,508	–	–
		42,019,156	38,202,024	25,881,726	18,757,715
Non current liabilities					
Retirement benefit obligation	25	2,499,664	2,175,395	1,059,914	926,324
Deferred tax liabilities	30	2,884,719	2,980,366	26,602	249,334
Borrowings	24	677,610	–	327,273	–
		6,061,993	5,155,761	1,413,789	1,175,658
Total liabilities		48,081,149	43,357,785	27,295,515	19,933,373
Equity attributable to owners of the parent					
Share capital	26	65,970,290	65,970,290	65,970,290	65,970,290
Treasury shares	26	(231,497)	(201,592)	(231,497)	(201,592)
Other reserves	28	(675,021)	(329,665)	–	–
Retained earnings	29	15,322,109	19,141,916	4,391,773	6,228,567
		80,385,881	84,580,949	70,130,566	71,997,265
Non-controlling interest		28,381,283	26,804,563	–	–
Total equity		108,767,164	111,385,512	70,130,566	71,997,265
Total equity and liabilities		156,848,313	154,743,297	97,426,081	91,930,638

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

CONSOLIDATED STATEMENT OF *CHANGES IN EQUITY*

FOR THE YEAR ENDED 31 DECEMBER 2018

Group	Note	Attributable to equity holders of the Company |<--------- Non-distributable ----------->| Share capital RM (Note 26)	Treasury shares RM (Note 26)	Other reserves RM (Note 28)	Distributable Retained earnings RM (Note 29)	Total RM	Non-controlling interest RM	Total equity RM
At 1 January 2018		65,970,290	(201,592)	(329,665)	19,141,916	84,580,949	26,804,563	111,385,512
Total comprehensive income		–	–	(345,356)	448,151	102,795	6,503,070	6,605,865
Transactions with owners								
Purchase of treasury shares	26	–	(29,905)	–	–	(29,905)	–	(29,905)
Dividends paid to non-controlling interest		–	–	–	–	–	(4,926,350)	(4,926,350)
Dividends	31	–	–	–	(4,267,958)	(4,267,958)	–	(4,267,958)
At 31 December 2018		65,970,290	(231,497)	(675,021)	15,322,109	80,385,881	28,381,283	108,767,164

Group	Note	Share capital RM (Note 26)	Share premium RM (Note 27)	Treasury shares RM (Note 26)	Other reserves RM (Note 28)	Distributable Retained earnings RM (Note 29)	Total RM	Non-controlling interest RM	Total equity RM
		Attributable to equity holders of the Company							
		|<-------------- Non-distributable -------------->|							
At 1 January 2017		65,800,000	170,290	(189,964)	318,472	22,142,000	88,240,798	26,269,928	114,510,726
Total comprehensive income		–	–	–	(648,137)	1,006,104	357,967	5,080,947	5,438,914
Transactions with owners									
Transfer of share premium in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017	26	170,290	(170,290)	–	–	–	–	–	–
Purchase of treasury shares	26	–	–	(11,628)	–	–	(11,628)	–	(11,628)
Dividends paid to non-controlling interest		–	–	–	–	–	–	(4,546,312)	(4,546,312)
Dividends	31	–	–	–	–	(4,006,188)	(4,006,188)	–	(4,006,188)
At 31 December 2017		65,970,290	–	(201,592)	(329,665)	19,141,916	84,580,949	26,804,563	111,385,512

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

STATEMENT OF *CHANGES IN EQUITY*

FOR THE YEAR ENDED 31 DECEMBER 2018

Company	Note	Non Distributable Share capital RM (Note 26)	Non Distributable Treasury shares RM (Note 26)	Distributable Retained earnings RM (Note 29)	Total equity RM
At 1 January 2018		65,970,290	(201,592)	6,228,567	71,997,265
Total comprehensive income		–	–	2,431,164	2,431,164
Transaction with owners					
Purchase of treasury shares	26	–	(29,905)	–	(29,905)
Dividends	31	–	–	(4,267,958)	(4,267,958)
At 31 December 2018		65,970,290	(231,497)	4,391,773	70,130,566

Company	Note	Non Distributable Share capital RM (Note 26)	Non Distributable Share premium RM (Note 27)	Non Distributable Treasury shares RM (Note 26)	Distributable Retained earnings RM (Note 29)	Total equity RM
At 1 January 2017		65,800,000	170,290	(189,964)	4,898,345	70,678,671
Total comprehensive income		–	–	–	5,336,410	5,336,410
Transaction with owners						
Transfer of share premium in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017	26	170,290	(170,290)	–	–	–
Purchase of treasury shares		–	–	(11,628)	–	(11,628)
Dividends	31	–	–	–	(4,006,188)	(4,006,188)
At 31 December 2017		65,970,290	–	(201,592)	6,228,567	71,997,265

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

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from operating activities				
Profit before tax	12,815,089	12,823,698	2,614,239	5,381,114
Adjustments for:				
Depreciation of property, plant and equipment	5,914,350	6,556,639	107,438	288,733
Amortisation of investment properties	689,618	689,618	689,618	689,618
Amortisation of prepaid land lease rental	60,643	121,646	25,000	25,000
Provision for retirement benefit obligations	628,083	471,396	133,590	133,590
Gain on disposal of property, plant and equipment, net	(25,123)	(1,277,432)	(5,400)	(27,000)
Impairment of property, plant and equipment	235,985	–	–	–
Write off of property, plant and equipment	–	354,268	–	–
Reversal of impairment of investment in a subsidiary	–	–	(500,000)	–
Loss on disposal of investment in a subsidiary	–	–	499,999	–
Impairment of trade receivables	441,573	207,386	–	–
Impairment of other receivables	–	–	2,025,849	50,454
Reversal of impairment of trade receivables	(16,497)	(282,104)	–	–
Fair value gain on other current financial assets	(261,301)	(169,153)	(403)	(2,192)
Unrealised foreign exchange loss/(gain)	227,893	910,604	(31,238)	172,474
Finance cost	1,467,405	1,282,588	1,394,498	1,113,938
Dividends income	–	–	(9,400,000)	(7,100,000)
Profit income from deposits	(453,026)	(357,161)	(235,943)	(213,701)
Profit income from intercompany loans	–	–	(309,221)	(465,404)
Dividend from unit trust	(1,293)	(210,925)	(1,293)	(307)
Cash generated from/(used in) operations (carried forward)	21,723,399	21,121,068	(2,993,267)	46,317

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Cash flows from operating activities (cont'd.)					
Cash generated from/ (used in) operations (brought forward)		21,723,399	21,121,068	(2,993,267)	46,317
Reversal of impairment of other receivables					
- recovered through payment		(14,491)	–	(14,491)	(4,436,146)
- recovered through debt capitalization		–	–	–	(24,907,117)
Impairment of investment of subsidiaries		–	–	–	25,584,993
Operating profit/(loss) before working capital changes		21,708,908	21,121,068	(3,007,758)	(3,711,953)
Working capital changes:					
(Increase)/decrease in receivables		(10,187,463)	(4,124,599)	13,044,573	3,491,274
(Decrease)/increase in payables		(2,121,799)	(2,849,183)	(5,530,692)	3,494,237
Cash generated from operations		13,643,244	14,147,286	4,506,123	3,273,558
Financing cost paid		(1,467,407)	(1,282,588)	(1,394,498)	(1,113,938)
Taxation paid		(5,082,517)	(7,422,918)	(388,709)	(256,129)
Net cash generated from operating activities		7,093,320	5,441,780	2,722,916	1,903,491
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		30,741	5,107,119	5,400	27,000
Withdrawal of unit trust		205,976	7,592,051	26,163	–
Purchase of property, plant and equipment		(6,739,222)	(6,246,678)	(1,045,078)	(20,831)
Investment in new foreign subsidiary		–	–	–	(354,000)
Acquisition of investment in a subsidiary		–	–	(17,139,981)	–
Settlement to non-controlling interest		–	(4,468,639)	–	(4,468,639)
Cash (used in)/generated from investments (carried forward)		(6,502,505)	1,983,853	(18,153,446)	(4,816,470)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
(CONT'D)

		Group		Company	
		2018	**2017**	**2018**	**2017**
	Note	**RM**	**RM**	**RM**	**RM**
Cash flows from investing activities (cont'd.)					
Cash (used in)/generated from investments (brought forward)		(6,502,505)	1,983,853	(18,153,899)	(4,816,470)
Net dividend received		–	–	8,760,000	7,100,000
Profits received from deposits		453,026	357,161	235,943	213,701
Dividend from unit trust		1,293	210,925	1,293	307
(Placement)/withdawal of deposits pledged		(2,231,161)	503,617	(2,231,161)	(203,617)
Net cash (used in)/generated from investing activities		(8,279,347)	3,055,556	(11,387,421)	2,293,921
Cash flows from financing activities					
Drawdown of loans and borrowings		15,271,972	5,415,640	–	–
Repayment of loans and borrowings		(5,809,928)	(4,273,767)	–	–
Purchase of treasury shares		(29,905)	(11,628)	(29,905)	(11,628)
Islamic hire purchase drawdown		501,120	–	460,905	–
Islamic hire purchase repayment		(25,101)	–	(33,408)	–
Hire purchase drawdown		593,184	–	–	–
Dividend paid		(4,267,958)	(4,006,188)	(4,267,958)	(4,006,188)
Dividend to non-controlling interest		8,024,902	6,135,615	–	–
Net cash generated used in financing activities		(1,791,518)	9,011,558	(3,870,366)	(4,017,816)
Net (decrease)/increase in cash and cash equivalents		(2,977,545)	(514,222)	(12,534,871)	179,596
Cash and cash equivalents at beginning of the year		3,476,945	3,991,167	132,512	(47,084)
Cash and cash equivalents at end of the year		499,400	3,476,945	(12,402,359)	132,512
Cash and cash equivalents:					
Cash and bank balances	22	22,798,662	29,829,518	9,596,903	7,346,134
Overdraft	24	(12,653,318)	(18,937,790)	(12,653,318)	(98,839)
		10,145,344	10,891,728	(3,056,415)	7,247,295
Less: Restricted deposits		(9,645,944)	(7,414,783)	(9,345,944)	(7,114,783)
		499,400	3,476,945	(12,402,359)	132,512

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 5.02, Mercu PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong Business and Technology Centre, 40150 Shah Alam, Selangor Darul Ehsan.

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

The principal activities of the subsidiaries are described in Note 15.

The financial statements were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 15 March 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The financial statements are presented in Ringgit Malaysia (RM).

As of 1 January 2018, the Group and the Company had adopted new, amendments and revised MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 2.4.

2.2 Basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of consolidation (cont'd.)

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee by way of existing rights that give it the current ability to direct the relevant activities of the investee;

- Exposure, or rights, to variable returns from its involvement with the investee; and

- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including but not limited to:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assessed whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interest at the reporting period, being the portion of the net assets of the subsidiaries attributable to equity interest that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statements of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date. Acquisition costs incurred are expensed off and included in administrative expenses. The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition. The accounting policy for goodwill is set out in Note 2.3(g). Discount on acquisition which represents negative goodwill is recognised immediately as income in profit or loss.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of consolidation (cont'd.)

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

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

If the Group loses control over a subsidiary, at the date the Group loses control, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their respective carrying amounts.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration or distribution received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment charges. Dividends received from subsidiaries are recorded as a component of revenue in the Company's separate profit or loss.

2.3 Summary of significant accounting policies

(a) Foreign currencies

(i) Functional and presentation currency

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(a) Foreign currencies (cont'd.)

(ii) Foreign currency transactions

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

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

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

The principal exchange rates used for each respective unit of foreign currency ruling at the reporting date are as follows:

	2018 **RM**	**2017** **RM**
United States Dollar	4.13	4.06
Saudi Riyal	1.10	1.08
Australian Dollar	2.92	3.17
Singapore Dollar	3.03	3.04
European Euro	4.73	4.85
Indonesia Rupiah	0.0003	0.0003

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(a) Foreign currencies (cont'd.)

