PUNJ LLOYD SDN. BHD.
(888132-D)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
for the financial year ended 31 March 2019

YONG & LEONARD (AF 0075)
Chartered Accountants

Company No.: 888132-D

PUNJ LLOYD SDN. BHD.
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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PUNJ LLOYD SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

The directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are to provide engineering, procurement and construction services. There have been no significant changes in the nature of the activities during the financial year.

FINANCIAL RESULTS

	RM
Loss for the year	(186,360,777)

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

DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year. The directors do not recommend that a dividend to be paid in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions except as disclosed in the financial statements.

SHARES AND DEBENTURES

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

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

DIRECTORS

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

Ashish Sharma	
Nor Hishammuddin Bin Mohd Nordin	
Bertha Dena	(Appointed on 05.04.2019)
Khajanchi Ajay	(Appointed on 11.06.2018)
Atul Kumar Jain	(Resigned on 29.05.2018)
Mohd Affandi Bin Yusuf	(Resigned on 05.04.2019)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the directors who held office at the end of the financial year have any shares or debentures in the Company's or its holding company or subsidiaries of the holding company during the financial year ended 31 March 2019, except as follows:

	Number of Ordinary Shares of RM1 Each			
	At 1.4.2018	**Bought**	**Sold**	**At 31.3.2019**
Direct Interest				
Nor Hishammuddin Bin Mohd Nordin	250,000	-	-	250,000
Direct Interest - immediate holding company				
Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.				
Nor Hishammuddin Bin Mohd Nordin	225,000	-	-	225,000

By virtue of the above director's shareholdings in the immediate holding company, they are deemed to have an interest in the ordinary shares of companies under the Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd. Group of companies to the extent of the immediate holding company's interest.

OTHER STATUTORY INFORMATION

Before the financial statements of the Company were prepared, the directors took reasonable steps:

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

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.

As of the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in the financial statements of the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

As of the date of this report, there does not exist:

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

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

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, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the directors, 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 Company for the succeeding year.

HOLDING COMPANIES

The Company is a subsidiary of Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd., a company incorporated in Malaysia. The directors regard that the penultimate and ultimate holding companies are Punj Lloyd Infrastructure Pte. Ltd. and Punj Lloyd Limited, which are incorporated in Singapore and India respectively.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 15.1 to the financial statements.

AUDITORS

The auditors, Yong & Leonard, have indicated their willingness to accept re-appointment as auditors.

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

ASHISH SHARMA
Director

NOR HISHAMMUDDIN BIN MOHD NORDIN
Director

Date: 21 May 2019

PUNJ LLOYD SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act, 2016

The directors of Punj Lloyd Sdn. Bhd. state that, in opinion of the Directors, the financial statements set out on pages 10 to 43 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and financial performance of the Company for the financial year ended 31 March 2019 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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

ASHISH SHARMA
Director

NOR HISHAMMUDDIN BIN MOHD NORDIN
Director

Date: 21 May 2019

STATUTORY DECLARATION
Pursuant to Section 251 (1) of the Companies Act, 2016

I, Ashish Sharma, the director primarily responsible for the financial management of Punj Lloyd Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 43 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 above-named Ashish Sharma)
at Petaling Jaya in the state of Selangor Darul Ehsan)
on 21 May 2019

ASHISH SHARMA

Before me,

PESURUHJAYA SUMPAH
No. B 508
WONG CHOY YIN
1.7.2018 - 31.12.2020
MALAYSIA

Commissioner For Oaths

3 Damansara Shopping Mall
3, Jalan SS20/27
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Selangor Darul Ehsan

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(AF0075)
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ESTB. 1976

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PUNJ LLOYD SDN. BHD. (Company No.: 888132-D)
(Incorporated in Malaysia)

Qualified Opinion

We have audited the financial statements of Punj Lloyd Sdn. Bhd., which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 43.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Qualified Opinion

During the financial year, the contract customer has invoked the Project Performance Bond which was provided by the ultimate holding company, and the contract customer has given an advance to the Company in order to meet the existing and future liabilities towards the completion of the project as disclosed in Note 2 to the financial statements. As part of our audit evidence gathering process, we have circularised our audit confirmation to the ultimate holding company to ascertain the intercompany balances as of 31 March 2019 and significant transactions for the financial year then ended but as of the date of this report, we have not received a reply from the Interim Resolution Professional ("IRP"), which has been appointed to carry out the Corporate Insolvency Resolution Process ("CIRP") of the ultimate holding company pursuant to an Order dated 8 March 2019 by the National Company Law Tribunal (NCLT), Principal Bench, New Delhi, India, following which the powers of the Board of Directors of the ultimate holding company has been suspended and shall be exercised by the IRP. As a result, we were unable to obtain sufficient appropriate audit evidence about the intercompany balances as of 31 March 2019 and significant transactions for the year then ended between the ultimate holding company and the Company. Consequently, we were unable to determine whether any adjustments to the financial statements of the Company in relation to intercompany balances and transactions were necessary.