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

(b) Fair value measurement

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

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same; and
- discounted cash flow analysis or other valuation models.

Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Fair value measurement (cont'd.)

(ii) Non-financial assets

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

- Level 1: Quoted prices (unadjusted) in active markets for identifical assets and liabilities.

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

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

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(c) Revenue

Revenue from contracts with customers is recognised when or as a performance obligation in the contract with a customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise in a contract with a customer to transfer to the customer either:

- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Revenue from contracts with customers is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Revenue (cont'd.)

The amount of variable consideration is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group gives guarantee period on projects and undertakes to repair or replace items that fail to perform satisfactorily. The obligation to repair or replace such items is not considered a separate performance obligation as the customer does not have the option to purchase a warranty separately, and the warranty does not provide the customer with a service in addition to the assurance that the product complies with agreed-upon specifications.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to-date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

The Group recognises revenue from contracts with customers over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to-date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (e.g. by reference to the contract costs incurred to-date as a percentage of the estimated total costs of construction of the contract).

Revenue from rendering of services is recognised upon the performance of services, net of service taxes and discounts.

Other revenue or income earned by the Group and the Company are recognised on the following basis:

(i) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Revenue (cont'd.)

(ii) Management fees

Management fees are recognised when services are rendered.

(iii) Dividend income

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

(iv) Rental income

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

(v) Sales of good

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

(vi) Rendering of services

Revenue from services rendered is recognised net of taxes and discount as and when the services are performed.

(d) Taxation

(i) Current tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using the statutory tax rate at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(d) Taxation (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(d) Taxation (cont'd.)

(ii) Deferred tax (cont'd.)

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

(e) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Land	4%
Buildings	2% - 10%
Renovation	10% - 20%
Plant and machinery	10% - 20%
Motor vehicles	10% - 20%
Office equipment	10% - 25%
Furniture and fittings	10% - 25%

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(f) Investment properties

Investment properties are measured at cost, including transaction costs, less accumulated depreciation and accumulated impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in Note 2.3(e).

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.3(e) up to the date of change in use.

(g) Goodwill on consolidation

Goodwill on consolidation 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 that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit 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 cash-generating unit and part of the operation within that cash-generating unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the operations disposed off and the portion of the cash-generating unit retained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(g) Goodwill on consolidation (cont'd.)

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.3(a)(iii).

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(h) Impairment of non-financial assets

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

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with banks with an original maturity of 3 months or less, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's and the Company's cash management, less restricted deposits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for on a first come first serve basis.

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

(k) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

(i) Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(k) Financial assets (cont'd)

(ii) Subsequent measurement

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

(a) Financial assets at amortised cost (debt instruments)
(b) Financial assets at fair value through OCI (debt instruments)
(c) Financial assets at fair value through profit or loss

Financial assets at amortised cost

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's and the Company's financial assets include trade and other receivables and cash and bank balances.

Fair value through other comprehensive income

This category comprises debt instruments where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt instruments are not designated as at fair value through profit or loss.

Fair value through other comprehensive income category also comprises investment in equity that are 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(k) Financial assets (cont'd)

(ii) Subsequent measurement (cont'd.)

Fair value through other comprehensive income (cont'd.)

Financial assets categorised as fair value through other comprehensive income are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income and accumulated under fair value through other comprehensive income reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

The Group and the Company have not designated any financial assets as at fair value through other comprehensive income.

Fair value through profit or loss

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

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss. The methods used to measure fair value are stated in Note 2.3(b).

The Group and the Company designate its other current financial assets as financial assets at fair value through profit or loss.

(iii) Derecognition

A financial asset is primarily derecognised when:

(a) The rights to receive cash flows from the asset have expired; or

(b) The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (ii) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(k) Financial assets (cont'd.)

(iii) Derecognition (cont'd.)

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a passthrough arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company would be required to repay.

(l) Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments carried at amortised cost and fair value through OCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company consider a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(m) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or amortised cost as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of amortised cost, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities includes trade and other payables and borrowings.

(ii) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that is not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company has not designated any financial liability as at fair value through profit or loss.

Loan and borrowings

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

This category generally applies to interest-bearing loans and borrowings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(m) Financial liabilities (cont'd.)

(iii) Derecognition

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

(n) Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of construction contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to the customer for which the Group has received the consideration or has billed the customer. In the case of construction contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include the downpayments received from customers and other deferred income, if any, where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

(o) Provisions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(p) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

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

(q) 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.

(r) Share capital

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(s) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity. Share options exercised during the reporting period are satisfied with treasury shares.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(t) Employee benefits

(i) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme.

The Group has established an unfunded fixed contribution planned for its eligible key management personnel. The fixed contribution is recognised as an expense in the period which the related services is performed by the key management personnel. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) Defined benefit plan

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligations adjusted for unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(u) Leases

(i) As lessee

(i) Classification

A lease is recognized as a finance lease if it transfers substantially all the risks and rewards incidental to the Group's ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets, and the land and the buildings elements of a lease are considered separately for the purposes of lease classification. Leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Operating lease – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

(iii) Operating lease – the Group as lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating lease.

Assets leased out under operating leases are presented in the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(iv) Finance lease – the Group as lessor

Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Assets held pursuant to a finance lease are presented in the statement of financial position as receivable at an amount equal to the net investment in the lease. The recognition of finance income on the receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(u) Leases (cont'd.)

(i) As lessee (cont'd.)

(v) Prepaid lease payments

Leasehold land which in substance is an operating lease are classified as prepaid lease payments. The payment made on entering into a lease arrangements or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

Leasehold land is classified into long term and short term lease. Long term lease is defined as a lease with an unexpired lease period of fifty years or more. Short term lease is defined as a lease with an unexpired lease period of less than fifty years.

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(v) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

(w) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies

On 1 January 2018, the Group and the Company have adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2018.

Descriptions	**Effective for annual periods beginning on or after**
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 15 Revenue from Contracts with Customers: Classification to MRFS 15 (Amendment to MFRS15)	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRSs Standards 2014 - 2016 Cycle: MFRS128 Investment in Associate and Joint Ventures	1 January 2018
IC Interpretation 22 Foreign Currency Transaction and Advance Consideration	1 January 2018

The adoption of the above MFRSs and Amendments to MFRSs did not have any significant financial impact to the Group and the Company except as mentioned below:

(i) MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Under the transitional provisions of MFRS 9, the Group and the Company have elected not to restate the comparative information, which continues to be reported under MFRS 139.

(a) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's and Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments solely consist of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies (cont'd)

(i) MFRS 9 Financial Instruments (cont'd.)

(a) Classification and measurement (cont'd.)

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and the Company. The following are the changes in the classification of the Group's and the Company's financial assets:

Trade receivables and other financial assets

Trade receivables and other financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

(b) Impairment

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue – Barter Transactions Involving Advertising Services. MFRS 15 provides a single model of accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

The adoption of MFRS 15 does not have any significant impact to the financial statements of the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards issued but not yet effective

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

Descriptions	**Effective for annual periods beginning on or after**
MFRS 16 Leases	1 January 2019
MFRS 128 Investment in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle: MFRS 3 Business Combinations	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle: MFRS 11 Joint Arrangements	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle: MFRS 112 Income Taxes	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle: MFRS 123 Borrowing Costs	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 2 Share-based Payment (Amendments to MFRS 2)	1 January 2020
MFRS 3 Business Combinations (Amendments to MFRS 3)	1 January 2020
MFRS 101 Presentation of Financial Statements (Amendments to MFRS 101)	1 January 2020
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to MFRS 108)	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above pronouncements is not expected to have material impact on the financial statements of the Group and the Company in the period of initial application except as mentioned below:

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards issued but not yet effective (cont'd.)

MFRS 16 Leases (cont'd.)

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group and the Company do not have any significant lease contracts as a lessor nor as lessee and therefore do not foresee any significant impact of the MFRS 16 adoption to their financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's and the Company financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying Group's and the Company accounting policies, management does not make any significant judgements which may have significant effort on the amount recognised in the financial statements.

3.2 Key sources of estimation uncertainty

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

(a) Impairment assessment of investment in subsidiaries

The Company assessed whether there is any indication that an investment in subsidiary may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review. The impairment review comprises a comparison of the carrying amounts and estimated recoverable amounts of the investments.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

3.2 Key sources of estimation uncertainty (cont'd.)

(a) Impairment assessment of investment in subsidiaries (cont'd.)

Judgments made by the management in the process of applying the Company's accounting policies in respect of investment in subsidiaries includes determination whether its investments are impaired following certain indications or impairment such as, amongst others, prolonged shortfall between market value carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment.

During the financial year, management has assessed that investment in a subsidiary has indicators of impairment. Management has applied the discounted cash flow method of valuation to estimate the recoverable value of the specific individual investment. This method requires management to make certain assumptions concerning the future. These assumptions and other key sources of estimation uncertainty at reporting date, may have a significant risk of causing material adjustment of the carrying amounts of the investment within the next financial year.

Assumptions by the management may include, amongst others, assumption on expected future revenue, profit margin, the timing of the future cash flows, revenue growth rate and discount rate used for purposes of discounting future cash flows which incorporates the relevant risk and expected future outcome based on certain past trends.

Further details of the carrying value, the key assumptions applied in the impairment assessment of investment in subsidiaries and sensitivity analysis to changes in the assumptions are given in Note 15.

4. REVENUE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue from contracts with customers				
Environmental consultancy and monitoring services	32,445,731	23,822,164	–	–
Wastewater treatment and solutions	1,740,582	9,154,413	–	–
	34,186,313	32,976,577	–	–
Other revenue				
Laboratory testing services	50,425,634	48,020,289	–	–
Rental income	2,853,027	2,879,435	3,275,262	3,349,022
Dividend income from subsidiaries	–	–	9,400,000	7,100,000
	53,278,661	50,899,724	12,675,262	10,449,022
Total revenue	87,464,974	83,876,301	12,675,262	10,449,022
Revenue by geographical				
- Malaysia	57,142,080	54,263,847	12,675,262	10,449,022
- Indonesia	18,266,187	22,033,441	–	–
- Saudi	12,056,707	7,579,013	–	–
	87,464,974	83,876,301	12,675,262	10,449,022
Timing of recognition				
Goods and services transferred at a point in time	73,592,442	73,707,794	12,675,262	10,449,022
Services transferred over time	13,872,532	10,168,507	–	–
Total revenue	87,464,974	83,876,301	12,675,262	10,449,022

4. REVENUE (CONT'D.)

Contract balances

The following table provides information about receivables, contracts assets and contracts liabilities from contracts with customers.

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Receivables	30,476,770	25,262,716	6,245,310	5,635,408
Contract assets(Note 20)	5,695,938	2,532,220	–	–
Contract liabilities Note 20)	(360,454)	(343,495)	–	–
	35,812,254	27,451,441	6,245,310	5,635,408

Amount due from customers on contracts primarily relates to the Group's rights to consideration for work completed but not billed at the reporting date. Amount due from customers on contracts are transferred to receivables when rights become unconditional. Amount due to customers on contracts primarily relate to the advance consideration received from the customer, for which revenue is recognised over time when the Group progressively satisfies it's performance obligation.

The significant increase in amount due from customers on contracts in 2018 is the result of higher on-going projects at the end of the financial year.

5. COST OF SALES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Provision of services	19,470,718	13,517,247	–	–
Construction contracts	7,024,435	7,208,991	–	–
Direct operating expenses arising from investment properties	1,370,866	1,340,518	1,370,866	1,340,518
	27,866,019	22,066,756	1,370,866	1,340,518

6. OTHER INCOME

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Profit income from deposits	453,026	357,161	235,943	213,701
Dividend from unit trust	1,293	210,925	1,293	307
Profit income from intercompany loans	–	–	309,221	465,404
Gain on disposal of property, plant and equipment	25,123	1,277,432	5,400	27,000
Foreign exchange gain - unrealised	197,170	–	31,238	–
Fair value gain on other current financial assets	261,301	169,153	403	2,192
Reversal of impairment of investment in a subsidiary	–	–	500,000	–
Reversal of impairment of trade receivables	16,497	282,104	–	–
Information technology support services	218,958	191,990	–	–
Reversal of impairment of other receivables	14,491	–	14,491	4,436,146
Others	36,584	161,891	790	162,410
	1,224,443	2,650,656	1,098,779	5,307,160

7. STAFF COSTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Salaries, bonus and other emoluments	21,174,815	21,978,380	3,464,564	3,191,469
Social security cost	528,268	428,283	16,906	14,540
Pension costs:				
- defined contribution plan	2,057,336	2,128,884	445,399	424,386
- defined benefit plan (Note 25)	628,083	471,396	133,590	133,590
Termination benefits	–	573,586	–	–
Other staff related expenses	1,544,660	1,499,879	588,349	568,604
	25,933,162	27,080,408	4,648,808	4,332,589

Included in staff costs of the Group and of the Company are Executive Directors' and Non-Executive Directors' remuneration amounting to RM1,879,643 (2017: RM1,960,699) and RM1,815,493 (2017: RM1,730,025) respectively as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

The details of remuneration receivable by Directors of the Company during the year are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive:				
Salaries and other emoluments	920,593	1,017,422	920,593	872,593
Pension costs:				
- defined contribution plan	181,450	204,445	181,450	186,200
- defined benefit plan	133,590	133,590	133,590	133,590
Fees	85,250	60,242	56,000	48,000
Bonus	145,000	152,000	145,000	140,000
Benefits-in-kind	80,860	87,642	80,860	87,642
	1,546,743	1,655,341	1,517,493	1,468,025
Non-executive:				
Fees	192,900	151,358	158,000	138,000
Other remuneration	140,000	154,000	140,000	124,000
	332,900	305,358	298,000	262,000
Total	1,879,643	1,960,699	1,815,493	1,730,025

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2018	2017
Executive Directors:		
RM50,001 - RM100,000	1	–
RM200,000 - RM250,000	–	1
RM1,400,000 - RM1,450,000	–	1
RM1,450,001 - RM1,500,000	1	–
Non-Executive Directors:		
RM1 - RM50,000	1	2
RM50,001 - RM100,000	4	3
Total Directors	7	7

9. FINANCE COSTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Profit charges on:				
Overdraft	1,292,096	1,282,588	877,107	11,772
Advance from subsidiaries	–	–	514,838	1,102,166
Hire purchase	175,309	–	2,553	–
	1,467,405	1,282,588	1,394,498	1,113,938

10. PROFIT BEFORE TAX

Profit before tax is stated after charging/(crediting):

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
Statutory audits				
- Company's auditors	350,500	293,000	203,000	203,000
- Other auditors	93,980	77,348	–	–
Other services				
- Company's auditors	7,000	7,000	7,000	7,000
Depreciation of property, plant and equipment	5,914,350	6,556,639	107,438	288,733
Amortisation of				
- Investment properties	689,618	689,618	689,618	689,618
- Prepaid and lease payment 25,000		60,643	121,646	25,000
Impairment of property plant, and equipment	235,985	–	–	–
Write off of property, plant and equipment	–	354,268	–	–
Lease rentals	30,584	16,774	30,584	15,676
Net, foreign exchange loss/(gain)				
- realised	594,195	1,035,856	–	252,873
- unrealised	227,893	910,604	(31,238)	172,474
Loss on disposal of investments in subsidiaries	–	–	499,999	–
Reversal of impairment of investments in a subsidiary	–	–	(500,000)	–
Impairment of trade receivables	441,573	207,386	–	–
Impairment of other receivables	–	–	2,025,849	50,454

10. PROFIT BEFORE TAX (CONT'D.)

Profit before tax is stated after charging/(crediting) (cont'd.):

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Reversal of impairment of other receivables:				
- recovered through payment	(14,491)	–	(14,491)	(4,436,146)
- recovered through debt capitalization	–	–	–	(24,907,117)
Impairment of investment in subsidiaries	–	–	–	25,584,993

11. TAXATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Income tax:				
Malaysian income tax	4,064,780	3,485,867	222,113	77,015
Foreign income tax	1,557,871	1,573,974	–	–
	5,622,651	5,059,841	222,113	77,015
Under provision in prior year:				
Malaysian income tax	248,957	31,628	183,694	1,974
	5,871,608	5,091,469	405,807	78,989
Deferred tax (Note 30):				
Relating to (reversal)/ origination of temporary	(330,453)	221,852	(288,459)	(14,367)
Under/(over) provision in prior years	113,954	1,685	65,727	(19,918)
	(216,499)	223,537	(222,732)	(34,285)
Income tax expense recognised in profit or loss	5,655,109	5,315,006	183,075	44,704

Domestic current income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

Taxation for foreign subsidiaries are calculated at the current rates prevailing in each respective countries.

11. TAXATION (CONT'D.)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Profit before tax	12,815,089	12,823,698	2,614,239	5,381,114
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	3,075,621	3,077,688	627,417	1,291,467
Effect of taxation in other country	59,791	61,244	–	–
Effect of income not subject to tax	(83,921)	(299,397)	(2,442,943)	(2,832,386)
Effect of expenses not deductible for tax purposes	2,279,462	2,273,281	1,749,180	1,603,567
Under provision of income tax in prior year	248,957	31,628	183,694	1,974
Deferred tax liabilities recognised on withholding tax on foreign dividend	(35,084)	443,337	–	–
Under/(over) provision of deferred taxation	113,954	1,685	65,727	(19,918)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(3,671)	(274,460)	–	–
Income tax expense recognised in profit or loss	5,655,109	5,315,006	183,075	44,704

12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share amounts are calculated by dividing loss for the year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue held by the Company as at the date of the financial statements.

	2018	2017
Profit attributable to ordinary equity holders of the Company (RM)	448,151	1,006,104
Number of ordinary shares for basic earnings per share computation* ('000)	656,196	656,699
Basic earnings per share (sen)	0.1	0.2

* The number of shares takes into account the effect of changes in treasury shares transactions during the year.

(b) Diluted

There are no instruments in issuance which will have a dilutive effect to the earnings per share of the Group.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM (Note a)	Plant and machinery RM	Motor vehicles RM (Note b)	Office equipment, renovation, furniture and fittings RM	Total RM
Group					
2018					
Cost					
At 1.1.2018	19,124,929	40,761,149	6,911,509	16,955,513	83,753,100
Additions	–	3,431,350	2,243,323	1,064,549	6,739,222
Disposals	–	(969,837)	(137,569)	(10,235)	(1,117,641)
Write off	–	–	–	(4,384)	(4,384)
Reclassification	–	82,105	–	(82,105)	–
Exchange differences	(281,177)	(282,452)	(175,958)	(19,718)	(759,305)
At 31.12.2018	18,843,752	43,022,315	8,841,305	17,903,620	88,610,992

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Land and buildings RM (Note a)	Plant and machinery RM	Motor vehicles RM (Note b)	Office equipment, renovation, furniture and fittings RM	Total RM
Group					
2018					
Cost					
Accumulated depreciation					
At 1.1.2018	2,339,179	25,562,922	4,673,770	12,144,749	44,720,620
Charge for the year	505,749	3,186,092	1,086,331	1,136,178	5,914,350
Disposals	–	(969,355)	(137,567)	(5,101)	(1,112,023)
Write off	–	–	–	(4,384)	(4,384)
Impairment	–	235,985	–	–	235,985
Exchange differences	(46,888)	(78,326)	(23,476)	(44,993)	(193,683)
At 31.12.2018	2,798,040	27,937,318	5,599,058	13,226,449	49,560,865
Net carrying amount					
At 31.12.2018	16,045,712	15,084,997	3,242,247	4,677,171	39,050,127

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Land and buildings RM (Note a)	Plant and machinery RM	Motor vehicles RM	Office equipment, renovation, furniture and fittings RM	Total RM
Group					
2017					
Cost					
At 1.1.2017	23,565,547	72,105,928	8,554,448	18,390,312	122,616,235
Additions	687,440	3,636,369	801,446	1,121,423	6,246,678
Disposals	(4,287,575)	(33,913,878)	(1,166,424)	(842,679)	(40,210,556)
Write off	–	–	(931,226)	(1,347,694)	(2,278,920)
Exchange differences	(840,483)	(1,067,270)	(346,735)	(365,849)	(2,620,337)
At 31.12.2017	19,124,929	40,761,149	6,911,509	16,955,513	83,753,100
Accumulated depreciation					
At 1.1.2017	2,410,814	56,245,179	5,980,063	12,909,234	77,545,290
Charge for the year	481,996	3,331,879	1,036,458	1,706,306	6,556,639
Disposals	(516,338)	(33,566,051)	(1,132,248)	(1,166,232)	(36,380,869)
Write off	–	–	(931,226)	(993,426)	(1,924,652)
Exchange differences	(37,293)	(448,085)	(279,277)	(311,133)	(1,075,788)
At 31.12.2017	2,339,179	25,562,922	4,673,770	12,144,749	44,720,620
Net carrying amount					
At 31.12.2017	16,785,750	15,198,227	2,237,739	4,810,764	39,032,480

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Company	Buildings RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
2018				
Cost				
At 1.1.2018	399,117	560,938	1,755,685	2,715,740
Additions	–	489,085	555,993	1,045,078
Disposals	–	–	(3,570)	(3,570)
Write off	–	–	(4,384)	(4,384)
At 31.12.2018	399,117	1,050,023	2,303,724	3,752,864
Accumulated depreciation				
At 1.1.2018	118,958	560,938	1,511,061	2,190,957
Charge for the year	7,982	24,454	75,002	107,438
Disposals	–	–	(3,570)	(3,570)
Write off	–	–	(4,384)	(4,384)
At 31.12.2018	126,940	585,392	1,578,109	2,290,441
Net carrying amount				
At 31.12.2018	272,177	464,631	725,615	1,462,423
2017				
Cost				
At 1.1.2017	399,117	843,041	1,756,779	2,998,937
Additions	–	–	20,831	20,831
Disposals	–	–	(21,925)	(21,925)
Write off	–	(282,103)	–	(282,103)
At 31.12.2017	399,117	560,938	1,755,685	2,715,740
Accumulated depreciation				
At 1.1.2017	110,976	843,041	1,252,235	2,206,252
Charge for the year	7,982	–	280,751	288,733
Disposals	–	–	(21,925)	(21,925)
Write off	–	(282,103)	–	(282,103)
At 31.12.2017	118,958	560,938	1,511,061	2,190,957
Net carrying amount				
At 31.12.2017	280,159	–	244,624	524,783

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) Group - Land and buildings

	Freehold land RM	Building RM	Total RM
2018			
Cost			
At 1.1.2018	7,727,122	11,397,807	19,124,929
Exchange differences	–	(281,177)	(281,177)
At 31.12.2018	7,727,122	11,116,630	18,843,752
Accumulated depreciation			
At 1.1.2018	–	2,339,179	2,339,179
Charge for the year	–	505,749	505,749
Exchange differences	–	(46,888)	(46,888)
At 31.12.2018	–	2,798,040	2,798,040
Net carrying amount			
At 31.12.2018	7,727,122	8,318,590	16,045,712
2017			
Cost			
At 1.1.2017	7,727,122	15,838,425	23,565,547
Additions	–	687,440	687,440
Disposal	–	(4,287,575)	(4,287,575)
Exchange differences	–	(840,483)	(840,483)
At 31.12.2017	7,727,122	11,397,807	19,124,929
Accumulated depreciation			
At 1.1.2017	–	2,410,814	2,410,814
Charge for the year	–	481,996	481,996
Disposal	–	(516,338)	(516,338)
Exchange differences	–	(37,293)	(37,293)
At 31.12.2017	–	2,339,179	2,339,179
Net carrying amount			
At 31.12.2017	7,727,122	9,058,628	16,785,750

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(b) Motor vehicles

Included in the property, plant and equipment of the Group and the Company are assets held under hire purchase agreements with net book values as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Motor vehicles	678,370	–	464,631	–

14. INVESTMENT PROPERTIES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Cost				
At 1 January/ 31 December	41,876,691	41,876,691	44,201,606	44,201,606
Accumulated depreciation				
At 1 January	3,967,751	3,278,133	2,298,768	1,609,150
Charge for the year	689,618	689,618	689,618	689,618
At 31 December	4,657,369	3,967,751	2,988,386	2,298,768
Net book value	37,219,322	37,908,940	41,213,220	41,902,838

The valuation of investment properties have been performed by Khong & Jaafar Sdn. Bhd., an independent professional valuer. The total market value of the investment properties is RM45,800,000 (2017: RM45,100,000) using income and comparison approach.