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 qualified opinion.

Independence and Other Ethical Responsibilities

We are independent 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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PUNJ LLOYD SDN. BHD. (Company No.: 888132-D)
(Incorporated in Malaysia)

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the Financial Statements, which indicates that the Company incurred a net loss of RM186,360,777 during the financial year ended 31 March 2019 and, as of that date, the Company's current liabilities exceeded its current assets by RM248,615,654. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements of the 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 Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence about the balances and transactions made during the year between the Company and the ultimate holding company. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect of this matter.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements 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 Company that are free from material misstatement, whether due to fraud or error. In preparing the financial statements of the Company, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PUNJ LLOYD SDN. BHD. (Company No.: 888132-D)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 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, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 Company's internal control.

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

- Conclude on the appropriateness of management's 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 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 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 Company to cease to continue as a going concern.

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PUNJ LLOYD SDN. BHD. (Company No.: 888132-D)
(Incorporated in Malaysia)

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.

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.

YONG & LEONARD
Firm Number: AF 0075
Chartered Accountants

LEONG POOI WAH
Approval Number: 2228/03/20 (J)
Partner of the Firm

Date: 21 May 2019
Petaling Jaya

PUNJ LLOYD SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	2019 RM	2018 RM
ASSETS			
NON-CURRENT ASSETS			
Plant and equipment	6	5,501,258	7,624,318
CURRENT ASSETS			
Inventories - at cost		4,297,123	11,139,725
Trade receivables		-	1,771,029
Other receivables, deposits and prepayments	7	21,244,832	81,714,566
Tax refundable		600,000	600,000
Fixed deposits with licensed banks	8	585,155	466,740
Cash and bank balances		14,545,611	51,228,264
		41,272,721	146,920,324
TOTAL ASSETS		46,773,979	154,544,642
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	9	1,000,000	1,000,000
Accumulated losses		(244,114,396)	(57,753,619)
CAPITAL DEFICIENCY		(243,114,396)	(56,753,619)
NON-CURRENT LIABILITIES			
Deferred tax liabilities	10	-	-
CURRENT LIABILITIES			
Contract liabilities	11	126,678,388	107,754,312
Trade payables	12	66,506,869	100,455,611
Other payables and accruals	13	96,703,118	3,088,338
		289,888,375	211,298,261
NET CURRENT LIABILITIES		(248,615,654)	(64,377,937)
TOTAL LIABILITIES		289,888,375	211,298,261
TOTAL EQUITY AND LIABILITIES		46,773,979	154,544,642

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

PUNJ LLOYD SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	2019 RM	2018 RM
Contact revenue	14	177,805,920	519,388,067
Contract cost		(298,249,881)	(552,526,444)
Gross loss		(120,443,961)	(33,138,377)
Other operating expenses:			
Administrative expenses		(927,346)	(555,119)
Operating expenses		(80,809,636)	(587,374)
Other operating income		15,820,166	1,180,591
Loss before tax	15	(186,360,777)	(33,100,279)
Tax income	16	-	1,604,425
Loss for the year, representing total comprehensive loss for the year		(186,360,777)	(31,495,854)

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

PUNJ LLOYD SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Share capital RM	Accumulated losses RM	Total RM
As at 1 April 2017	1,000,000	(26,257,765)	(25,257,765)
Total comprehensive loss for the financial year	-	(31,495,854)	(31,495,854)
As at 31 March 2018	1,000,000	(57,753,619)	(56,753,619)
Total comprehensive loss for the financial year	-	(186,360,777)	(186,360,777)
As at 31 March 2019	1,000,000	(244,114,396)	(243,114,396)

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

Company No.: 888132-D

PUNJ LLOYD SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(186,360,777)	(33,100,279)
Adjustments for:		
Bad debts written off	13,757,886	-
Depreciation	2,123,060	1,753,940
Interest income	(178,585)	(93,450)
Impairment loss	68,310,475	-
Unrealised loss on foreign exchange	7,197	243,329
Operating loss before working capital changes	(102,340,744)	(31,196,460)
Decrease/(increase) in inventories	6,842,602	(6,832,891)
Increase in other receivables, deposits and prepayments	(19,834,795)	(7,201,452)
(Decrease)/Increase in trade and other payables and accruals	(36,824,906)	2,538,469
Increase in contract liabilities	18,924,076	19,650,718
Cash used in operations	(133,233,767)	(23,041,616)
Tax paid, net of refund	-	(1,106,113)
Interest income received	178,585	93,450
Net cash used in operating activities	(133,055,182)	(24,054,279)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	-	(8,578,088)
Increase in fixed deposits pledged with licensed banks	(118,415)	(13,629)
Net cash used in investing activities	(118,415)	(8,591,717)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from contract customers	96,490,944	-
Net cash generated from financing activities	96,490,944	-
Net decrease in cash and cash equivalents	(36,682,653)	(32,645,996)
Cash and cash equivalents at beginning of the year	51,228,264	83,874,260
Cash and cash equivalents at end of the year	14,545,611	51,228,264
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	585,155	466,740
Cash and bank balances	14,545,611	51,228,264
	15,130,766	51,695,004
Less: Fixed deposits pledged with licensed banks	(585,155)	(466,740)
	14,545,611	51,228,264