Comparison approach to value the land

Entails analysing recent transactions of similar properties in and around the locality for comparison purposes to derive the market value with adjustments made for differences in time, shape, size and condition and location to arrive at the market value.

Income approach to value the building

Entails the capitalisation of the net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void.

The investment property is at its highest and current best use.

14. INVESTMENT PROPERTIES (CONT'D.)

Fair value disclosed in the financial statements is categorised within the Level 3 fair value hierarchy which is described as inputs for the asset or liability that are based on unobservable market data.

Investment property	Valuation technique	Range 2018	Range 2017	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Mercu PICORP, Lot 10 Jalan Astaka U8/84 Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan	Income approach			Office & Warehouse	The estimated fair value would increase/(decrease) if:
		1.40 - 2.40	1.80 - 2.50	Market rental rate (RM psf/month)	- expected market rental growth were higher/(lower)
		0.40 - 0.45	0.35 - 0.40	Outgoings (RM psf/month)	- expected outgoings rate were lower/(higher)
		6.5	6.5	Term yield (%)	- term yield were lower/(higher)
		10.0	10.0	Void rate (%)	- void rate were lower/(higher)
		7.0	7.0	Reversionary yield (%)	- reversionary yield were lower/ (higher)
	Comparison approach			Freehold Land	
		160 - 175	160 - 175	Transaction land price (RM psf)	- transacted price were higher/(lower)
		150 - 180	150 - 180	Building costs (RM psf)	- building costs were (higher)/lower
No. 18 Jalan Liku 8/B Section 8, 40000, Shah Alam Selangor Darul Ehsan	Comparison approach			Shop lot (leasehold)	
		270 - 300	270 - 300	Building costs (RM psf)	- transacted price were higher/(lower)
H.S. (D) 9844, PT 7605 Mukim of Lumut, District of Manjung, Perak	Comparison approach			Agricultural Land (leasehold)	
		250 - 300	250 - 300	Transaction land price (RM'000/acre)	- transacted price were higher/(lower)

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2018	**2017**
	RM	**RM**
At 1 January	15,586,357	2,796,522
Addition during the year	17,139,981	38,374,828
Disposal during the year	(499,999)	–
Impairment loss	–	(25,584,993)
Reversal of impairment	500,000	–
At 31 December	32,726,339	15,586,357

Additional and disposal of investment in subsidiaries

(a) On 5 February 2018, the Company has acquired the remaining 25% shares in Alam Sekitar Malaysia Sdn. Bhd. ("ASMA") from Quantum Up Returns Sdn Bhd at a price of RM17,139,981.

(b) On 3 June 2018, the Company has disposed its entire investment in Alam Sekitar Eco-Technology Sdn Bhd ("ASET") of RM675,000 which represent 90% of ASET issued and paid up ordinary shares to ASMA at a purchase consideration of RM1. As a result, a reversal of impairment amounting to RM500,000 and loss on disposal amounting to RM499,999 was recognised as disclosed in Note 10.

Impairment of investment in a subsidiary

An impairment review of the carrying amounts of investment in subsidiaries at the reporting date was undertaken by comparing it to the respective recoverable amounts. The losses reported by the Company's subsidiary, Saudi ASMA Environmental Solution LLC ("SAES"), indicated that the carrying amount of the investment in this subsidiary may be impaired. The result of the impairment review of SAES indicated that no further loss was required during the financial year (2017: impairment loss of RM25,584,993).

The recoverable amount of the cash generating unit ("CGU") is determined based on value-in-use calculation using cash flow projection based on financial budgets approved by management. The discount rate used is pre-tax weighted average cost of capital determined by management. The value-in-use is most sensitive to the following key assumptions:

The following were the key assumptions used in the value-in-use calculations:

(i) Revenue

Revenue are estimated based on existing customer contract and anticipated future projects.

(ii) Discount rate

The discount rate used is 9% (2017:11%) which is based on the risk specific to the CGU.

An increase of 1.5% point in the discount rate used would have increased the impairment loss by RM1,161,105 (2017: RM739,833).

15. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Impairment of investment in a subsidiary (cont'd.)

The following were the key assumptions used in the value-in-use calculations (cont'd.):

(iii) Terminal growth rate

Cash flow beyond the five-year period are extrapolated using growth rate of 1% (2017:1.5%) which is based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGU.

A decrease of 1.5% point in the growth rate used would have increased the impairment loss by RM66,368 (2017:RM205,898).

The details of the subsidiaries are as follows :

Name of subsidiaries	**Ownership interest and voting interest 2018 %**	**2017 %**	**Principal activities**
(i) Incorporated in Malaysia :			
Held by the Company :			
Alam Sekitar Malaysia Sdn. Bhd. ("ASMA")	100	75	Provision of environmental consultancy and monitoring services
ALS Technichem (M) Sdn. Bhd. ("ALS")	59	59	Laboratory analysis and reports consulting services
Alam Sekitar Eco-Technology Sdn. Bhd. ("ASET")*	–	90	Provision of waste management and consultancy services
Quantum Up Returns Sdn. Bhd.*	100	100	Investment holding company
ASMA International Sdn. Bhd.*	100	100	Investment holding company
PI Enviro Technologies Sdn. Bhd.*	100	100	Dormant
Perunding Good Earth Sdn. Bhd.*	100	100	Dormant
Premiere LeapSdn. Bhd.*	100	100	Dormant
Vertical Plus Sdn. Bhd.*	100	100	Dormant

15. INVESTMENT IN SUBSIDIARIES (CONT'D.)

The details of the subsidiaries are as follows (cont'd):

Name of subsidiaries	Ownership interest and voting interest 2018 %	2017 %	Principal activities
Held through subsidiaries :			
Alam Sekitar Malaysia Sdn. Bhd. ("ASMA")	–	25	Provision of environmental consultancy and monitoring services
ASMA Environmental Consultancy Sdn. Bhd.*	100	100	Environmental training and consulting services
Alam Sekitar Eco-Technology Sdn. Bhd. ("ASET")*	90	–	Provision of waste management and consultancy services
Progresive Uni San International Sdn.Bhd.*	50	50	Dormant
(ii) Incorporated outside Malaysia			
Incorporated in Indonesia:			
PT ALS Indonesia ("PT ALS")*	80	80	Laboratory analysis and reports and consulting services
Incorporated in the Kingdom of Saudi Arabia:			
Saudi ASMA Environmental Solution LLC ("SAES")*	100	100	Provision of environmental consultancy and monitoring services
ASMA Advanced Solutions Co Ltd. ("AAS")*	60	60	Work and maintenance of desalination plants and sewage

* Audited by firms other than Ernst & Young

15. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Non-controlling interests ("NCI")

	AAS RM	ALS Group* RM	ASET RM	Total RM
2018				
NCI percentage of ownership and voting interest	40%	53%	10%	
Carrying amount of NCI	(769,957)	29,445,756	(294,516)	28,381,283
(Loss)/profit allocated to NCI	(411,945)	7,110,410	13,364	6,711,829
2017				
NCI percentage of ownership and voting interest	40%	53%	10%	
Carrying amount of NCI	(358,012)	27,470,455	(307,880)	26,804,563
(Loss)/profit allocated to NCI	(358,012)	6,746,361	114,239	6,502,588

* Included non-controlling interest percentage of ownership interest and voting interest of PT ALS Indonesia.

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of comprehensive (loss)/income:

	AAS RM	ALS Group RM	ASET RM	Total RM
31 December 2018				
Revenue	–	51,800,932	1,331,230	53,132,162
(Loss)/profit for the year	(1,029,864)	16,109,048	133,643	15,212,827
Total comprehensive (loss)/income	(1,029,864)	15,224,805	133,643	14,328,584
31 December 2017				
Revenue	–	50,308,131	6,490,789	56,798,920
(Loss)/profit for the year	(895,029)	14,973,881	1,142,388	15,221,240
Total comprehensive (loss)/income	(895,029)	12,775,220	1,142,388	13,022,579

15. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Summarised statement of financial position:

	AAS RM	ALS Group RM	ASET RM	Total RM
31 December 2018				
Non-current assets	2,114	36,912,133	12,261	36,926,508
Current assets	149,644	40,019,726	1,440,772	41,610,142
Non-current liabilities	–	(2,786,282)	–	(2,786,282)
Current liabilities	(1,505,549)	(9,993,108)	(1,334,740)	(12,833,397)
Net (liabilities)/assets	(1,353,791)	64,152,469	118,293	62,916,971
31 December 2017				
Non-current assets	4,533	37,201,999	22,787	37,229,319
Current assets	330,715	40,662,528	4,467,522	45,460,765
Non-current liabilities	–	15,745,509	–	(15,745,509)
Current liabilities	(638,575)	(2,742,645)	(4,505,658)	(7,886,878)
Net (liabilities)/assets	(303,327)	59,376,373	(15,349)	59,057,697

Summarised statement of cash flows:

	AAS RM	ALS Group RM	ASET RM	Total RM
31 December 2018				
Cash flows from operating activities	(180,799)	16,802,683	2,036,271	18,658,155
Cash flows from investing activities	–	(5,937,518)	49,894	(5,887,624)
Cash flows from financing activities	–	(14,826,350)	–	(14,826,350)
Net (decrease)/increase in cash and cash equivalents	(180,799)	(3,961,185)	2,086,165	(2,055,819)
Dividend paid to NCI	–	(4,926,350)	–	(4,926,350)

15. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Summarised statement of cash flows:

	AAS RM	ALS Group RM	ASET RM	Total RM
31 December 2017				
Cash flows from operating activities	(222,033)	16,655,829	(1,240,873)	15,192,923
Cash flows from investing activities	(7,803)	(6,455,785)	33,406	(6,430,182)
Cash flows from financing activities	573,396	(13,154,303)	(300,000)	(12,880,907)
Net increase/(decrease) in cash and cash equivalents	343,560	(2,954,259)	(1,507,467)	(4,118,166)
Dividend paid to NCI	–	(4,546,312)	–	(4,546,312)

16. PREPAID LAND LEASE PAYMENT

	Group 2018 RM	Group 2017 RM
Cost		
At 1 January	1,434,681	1,434,105
Addition	–	95,666
Exchange differences	(43,618)	(95,090)
At 31 December	1,391,063	1,434,681
Amortisation		
At 1 January	501,363	379,717
Amortisation during the year	60,643	121,646
At 31 December	562,006	501,363
Carrying amount	829,057	933,318

	Company 2018 RM	Company 2017 RM
Cost		
At 1 January/31 December	500,000	500,000
Amortisation		
At 1 January	300,000	275,000
Amortisation during the year	25,000	25,000
At 31 December	325,000	300,000
Carrying amount	175,000	200,000

17. GOODWILL ON CONSOLIDATION

	Group	
	2018	**2017**
	RM	**RM**
At 1 January, at cost	13,583,526	13,583,526
Less: Impairment losses	(12,722,554)	(12,722,554)
At 31 December	860,972	860,972

(a) Impairment tests for goodwill

Goodwill has been allocated to the Group's Cash Generating Units ("CGU") identified by business segment and country as follows:

	Indonesia RM	**Total RM**
At 31 December 2018		
Lab testing services	860,972	860,972
At 31 December 2017		
Lab testing services	860,972	860,972

Key assumptions used in value-in-use calculations

The recoverable amount of the CGU is determined based on value-in-use calculation using cash flow projection based on financial budgets approved by management. The key assumptions used for value-in-use calculations are:

	Terminal growth rate		Discount rate	
	2018	**2017**	**2018**	**2017**
Lab testing services	5%	5%	12%	18%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Revenue

Revenue are estimated based on existing customer contract and anticipated future projects.

(ii) Discount rate

The discount rate used is based on the risk specific to the CGU.

17. GOODWILL ON CONSOLIDATION

(a) Impairment tests for goodwill (cont'd)

Key assumptions used in value-in-use calculations (cont'd.)

(iii) Terminal growth rate

Cash flow beyond the five-year period is extrapolated using a growth rate which is based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGU.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amounts.

18. INVENTORIES

	Group	
	2018 RM	2017 RM
Consumables, at cost	–	432,678

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables (Note (a)):				
Third parties	32,486,842	27,963,828	310	30,408
Less: Allowance for expected credit losses	(2,010,072)	(2,701,112)	–	–
Dividend receivable	–	–	6,245,000	5,605,000
	30,476,770	25,262,716	6,245,310	5,635,408

19. TRADE AND OTHER RECEIVABLES (CONT'D.)

	Group		Company	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Other receivables (Note (b)):				
Amounts due from related companies (Note (c)):				
- ultimate holding	40,831	–	35,181	–
- subsidiaries	–	–	7,773,446	20,844,087
- related parties	821,629	323,229	439,810	106,616
Deposits	4,199,907	4,268,219	187,560	189,270
Prepayments	3,662,744	1,417,474	71,646	54,830
Sundry receivables	774,560	2,273,241	24,732	11,588
	9,499,671	8,282,163	8,532,375	21,206,391
Less: Allowance for expected credit losses:				
- relatedcompanies	–	(14,491)	(2,613,839)	(602,481)
- sundry receivables	(23,454)	(194,428)	–	–
	(23,454)	(208,919)	(2,613,839)	(602,481)
	9,476,217	8,073,244	5,918,536	20,603,910
Total trade and other receivables	39,952,987	33,335,960	12,163,846	26,239,318
Less: Prepayments	(3,662,744)	(1,417,474)	(71,646)	(54,830)
Dividend receivable	–	–	(6,245,000)	(5,605,000)
Debt instruments at amortised cost	36,290,243	31,918,486	5,847,200	20,579,488

(a) Trade receivables

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a Credit Control Department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

19. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

Ageing analysis of trade receivables

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Neither pass due nor impaired	12,374,093	10,043,057	310	30,408
1 to 30 days past due not impaired	6,153,469	5,084,567	–	–
31 to 60 days past due not impaired	3,148,367	2,389,612	–	–
61 to 90 days past due not impaired	1,852,649	1,094,076	–	–
91 to 120 days past due not impaired	3,878,356	5,089,075	–	–
More than 121 days past due not impaired	3,069,836	1,562,329	–	–
	18,102,677	15,219,659	–	–
Impaired	2,010,072	2,701,112	–	–
	32,486,842	27,963,828	310	30,408

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM18,102,677 (2017: RM15,219,659) that are past due at the reporting date but not impaired and are unsecured in nature.

19. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired		Company Individually impaired	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables- nominal amount	32,486,842	27,963,828	310	30,408
Less: Allowance for impairment	(2,010,072)	(2,701,112)	–	–
	30,476,770	25,262,716	310	30,408

Movement in allowance accounts

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 January	2,701,112	5,478,028	–	88,797
Charge for the year	441,573	207,386	–	–
Reversal of impairment losses	(16,497)	(282,104)	–	–
Written off	(1,116,116)	(2,702,198)	–	(88,797)
At 31 December	2,010,072	2,701,112	–	–

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Other receivables

Receivables that are impaired

The Group's and the Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

19. TRADE AND OTHER RECEIVABLES (CONT'D.)

(b) Other receivables (cont'd.)

Receivables that are impaired (cont'd.)

	Group Individually impaired		Company Individually impaired	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Other receivables - nominal amount	9,499,671	8,282,163	8,532,375	21,206,391
Less: Allowance for impairment	(23,454)	(208,919)	(2,613,839)	(602,481)
	9,476,217	8,073,244	5,918,536	20,603,910

Movement in allowance accounts

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
At 1 January	208,919	343,712	602,481	31,040,875
Charge for the year	–	–	2,025,849	50,454
Reversal of impairment losses	(14,491)	–	(14,491)	(29,343,263)
Written off	(170,974)	(134,793)	–	(1,145,585)
At 31 December	23,454	208,919	2,613,839	602,481

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(c) Amounts due from related parties

Amounts due from all related parties are non-interest bearing and are repayable on demand. All related party receivables are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 34.

Other information on financial risks of other receivables are disclosed in Note 35.

20. CONTRACT ASSETS

	Group 2018 RM	Group 2017 RM
Construction contract costs incurred to date	28,456,934	25,424,669
Add: Attributable profits	9,488,541	4,056,570
	37,945,475	29,481,239
Less: Progress billings	(32,609,991)	(27,292,514)
	5,335,484	2,188,725
Presented as:		
Gross amounts due from customers for contract work (Note 4)	5,695,938	2,532,220
Gross amounts due to customers for contract work (Note 4)	(360,454)	(343,495)
	5,335,484	2,188,725

21. OTHER CURRENT FINANCIAL ASSETS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Held for trading investments				
Quoted investment in units, at fair value through profit or loss	7,462,226	7,406,901	11,462	37,222

22. CASH AND BANK BALANCES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash on hand and at banks	13,143,868	21,762,600	250,959	231,351
Deposits with investment banks	9,654,794	8,066,918	9,345,944	7,114,783
	22,798,662	29,829,518	9,596,903	7,346,134

Deposits with investment bank of the Group amounting to RM9,645,944 (2017: RM7,414,783) and the Company amounting to RM9,345,944 (2017: RM7,114,783) is pledged as securities for trade facilities.

22. CASH AND BANK BALANCES (CONT'D.)

(a) The weighted average effective profit rates of the deposits at the reporting date were as follows:

	Group		Company	
	2018	2017	2018	2017
	%	%	%	%
Investment banks	3.18	3.18	2.87	2.81

(b) The average maturities of deposits as at the end of the financial year were as follows:

	Group		Company	
	2018	2017	2018	2017
	Days	Days	Days	Days
Investment banks	60	60	30	30

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Current				
Trade payables				
Third parties (Note (a))	4,278,542	4,441,577	195,512	38,832
Other payables				
Amounts due to related companies (Note (b)):				
- Related parties	553,637	140,145	12,834	77,343
- Subsidiaries	–	–	11,081,323	17,103,224
Accruals	4,329,455	2,287,733	787,289	446,888
Dividend payable	2,555,150	5,653,702	–	–
Sundry payables	3,001,056	3,171,436	1,051,226	992,589
	10,439,298	11,253,016	12,932,672	18,620,044
Total trade and other payables	14,717,840	15,694,593	13,128,184	18,658,876

23. TRADE AND OTHER PAYABLES (CONT'D.)

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Total trade and other payables (cont'd.)	14,717,840	15,694,593	13,128,184	18,658,876
Add: Borrowings (Note 24)	26,031,508	21,753,923	13,080,815	98,839
Less: Dividend payable	(2,555,150)	(5,653,702)	–	–
Total financial liabilities carried at amortised cost	38,194,198	31,794,814	26,208,999	18,757,715

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 days to 90 days (2017: 30 days to 90 days).

(b) Amounts due to related parties

Amounts due to all related parties are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 34.

Other information on financial risks of other payables are disclosed in Note 35.

24. BORROWINGS

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Current				
Secured:				
Hire purchase	343,071	–	100,224	–
Overdraft	12,653,318	18,937,790	12,653,318	98,839
Revolving credit	10,041,276	–	–	–
Term loan	2,316,233	2,816,133	–	–
Total	25,353,898	21,753,923	12,753,542	98,839

24. BORROWINGS (CONT'D.)

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Non Current				
Secured:				
Hire purchase	677,610	–	327,273	–
Total borrowings	26,031,508	21,753,923	13,080,815	98,839

The weighted average effective profit rate at the reporting date of the borrowings were as follows:

	Group		Company	
	2018 %	**2017 %**	**2018 %**	**2017 %**
Hire purchase	4.66	–	4.31	–
Overdraft	8.03	6.80	6.80	6.80
Revolving credit	4.86	–	4.86	–
Term loan	6.96	6.96	–	–

25. RETIREMENT BENEFIT OBLIGATION

The amount recognised in the statement of financial position are determined as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Present value of obligation/Net liability	2,499,664	2,175,395	1,059,914	926,324
Movement in net liability was as follows:				
At 1 January	2,175,395	2,262,513	926,324	792,734
Provision during the year (Note 7)	628,083	471,396	133,590	133,590
Payment made during the year	(100,038)	(624,726)	–	–
Actuarial (loss)/gain on retirement benefit	(203,776)	66,212	–	–
As at 31 December	2,499,664	2,175,395	1,059,914	926,324

25. RETIREMENT BENEFIT OBLIGATION (CONT'D.)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
The amount recognised in the statements of comprehensive income:				
Current service cost	628,083	471,396	133,590	133,590
Analysed as:				
Non-current	2,499,664	2,175,395	1,059,914	926,324

Actuarial assumptions

The principal assumptions used in determining pension and post retirement benefit obligation for the Group's plans are shown below:

	PT ALS		SAES	
	2018	2017	2018	2017
Discount rate	9%	7%	4%	4%
Future salary growth	6%	6%	5%	5%
Voluntary resignation rate	6%	6%	–	–

Assumptions regarding future mortality are based on published statistic and mortality tables.

Sensitivity analysis

A quantitative sensitivity analysis for significant assumption is as shown below:

As at 31 December 2018

	PT ALS Retirement benefit obligation		SAES Retirement benefit obligation	
	Increase RM	Decrease RM	Increase RM	Decrease RM
Discount rate (1% movement)	60,006	(68,479)	51,773	(66,153)
Future salary growth (1% movement)	(69,108)	61,519	(61,840)	49,436
Voluntary resignation rate (10% movement)	3,793	(3,891)	–	–

25. RETIREMENT BENEFIT OBLIGATION (CONT'D.)

Sensitivity analysis (cont'd.)

A quantitative sensitivity analysis for significant assumption is as shown below (cont'd.):

As at 31 December 2017

	PT ALS Retirement benefit obligation		SAES Retirement benefit obligation	
	Increase RM	Decrease RM	Increase RM	Decrease RM
Discount rate (1% movement)	74,183	(85,948)	34,042	(43,721)
Future salary growth (1% movement)	(85,492)	75,092	(37,673)	29,946
Voluntary resignation rate (10% movement)	5,911	(6,093)	–	–

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the retirement benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the retirement benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

26. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	Number of ordinary shares		Amount	
	2018	2017	2018 RM	2017 RM
Issued and fully paid:				
At 1 January	658,170,290	658,000,000	65,970,290	65,800,000
Transfer of share premium in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017	–	170,290	–	170,290
At 31 December	658,170,290	658,170,290	65,970,290	65,970,290

Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired 303,000 (2017: 80,900) of its own shares during the financial year. The total amount paid to acquire the shares was RM29,905 (2017: RM11,628) and this was presented as a component within shareholders' equity.

26. SHARE CAPITAL AND TREASURY SHARES (CONT'D.)

Treasury shares (cont'd.)