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

PUNJ LLOYD SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

1 GENERAL INFORMATION

The Company is a private limited company incorporated and domiciled in Malaysia.

The registered office is located at Lot 6.05 Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor.

The principal place of business is located at Lot-128 (Rapid Project), Rapid-PMC/TCF/LOT 76, Mukim Pengerang, 81600 Daerah Kota Tinggi, Johor Darul Takzim.

The immediate holding company is Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd., a private limited company incorporated and domiciled in Malaysia. The penultimate and ultimate holding companies are Punj Lloyd Infrastructure Pte. Ltd. and Punj Lloyd Limited, which are incorporated in Singapore and India respectively. Related companies refer to companies within the Punj Lloyd Limited Group.

The financial statements of the Company are presented in the functional currency of Ringgit Malaysia, which is the currency of the primary economic environment in which the entity operates.

2 FUNDAMENTAL ACCOUNTING CONCEPT

As at the end of the reporting period, the Company has net current liabilities and deficit in shareholders' equity of RM248,615,654 and RM243,114,396 (2018: RM64,377,937 and RM56,753,619) respectively. The Company has recognised further foreseeable losses during the year on the Company's sole project as disclosed in Note 11. The foreseeable losses of the project are recognised in full in accordance with the applicable accounting standards. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. However, the financial statements have been prepared on a going concern basis based on the Company's management assessment and judgement as disclosed below.

During the year, the contract customer has invoked the project performance bond provided by the ultimate holding Company, Punj Lloyd Limited, India and customer has given an advance to the Company in order to meet the existing and future liabilities arising from the sole project of the Company to complete the project as and when it falls due. The advance is interest-free and has no fixed terms of repayments.

In order to manage the Company's cash flows, the management of the Company is in the process of negotiation with the contract customer for the change/ variation orders. The Management of the Company are also confident with the performance of the construction activities of this project and intend to tender for future projects with the contract customer in order to secure further cash flows for the Company. However, the Company's ability to tender for future substantial projects is also dependent on the strength of the Group, as a whole, to secure sufficient banking facilities required for the tendering of new projects.

Pursuant to an order dated March 08, 2019 of the National Company Law Tribunal ("NCLT"), Principal Bench, New Delhi, India, Corporate Insolvency Resolution Process ("CIRP") has been initiated for Punj Lloyd Limited ("the ultimate holding company") as per the provisions of the Insolvency and Bankruptcy Code, 2016 (IBC). An Interim Resolution Professional ("IRP") has been appointed for carrying out the CIRP of Punj Lloyd Limited. Upon initiation of CIRP, the powers of the Board of Directors of Punj Lloyd Limited has been suspended and shall be exercised by the IRP.

Based on the matters above, the management is confident that they will be able to manage the cash flows of the Company sustainably and discharge its short term and future liabilities as and when they fall due.

The ability of the Company to continue as a going concern depends significantly on the Company's ability to restructure its liabilities.

If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

3 ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS

During the financial year, the Company has adopted the following new and revised Malaysian Financial Reporting Standards and the Interpretations (collectively "MFRSs"), issued by the Malaysian Accounting Standards Board that are relevant to its operations and effective for the financial periods beginning on 1 January 2018:

- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)

3.1 MFRS 9 FINANCIAL INSTRUMENTS

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed. The new standard contains three classifications for financial assets; measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

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

The Company have applied the requirements of MFRS 9 and have not restated comparative information for prior years with respect to classification and measurement requirements as permitted by MFRS 9: Financial Instruments.

The initial application of the abovementioned pronouncements do not have any material impact to the financial statements of the Company other than additional disclosures to be provided.

3.2 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 for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The initial application of the abovementioned pronouncements does not have any material impact to the financial statements of the Company other than additional disclosures to be provided.