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

27. SHARE PREMIUM

	Group and Company			
	Number of ordinary shares		Amount	
	2018	2017	2018 RM	2017 RM
At 1 January	–	170,290	–	170,290
Effect of implementation of Companies Act 2016 (Note 26)	–	(170,290)	–	(170,290)
At 31 December	–	–	–	–

28. OTHER RESERVES

		Group	
		2018 RM	2017 RM
At 1 January		(329,665)	318,472
Decrease during the year		(345,356)	(648,137)
At 31 December		(675,021)	(329,665)
Foreign exchange reserve		(853,635)	(508,279)
Statutory reserve		178,614	178,614
		(675,021)	(329,665)
Foreign exchange reserve			
At 1 January		(508,279)	139,858
Arising during the year		(345,356)	(648,137)
At 31 December		(853,635)	(508,279)
Statutory reserve			
At 1 January/31 December	178,614	178,614	

28. OTHER RESERVES (CONT'D.)

The nature and purpose of each category of reserve are as follows:

(a) Foreign exchange reserve

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(b) Statutory reserve

This relates to reserve required by state regulator of a subsidiary.

29. RETAINED EARNINGS

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

30. DEFERRED TAXATION

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
At 1 January	2,926,073	2,702,536	249,334	283,619
Recognised in profit or loss (Note 11)	(216,499)	223,537	(222,732)	(34,285)
At 31 December	2,709,574	2,926,073	26,602	249,334
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	2,884,719	2,980,366	26,602	249,334
Deferred tax assets	(175,145)	(54,293)	–	–
	2,709,574	2,926,073	26,602	249,334

30. DEFERRED TAXATION (CONT'D.)

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

Deferred tax assets:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Provisions	**RM**	**RM**	**RM**	**RM**
At 1 January	(1,029,688)	(1,049,783)	(222,400)	(190,367)
Recognised in profit or loss	324,379	20,095	(32,088)	(32,033)
At 31 December	(705,309)	(1,029,688)	(254,488)	(222,400)

Deferred tax liabilities:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Property, plant and equipment				
At 1 January	2,685,632	2,638,423	471,734	473,986
Recognised in profit and loss	(505,794)	47,209	(190,644)	(2,252)
At 31 December	2,179,838	2,685,632	281,090	471,734
Provision for withholding tax				
At 1 January	1,270,129	1,113,896	–	–
Recognised in profit and loss	(35,084)	156,233	–	–
At 31 December	1,235,045	1,270,129	–	–
Total deferred tax liabilities	3,414,883	3,955,761	281,090	471,734
Deferred taxation, net	2,709,574	2,926,073	26,602	249,334

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

	Group	
	2018	**2017**
	RM	**RM**
Unutilised tax losses	6,112,936	6,128,232
Other deductible temporary differences	345,312	345,312
	6,458,248	6,473,544

30. DEFERRED TAXATION (CONT'D.)

The unutilised tax losses of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

However, effective from year of assessment 2019 as announced in the Malaysia Annual Budget 2019, the unutilised tax losses of the Group as at 31 December 2018 and thereafter will be only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unutilised tax losses will be disregarded.

31. DIVIDENDS

	Amount		**Net dividends per share**	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
In respect of the financial year ended 31.12.2016				
Final dividend on 656,779,699 ordinary shares declared on 22 May 2017 and paid on 30 June 2017	–	4,006,188	–	0.61
In respect of the financial year ended 31.12.2017				
Final dividend on 656,609,000 ordinary shares declared on 13 June 2018 and paid on 29 June 2018	3,283,045	–	0.50	–
In respect of the financial year ended 31.12.2018				
Final dividend on 656,609,000 ordinary shares declared on 30 August 2018 and paid on 12 October 2018	984,913	–	0.15	–
	4,267,958	4,006,188		

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2018 of 0.35 sen per share on 656,196,000 ordinary shares amounting to dividend payable of RM2,296,686 will be proposed for shareholders' approval. The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 31 December 2019.

32. COMMITMENTS

	Group 2018 RM	Group 2017 RM
(a) Capital commitments		
Property, plant and equipment		
- Approved but contracted for	1,009,213	6,247,000

(b) Non-cancellable operating lease commitments - Group as lessee

	Group 2018 RM	Group 2017 RM
Future minimum rentals payable		
Not later than 1 year	599,878	320,830

Operating lease payments represent rental payable by subsidiaries of the Company for use of photocopy machine and building maintenance

33. FINANCIAL GUARANTEE

	Company 2018 RM	Company 2017 RM
Unsecured		
Corporate guarantees given for banking facilities	15,000,000	15,000,000

No fair value adjustment required as no liability is expected to arise.

34. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2018 RM	2017 RM
Group		
Rental income from Zaiyadal Keluarga Sdn. Bhd., ("ZKSB") corporate shareholder	(67,315)	(5,040)
Rental income from subsidiaries of ZKSB, corporate shareholder:		
- Foxboro (Malaysia) Sdn. Bhd.	(504,145)	(501,426)
- Progressive Impact Technology Sdn. Bhd.	(146,323)	(135,189)
- Cosasco Sdn. Bhd.	(56,870)	(54,205)
- IAM- Wonderware Sdn. Bhd.	(153,244)	(162,737)
- Untung Aquaculture Sdn. Bhd.	(22,800)	(22,800)
Provision of corporate service to ZKSB, corporate shareholder	(173,060)	–
Provision of corporate service to subsidiary of ZKSB, corporate shareholder		
- Progressive Impact Technology Sdn. Bhd.	(101,800)	–
Information technology support to ZKSB, corporate shareholder	18,725	–
Information technology support to subsidiary of ZKSB, corporate shareholder		
- Foxboro (Malaysia) Sdn. Bhd.	133,725	127,000
- Progressive Impact Technology Sdn. Bhd.	53,283	54,250
- Cosasco Sdn. Bhd.	14,725	10,500
Provision of corporate service from ZKSB	409,500	–
Company		
Rental income from Zaiyadal Keluarga Sdn. Bhd., ("ZKSB") corporate shareholder	(67,315)	(5,040)
Rental income from subsidiaries of ZKSB, corporate shareholder:		
- Foxboro (Malaysia) Sdn. Bhd.	(504,145)	(501,426)
- Progressive Impact Technology Sdn. Bhd.	(146,323)	(135,189)
- Cosasco Sdn. Bhd.	(56,870)	(54,205)
- IAM- Wonderware Sdn. Bhd.	(153,244)	(162,737)
- Untung Aquaculture Sdn. Bhd.	(22,800)	(22,800)

34. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year (cont'd.):

	2018 RM	2017 RM
Company (cont'd.)		
Provision of corporate service to ZKSB, corporate shareholder	409,500	–
Provision of corporate service to subsidiary of ZKSB, corporate shareholder		
- Progressive Impact Technology Sdn. Bhd.	(101,800)	–
Provision of corporate service from ZKSB	409,500	–
Rental income from subsidiaries		
- Alam Sekitar Malaysia Sdn. Bhd.	(283,271)	(306,785)
- Alam Sekitar Eco-Technology Sdn. Bhd.	(26,736)	(53,474)

The Directors are of the opinion that the transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

(b) Compensation to key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company directly or indirectly, including any Director of the Group and the Company. The remuneration and compensation of Directors and other members of key management during the year was as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, bonus and other emoluments	3,006,567	3,550,559	1,502,980	1,903,454
Social security costs	4,093	4,735	2,317	2,249
Pension costs:				
- defined contribution plan	476,850	512,669	284,166	315,120
- defined benefit plan	133,590	133,590	133,590	133,590
	3,621,100	4,201,553	1,923,053	2,354,413

34. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

(b) Compensation to key management personnel (cont'd.)

Included in the total key management personnel are:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Executive directors' remuneration	1,546,743	1,655,341	1,517,493	1,468,025

35. FINANCIAL INSTRUMENTS

(i) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its profit rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transaction.

(ii) Profit rate risk

The Group's primary profit rate risk relates to profit-bearing debt, the Group had no substantial long term profit-bearing assets as at 31 December 2017. The investments in financial assets are mainly deposits held with licensed banks which are short term in nature and are not held for speculative purposes.

The information on maturity dates and effective profit rates of the financial assets and liabilities are disclosed in their respective notes.

With all other variables held constant, the following table demonstrates the sensitivity of the Group and the Company's profit net of tax to a reasonably possible change in the interest rates.

35. FINANCIAL INSTRUMENTS

(ii) Profit rate risk (cont'd.)

	Group		Company	
	Increase/ (decrease) in basis points	**Effect on profit net of tax (Decrease)/ increase RM**	**Increase/ (decrease) in basis points**	**Effect on profit net of tax (Decrease)/ increase RM**
As at 31 December 2018				
Ringgit Malaysia	+ 25	(3,231)	+ 25	(2,961)
Ringgit Malaysia	- 25	3,231	- 25	2,961
Saudi Riyal	+ 25	(432)	–	–
Saudi Riyal	- 25	432	–	–
As at 31 December 2017				
Ringgit Malaysia	+ 25	(2,116)	+ 25	(1,838)
Ringgit Malaysia	- 25	2,116	- 25	1,838
Saudi Riyal	+ 25	(467)	–	–
Saudi Riyal	- 25	467	–	–

(iii) Liquidity risk

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

35. FINANCIAL INSTRUMENTS

(iii) Liquidity risk (cont'd.)

The table below summaries the maturity profile of the Group and the Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

	On demand or within one year RM	One to five years RM	Total RM
As at 31 December 2018			
Group			
Financial liabilities:			
Trade and other payables	12,162,690	–	12,162,690
Borrowings	25,353,898	677,610	26,031,508
Total undiscounted financial liabilities	37,516,588	677,610	38,194,198
Company			
Financial liabilities:			
Trade and other payables	13,128,184	–	13,128,184
Borrowings	12,753,542	327,273	13,080,815
Total undiscounted financial liabilities	25,881,726	327,273	26,208,999
As at 31 December 2017			
Group			
Financial liabilities:			
Trade and other payables	10,040,891	–	10,040,891
Borrowings	21,753,923	–	21,753,923
Total undiscounted financial liabilities	31,794,814	–	31,794,814
Company			
Financial liabilities:			
Trade and other payables	18,658,876	–	18,658,876
Borrowings	98,839	–	98,839
Total undiscounted financial liabilities	18,757,715	–	18,757,715

35. FINANCIAL INSTRUMENTS (CONT'D.)

(iv) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with reputable financial institutions.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

<u>Exposure to credit risk</u>

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

A significant portion of these receivables are regular customers who have been transacting with the Group and in the case of the Company, a significant portion of these receivables are related companies.

<u>Credit risk concentration profile</u>

At the reporting date, the Group and the Company have no significant concentration of credit risk that may arise from exposure to group of debtors.

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that are neither past due nor impaired is as disclosed in Notes 19.

<u>Financial assets that are either past due or impaired</u>

The Group and the Company have collectively assessed the lifetime expected credit losses on trade and other receivables at the reporting date based on the historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. There is no additional allowance for impairment is necessary at this juncture.

Information regarding trade receivables that are either past due or individually impaired is as disclosed in Note 19.

35. FINANCIAL INSTRUMENTS (CONT'D.)

(v) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily, United States Dollar ("USD"), Australian Dollar ("AUD"), European Euro ("EURO"), Singaporean Dollar ("SGD") and Indonesian Rupiah ("IDR"). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

Functional currency of Group	Ringgit Malaysia RM	Indonesian Rupiah RM	Total RM
As at 31.12.2018:			
United States Dollar	3,864,463	(249,239)	3,615,224
Australian Dollar	79,206	(27,557)	51,649
European Euro	(123,430)	(13,227)	(136,657)
Singapore Dollar	(44,604)	(26,879)	(71,483)
Saudi Riyal	3,543,438	–	3,543,438
	7,319,073	(316,902)	7,002,171
As at 31.12.2017:			
United States Dollar	1,015,198	3,861,898	4,877,096
Australian Dollar	(1,790)	–	(1,790)
European Euro	(304,644)	–	(304,644)
Singapore Dollar	10,731	–	10,731
Saudi Riyal	1,212,097	–	1,212,097
	1,931,592	3,861,898	5,793,490

With all other variables held constant, the following table demonstrates the sensitivity of the Group's profit before taxation to a reasonably possible change in those exchange rates against the functional currency of the Group:

35. FINANCIAL INSTRUMENTS (CONT'D.)

(v) Foreign currency risk (cont'd.)

		Group Profit before tax 2018 RM	Group Profit before tax 2017 RM
USD/RM	- strengthen 3%	(115,934)	(30,456)
	- weaken 3%	115,934	30,456
AUD/RM	- strengthen 3%	(2,376)	54
	- weaken 3%	2,376	(54)
EURO/RM	- strengthen 3%	3,703	9,139
	- weaken 3%	(3,703)	(9,139)
SGD/RM	- strengthen 3%	(1,338)	322
	- weaken 3%	1,338	(322)
SAR/RM	- strengthen 3%	(106,303)	(36,363)
	- weaken 3%	106,303	36,363

(vi) Fair value

The fair value of financial assets and financial liabilities approximate their respective carrying values on the statement of financial position of the Group and the Company.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and bank balances, receivables, payables and borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Other current financial assets

Other current financial assets that are quoted and determined by reference to fair value provided by the bank at the close of the business on the reporting date. The investments are classified as level 2 in the fair value hierarchy.

(iii) Non-current borrowings

The fair value of the financial instrument is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowings or leasing arrangements at the reporting date. The fair value of non-current borrowings of the Group and of the Company are classified as level 2 in the fair value hierarchy.

35. FINANCIAL INSTRUMENTS (CONT'D.)

(vi) Fair value (cont'd.)

Determination of fair value hierarchy

The financial instruments of the Group and the Company are carried at fair value by level of the following fair value measurement hierarchy:

(i) Level 1 - Unadjusted quoted prices in active market for identical financial instruments
(ii) Level 2 - Inputs other than quoted prices that are observable market data
(iii) Level 3 - Inputs that are not based on observable market data

Transfer between Level 1 and Level 2 fair values

There has been no transfers between Level 1 and Level 2 fair values during the financial year.

36. SEGMENTAL INFORMATION

(a) Business segments

The Group is organised into 3 major business segments:

(i) Environmental consultancy and monitoring services - providing environmental related services.

(ii) Laboratory testing services - chemical testing, consultancy service and other services of similar nature.

(iii) Wastewater treatment and solutions - provision of sewerage and solid waste management systems.

Other business segments include the results of the Company as an investment holding of its subsidiaries.

36. SEGMENTAL INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

	Environmental consultancy and monitoring services RM	Laboratory testing services RM	Wastewater treatment and solutions RM	Others RM	Elimination RM	Consolidated RM
2018						
Revenue						
External sales	32,445,731	50,425,634	1,740,582	2,853,027	–	87,464,974
Inter-segment sales	66,304	1,375,298	517,562	9,822,235	(11,781,399)	–
Total revenue	32,512,035	51,800,932	2,258,144	12,675,262	(11,781,399)	87,464,974
Results						
Profit/(loss) from operations	30,549	21,635,306	(579,829)	3,310,588	(10,114,120)	14,282,494
Finance costs	(588,526)	–	(104,590)	(1,399,699)	625,410	(1,467,405)
Taxation	55,876	(5,526,259)	(578)	(184,148)	–	(5,655,109)
Profit after taxation						7,159,980
Assets						
Segment assets	47,290,077	76,931,858	1,453,034	97,532,666	(66,359,322)	156,848,313
Liabilities						
Segment liabilities	34,772,674	12,779,389	1,334,740	29,656,929	(30,462,583)	48,081,149
Other Information						
Capital expenditure	2,007,642	3,598,778	87,725	1,045,077	–	6,739,222
Depreciation and amortisation	(2,056,603)	(3,270,121)	(5,391)	(1,332,496)	–	(6,664,611)

36. SEGMENTAL INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

	Environmental consultancy and monitoring services RM	Laboratory testing services RM	Wastewater treatment and solutions RM	Others RM	Elimination RM	Consolidated RM
2017						
Revenue						
External sales	23,822,165	48,020,289	9,154,413	2,879,434	–	83,876,301
Inter-segment sales	149,989	2,287,842	283,215	7,944,587	(10,665,633)	–
Total revenue	23,972,154	50,308,131	9,437,628	10,824,021	(10,665,633)	83,876,301
Results						
Profit/(loss) from operations	362,779	20,217,170	1,058,802	6,321,188	(13,853,653)	14,106,286
Finance costs	(363,169)	–	(387,437)	(1,209,315)	677,333	(1,282,588)
Taxation	(27,012)	(5,243,290)	–	(44,704)	–	(5,315,006)
Profit after taxation						7,508,692
Assets						
Segment assets	30,977,355	77,864,527	4,490,309	124,721,644	(83,310,538)	154,743,297
Liabilities						
Segment liabilities	13,096,573	18,523,123	4,505,658	54,274,785	(47,042,354)	43,357,785
Other Information						
Capital expenditure	593,615	5,632,232	–	20,831	–	6,246,678
Depreciation and amortisation	(2,442,819)	(3,319,924)	(12,285)	(1,592,874)	–	(7,367,903)

36. SEGMENTAL INFORMATION (CONT'D.)

(b) Geographical segments

The Group's geographical segments are for its subsidiaries that are involved in laboratory testing services, environmental consultancy and monitoring services which operates in three geographical areas:

(i) Malaysia
(ii) Indonesia
(iii) Saudi Arabia

The directors are of the opinion that the inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

	Total revenue from external customers RM	Segment assets RM	Capital expenditure RM
2018			
Malaysia	57,142,080	122,150,398	3,889,288
Indonesia	18,266,187	23,422,630	1,770,909
Saudi Arabia	12,056,707	11,275,285	1,079,038
	87,464,974	156,848,313	6,739,235
2017			
Malaysia	54,263,847	87,139,345	3,187,871
Indonesia	22,033,441	59,386,346	2,878,520
Saudi Arabia	7,579,013	8,217,606	180,287
	83,876,301	154,743,297	6,246,678

37. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

37. CAPITAL MANAGEMENT (CONT'D.)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings, hire purchase payables, trade and other payables, less cash and bank balances. Capital represents the total share capital.

The debt to equity ratio as at 31 December 2018 and 2017 are as follows:

	Group		Company	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Borrowings (Note 24)	26,031,508	21,753,923	13,080,815	98,839
Trade and other payables (Note 23)	14,717,840	15,694,593	13,128,184	18,658,876
Less: Cash and bank balances (Note 22)	(22,798,662)	(29,829,518)	(9,596,903)	(7,346,134)
Net debt	17,950,686	7,618,998	16,612,096	11,411,581
Total share capital	65,970,290	65,970,290	65,970,290	65,970,290
Capital and net debt	83,920,976	73,589,288	82,582,386	77,381,871
Gearing ratio	0.21	0.10	0.20	0.15

The gearing ratio is not governed by the MFRS and its definition and calculation may vary from one Group or Company to another.

07

SUPPLEMENTARY INFORMATION

STATISTICS OF SHAREHOLDINGS

AS AT 2 APRIL 2019

SHARE CAPITAL

Issued and paid-up share capital	: RM65,800,000.00 comprising 658,000,000 Ordinary shares
Class of shares	: Ordinary shares
Voting rights	: One (1) vote per ordinary share
Number of shareholders	: 2,280
Number of Treasury Shares	: 1,804,000 Ordinary shares

ANALYSIS OF SHAREHOLDINGS

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS	%	SHAREHOLDINGS	%*
Less than 100	4	0.175	141	0.000
100 to 1,000	529	23.201	348,034	0.053
1,001 to 10,000	685	30.043	4,569,000	0.696
10,001 to 100,000	851	37.324	32,661,567	4.977
100,001 to less than 5% of issued shares	207	9.078	144,408,636	22.006
5% and above of issued shares	4	0.175	474,208,622	72.266
TOTAL	2,280	100.00	656,196,000	100.00

Note:-
* *Based on the total number of issued shares in the Company excluding 1,804,000 ordinary shares bought back by the Company and retained as treasury shares as at 2 April 2019.*

SUBSTANTIAL SHAREHOLDERS

	SHAREHOLDINGS			
NAME	DIRECT INTEREST	%**	DEEMED INTEREST	%**
Zaiyadal Keluarga Sdn Bhd	309,943,622	47.233	-	-
Urusharta Jamaah Sdn Bhd	65,000,000	9.908	-	-
Zaid bin Abdullah	47,925,100	7.303	309,943,622*	47.233*
Zaidah binti Mohd Salleh	8,769,400	1.336	309,943,622*	47.233*

Note:-
* *Deemed interest by virtue of his/her interest in Zaiyadal Keluarga Sdn Bhd pursuant to Section 8 of the Companies Act 2016.*
** *Based on the total number of issued shares in the Company excluding 1,804,000 ordinary shares bought back by the Company and retained as treasury shares as at 2 April 2019.*

DIRECTORS' INTEREST IN SHARES
As per the Register of Directors' Shareholdings

NAME	DIRECT INTEREST	%**	DEEMED AND INDIRECT	%**
Zaid bin Abdullah	47,925,100	7.303	310,419,922*	47.306*
Zaidah binti Mohd Salleh	8,769,400	1.336	310,419,922*	47.306*
Lee Weng Chong	1,050,000	0.160	-	-
Usamah bin Zaid	112,000	0.017	-	-
Datuk Abdul Hamid bin Sawal	-	-	-	-
Dato' Hajjah Rosnani binti Ibarahim	-	-	-	-
Dato' Dr. Lukman bin Ibrahim	-	-	-	
Fatimah Zahrah binti Zaid (Alternate Director)	110,300	0.017	-	-

Note:-

* *Deemed interest by virtue of his/her interest in Zaiyadal Keluarga Sdn Bhd pursuant to Section 8 of the Companies Act 2016 ("the Act") and indirect interest pursuant to Section 59(11)(c) of the Act in respect of his/her children's shareholdings.*

** *Based on the total number of issued shares in the Company excluding 1,804,000 ordinary shares bought back by the Company and retained as treasury shares as at 2 April 2019.*

THIRTY LARGEST SHAREHOLDERS

No. Name	Holdings	%*
1. Zaiyadal Keluarga Sdn Bhd	307,278,622	46.827
2. Urusharta Jamaah Sdn Bhd	65,000,000	9.905
3. DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an For Bank of Singapore Limited	54,004,900	8.229
4. Zaid Bin Abdullah	47,925,100	7.303
5. Kal-Yadaiin Sdn Bhd	28,813,078	4.390
6. Zaidah Binti Mohd Salleh	7,063,400	1.076
7. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ab Ghaus bin Ismail	6,079,600	0.926
8. Public Invest Nominees (Asing) Sdn Bhd Exempt an For Phillip Securities Pte Ltd (Clients)	5,265,300	0.802
9. RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Shafei bin Abdullah	4,950,000	0.754
10. Ahmad Ridzwan Bin Mohd Salleh	4,879,175	0.743
11. Nik Abdul Aziz Bin Nik Sulaiman	4,323,235	0.658
12. Loong Ding Tong	4,263,100	0.649
13. Rasal Keluarga Sdn Bhd	3,992,150	0.608
14. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Mohammed Amin Bin Mahmud (MM1004)	3,365,500	0.512
15. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Seng Hong	2,972,000	0.452
16. Zaiyadal Keluarga Sdn Bhd	2,665,000	0.406
17. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Boon Chai	2,470,000	0.376
18. RHB Nominees (Tempatan) Sdn Bhd Exempt an For RHB Securities Singapore Pte. Ltd (A/C Clients)	1,757,200	0.267
19. Zaidah Binti Mohd Salleh	1,696,000	0.258
20. Ahmad Rafa'i Bin Abdullah	1,689,520	0.257
21. Johar bin Yusof	1,523,000	0.232
22. Wong Kim Choong	1,435,000	0.218
23. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Rossana Annizah Binti Ahmad Rashid @ Mohd Rashidi (CEB)	1,415,000	0.215
24. Shireen Mardziah Hashim	1,387,800	0.211
25. Yeu Swee Hing	1,077,000	0.164
26. Khadijah binti Ahmad Thani	1,050,000	0.160
27. Lee Weng Chong	1,050,000	0.160
28. Ismail bin Saleh	1,000,200	0.152
29. Mokhtar bin Hassan	1,000,000	0.152
30. Nik Hanif Muzammil bin Nik Abdul Aziz	984,667	0.150

Note:-

** Based on the total number of issued shares in the Company excluding 1,804,000 ordinary shares bought back by the Company and retained as treasury shares as at 2 April 2019.*

NOTICE OF ANNUAL GENERAL MEETING

PROGRESSIVE IMPACT CORPORATION BERHAD (203352 V)
(Incorporated in Malaysia)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 27th Annual General Meeting of the Company will be held at Velocity Room, Ground Floor, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on **Wednesday, 19 June 2019, at 10.00 a.m.** to transact the following business:-

ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' and Auditors' Reports thereon.	(Please refer to Note 1 of the Explanatory Notes)
2.	To approve the payment of the Single Tier Final Dividend of 0.35 sen per share for the year ended 31 December 2018.	Resolution 1
3.	To re-elect Zaidah Binti Mohd Salleh, who shall retire pursuant to Article 83 of the Constitution of the Company, as Director.	Resolution 2
4.	To re-elect Dato' Hajjah Rosnani Binti Ibarahim, who shall retire pursuant to Article 83 of the Constitution of the Company, as Director.	Resolution 3
5.	To approve the Directors' fees of RM278,150 for the financial year ended 31 December 2018.	Resolution 4
6.	To approve the Directors' fees of RM370,000 for the period from 1 January 2019 up to the date of the next Annual General Meeting to be held in 2020.	Resolution 5
7.	To approve the Directors' benefits of RM308,000 for the period from 20 June 2019 up to the date of the next Annual General Meeting to be held in 2020.	Resolution 6
8.	To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration.	Resolution 7

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions, with or without modifications, as Ordinary and Special Resolutions of the Company:

9. **ORDINARY RESOLUTION**
Proposed renewal of the existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature

"THAT pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.2 of the Circular to Shareholders dated 30 April 2019 ("Related Parties") provided that such transactions and/or arrangements are: **Resolution 8**

(a) necessary for the day-to-day operations;

(b) undertaken in the ordinary course of business at arm's length basis and are on normal commercial terms and transaction price which are not more favourable to the Related Parties than those generally available to the public; and

(c) not detrimental to the minority shareholders of the Company,

("Shareholders' Mandate");

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

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at such AGM, the authority is renewed; or

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and 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 Shareholders' Mandate."

10. ORDINARY RESOLUTION
Proposed renewal of shareholders' mandate to purchase its own ordinary shares of up to 10% of the total number of issued shares in the Company

"THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: Resolution 9

(i) the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back").

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

(i) to cancel all or part of the Purchased Shares;

(ii) to retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;

(iii) to distribute all or part of the treasury shares as dividends to the shareholders of the Company;

(iv) to resell all or part of the treasury shares;

(v) to transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;

(v) to transfer all or part of the treasury shares as purchase consideration;

(vii) to sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or

(viii) to deal with the treasury shares in any other manner as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities."

11. ORDINARY RESOLUTION
Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approval of the relevant governmental/regulatory authorities (if any), the Directors of the Company be and are hereby authorised to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued during the preceding 12 months does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from 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 after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier unless revoked or varied by an ordinary resolution of the Company at a general meeting." Resolution 10

12. ORDINARY RESOLUTION
Continuing in office as Independent Non-Executive Director

"THAT authority be and is hereby given to Lee Weng Chong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting." Resolution 11

13. ORDINARY RESOLUTION
Continuing in office as Independent Non-Executive Director

"THAT approval be and is hereby given for Datuk Abdul Hamid Bin Sawal who has served as an Independent Non-Executive Director of the Company since 23 May 2011 and will reach the nine-year term limit on 22 May 2020, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting." Resolution 12

14. **SPECIAL RESOLUTION**
Proposed Alteration of the existing Constitution by replacing with a new Constitution ("Proposed Alteration")

"THAT the existing Constitution of the Company be hereby altered by replacing with a new Constitution as set out in the Appendix A with effect from the date of passing this Special Resolution. Special Resolution

THAT the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

15. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

NOTICE OF DIVIDEND PAYMENT

Notice is hereby given that a Single Tier Final Dividend of 0.35 sen per share for the financial year ended 31 December 2018, if approved, will be paid on 8 July 2019. The entitlement date for the dividend payment is 20 June 2019.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

(a) Shares transferred into the depositor's Securities Account on or before 4.00 p.m. on 20 June 2019 in respect of ordinary transfers; and
(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad

By order of the Board
ZAIDAH BINTI MOHD SALLEH (MIA 3313)
Company Secretary
Shah Alam

30 April 2019

Notes:

i) A member entitled to attend and vote is entitled to appoint up to 2 proxies to attend, speak and vote instead of him. A proxy may but need not be a member of the Company.
ii) A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, can appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
iii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
iv) Where a member or authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
v) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
vi) The instrument appointing a proxy and the power of attorney or other authority, if any under which it is signed or notarially certified copy of that power of authority shall be deposited at the Company's registered office at Suite 5.02, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
vii) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 12 June 2019. Only a Member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, vote and speak on his behalf.

Explanatory Notes on Ordinary Business

1. Agenda item no. 1 is meant for discussion only as the provisions of Sections 248(2)(a) and 340(1)(a) of the Companies Act 2016 do not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting.**

2. Resolutions 2 and 3:

   Zaidah Binti Mohd Salleh and Dato' Hajjah Rosnani Binti Ibarahim are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 27th Annual General Meeting. The Board has through the Nominating Committee, considered the assessment of the Directors and collectively agreed that they meet the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on character, experience, integrity, competence and time to effectively discharge their roles as Directors.

3. Resolution 4:

   Shareholders' approval is sought under Resolution 4 to allow the Company to pay Directors' fees for the financial year ended 31 December 2018.

4. Resolution 5:

   Shareholders' approval is sought under Resolution 5 to allow the Company to pay Directors' fees on a monthly basis (arrears) for the period from 1 January 2019 up to the date of the next Annual General Meeting to be held in 2020. The Directors' fees are based on the targeted Board size. In the event the proposed amount is insufficient, approval will be sought at the next Annual General Meeting for the shortfall.

5. Resolution 6:

   The Directors' benefits are calculated based on the current Board size and the number of scheduled Board and Committee meetings for the period from 20 June 2019 up to the date of the next Annual General Meeting. In the event the proposed amount is insufficient (due to enlarged Board size or more meetings), approval will be sought at the next Annual General Meeting for the shortfall.

6. Resolution 7:

   The Board has through the Audit Committee, considered the re-appointment of Messrs Ernst & Young as Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table their re-appointment at the 27th Annual General Meeting is stated in the Corporate Governance Overview Statement of the Annual Report 2018.

Explanatory Notes on Special Business

1. Resolution 8

   This proposed Resolution, if passed, will enable the Company and/or its subsidiaries renew its existing mandate to enter into recurrent transactions involving the interest of Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

   For further information on the recurrent related party transactions, please refer to the Circular to Shareholders dated 30 April 2019 enclosed together with the Company's Annual Report 2018.

2. Resolution 9

   The proposed Resolution is intended to allow the Company to purchase its own shares up to 10% of the total number of issued shares of the Company at any time within the time period stipulated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

   Please refer to the Statement on Share Buy-Back dated 30 April 2019 enclosed together with the Company's Annual Report 2018 for further information.

3. Resolution 10

   This proposed Resolution, if passed, will empower the Directors to allot up to a maximum of 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

   This proposed Resolution is a renewal of the previous year's mandate. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 13 June 2018 and the mandate will lapse at the conclusion of the 27th Annual General Meeting.

4. Resolution 11

   The Board has assessed the independence of Mr. Lee Weng Chong, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended that he continues to act as an Independent Non-Executive Director of the Company based on the justifications in the Corporate Governance Overview Statement of the Annual Report 2018.

5. Resolution 12

   The Board has assessed the independence of Datuk Abdul Hamid Bin Sawal, who has served as an Independent Non-Executive Director of the Company since 23 May 2011 and will reach the nine-year term limit on 22 May 2020, and recommended that he continues to act as an Independent Non-Executive Director of the Company based on the justifications in the Corporate Governance Overview Statement of the Annual Report 2018.

6. Special Resolution

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

   The Appendix A on the proposed new Constitution of the Company, which is circulated together with the Notice of 27th Annual General Meeting dated 30 April 2019, shall take effect once the proposed Special Resolution is passed by a majority of not less than seventy-five per centum (75%) of members are entitled to vote and do vote in person or by proxy at the 27th Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF 27TH ANNUAL GENERAL MEETING

Directors standing for election

As at date of this notice, there are no individuals who are standing for election as Directors at the 27th Annual General Meeting.

General mandate for issue of securities

Please refer to the Explanatory Notes on Special Business for Resolution 10.

PROGRESSIVE IMPACT CORPORATION BERHAD (203352 V)
(Incorporated in Malaysia)

FORM OF PROXY

No. of shares held	CDS Account No.
	- -

*I/We ______________________________ Tel: ______________
[Full name in block and NRIC/Passport/Company No.]

of ____

being member(s) of **Progressive Impact Corporation Berhad**, hereby appoint:-

Full Name *(in Block)*	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and / or *(delete as appropriate)*

Full Name *(in Block)*	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairman of the Meeting as *my/our proxy(ies) to attend and vote for *me/us and on *my/our behalf at the 27th Annual General Meeting of the Company to be held at Velocity Room, Ground Floor, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on **Wednesday, 19 June 2019** at **10.00 a.m.** and at any adjournment thereof, and to vote as indicated below:-

RESOLUTION		**FOR**	**AGAINST**
1	Payment of Single Tier Final Dividend		
2	Re-election of Zaidah Binti Mohd Salleh		
3	Re-election of Dato' Hajjah Rosnani Binti Ibarahim		
4	Payment of Directors' fees for the financial year ended 31 December 2018		
5	Payment of Directors' fees for the period 1 January 2019 up to the date of the next Annual General Meeting		
6	Payment of Directors' benefits for the period 20 June 2019 up to the date of the next Annual General Meeting		
7	Re-appointment of Messrs Ernst & Young as Auditors		
8	Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
9	Proposed Renewal of Existing Shareholders' Mandate to purchase its own Ordinary Shares of up to 10% of the total number of issued shares in the Company		
10	Authority to Issue Shares		
11	Approval for Lee Weng Chong to continue in office as Independent Non-Executive Director		
12	Approval for Datuk Abdul Hamid Bin Sawal to continue in office as Independent Non-Executive Director		
SPECIAL RESOLUTION Proposed Alteration of the existing Constitution by replacing with a new Constitution			

Please indicate with an "X" in the space provided whether you wish your votes to be cast "for" or "against" the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this day of , 2019

** Delete whichever is not applicable*

Signature of Shareholder/Common Seal

Notes:

i) A member entitled to attend and vote is entitled to appoint up to 2 proxies to attend, speak and vote instead of him. A proxy may but need not be a member of the Company.

ii) A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, can appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

iii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

iv) Where a member or authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

v) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

vi) The instrument appointing a proxy and the power of attorney or other authority, if any under which it is signed or notarially certified copy of that power of authority shall be deposited at the Company's registered office at Suite 5.02, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

vii) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 12 June 2019. Only a Member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, vote and speak on his behalf.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

Progressive Impact Corporation Berhad (203352-V)
Suite 5.02, Mercu PICORP
Lot 10, Jalan Astaka U8/84
Bukit Jelutong
40150 Shah Alam
Selangor Darul Ehsan

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PROGRESSIVE IMPACT CORPORATION BERHAD | 203352-V
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www.picorp.com.my

"Surely with every difficulty, there is relief"