As at the date of authorisation for issue of the financial statements, the following MFRSs applicable to the Company were in issue but not yet effective:

Description		**Effective Date**
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS standards 2015-2017 cycle)	1 January 2019
Amendments to MFRS 9	Financial Instruments -Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10	Investment Entities	
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS standards 2015-2017 cycle)	1 January 2019
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS standards 2015-2017 cycle)	1 January 2019
Amendments to MFRS 119	Employee Benefit (Plan Amendments, Curtailment or Settlement)	1 January 2019
Amendments to MFRS 128	Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures	1 January 2019
Annual improvement to MFRS Standards 2015-2017 Cycle		1 January 2019
Amendments to MFRS 2	Share-Based Payment	1 January 2020
Amendments to MFRS 3	Business Combinations	1 January 2020
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14	Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101	Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134	Interim Financial Reporting	1 January 2020
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138	Intangible Assets	1 January 2020
Amendments to IC Interpretation 12	Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132	Intangible Assets – Web Site Costs	1 January 2020

Amendments to MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10	Consolidated Financial Statements	Date yet to be confirmed
Amendments to MFRS 128	Investments in Associates and Joint Ventures Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date yet to be confirmed

i) ***MFRS 16 Leases***

The standard eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its balance sheet as recording certain leases as off statement of financial position leases will no longer be allowed except for some limited practical exemptions.

Because of this change the Company will reclassify certain of its sublease agreements as finance leases. As required by MFRS 9, an allowance for expected credit losses will be recognised on the finance lease receivables. The leased assets will be derecognised and finance lease asset receivables recognised. This change in accounting will change the timing of recognition of the related revenue (recognised in finance income).

ii) ***Amendments To MFRS 9 Prepayment Features With Negative Compensation***

The amendments to MFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ("SPPI") condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of MFRS 9.

The management of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

iii) ***Annual Improvements To MFRS Standards 2015-2017 Cycle Amendments To MFRS 3 Business Combinations, MFRS 11 Joint Arrangements, MFRS 112 Income Taxes And MFRS 123 Borrowing Costs.***

The Annual Improvements include amendments to four Standards.

(a) ***MFRS 112 income taxes***

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

(b) ***MFRS 123 Borrowing Costs***

The amendments clarify that if any specific borrowings remains outstanding after that related assets is ready for its intended use or sale, the borrowings becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on the general borrowings.

(c) ***MFRS 3 Business Combinations***

The amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest ("PHI") in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

(d) ***MFRS 111 Joint Arrangements***

The amendments to MFRS 111 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The management of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

iv) ***Amendments To MFRS 119 Employee Benefits Plan Amendment, Curtailment Or Settlement***

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). MFRS 119 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as re-measured under MFRS 119.99 with the discount rate used in the re-measurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to MFRS 119 are first applied. The amendments to MFRS 119 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The management of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

v) ***Amendments to MFRS 128 Long Term Interests in Associates and Joint Ventures***

The amendment clarifies that MFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying MFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by MFRS 128 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with MFRS 128). The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of MFRS 9. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

vi) ***IC Interpretation 23, "Uncertainty over Income Tax Treatments"***

The interpretation clarifies that an entity shall:

- assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

- reflect the effect of uncertainty in determining the related tax position (using either the most likely or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities application without restatement of comparatives retrospectively or prospectively.

The management of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

vii) ***MFRS 10 Consolidated Financial Statements and MFRS 128 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to MFRS 10 and MFRS 128 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB. However, earlier application of the amendments is permitted.

The management of the Company anticipate that the application of these amendments may have an impact on the Company's consolidated financial statements in future periods should such transactions arise.

The management of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's consolidated financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"); International Financial Reporting Standards as issued by International Accounting Standards Board ("IASB") and the requirements of Companies Act, 2016 in Malaysia.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain assets. The principal accounting policies adopted are set out below:

4.1 PLANT AND EQUIPMENT

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

Depreciation is provided on a straight-line method so as to write off the cost or valuation of the assets over their estimated useful lives, as follows:

	Rate
Furniture and fittings	20%
Motor vehicles	20%
Plant and machineries	10%

Depreciation of an asset begins when it is ready for its intended use.

The residual values and the useful lives of assets, if significant, are reviewed at each reporting date.

The gain or loss arising from the derecognition of an asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, are recognised in profit or loss.

4.2 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amounts of the assets are estimated. Irrespective of whether there is any indication of impairment, the Company tests an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, an impairment loss is recognised to reduce the carrying amount to its recoverable amount. An impairment loss for a cash-generating unit is firstly allocated to reduce the carrying amount of goodwill allocated to the cash-generating unit, and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss is recognised immediately in profit or loss, unless it reverses a previous revaluation, in which case it is treated as a revaluation decrease.

An impairment loss recognised in prior periods for an asset, other than goodwill, is reversed if there has been a change in the estimate used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss had been recognised, and is recognised immediately in profit or loss, unless it reverses a previous revaluation, in which case it is treated as a revaluation increase.

4.3 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, where applicable, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

4.4 CASH AND CASH EQUIVALENTS

The Company adopt the indirect method in the preparation of the statement of cash flows.

For the purpose of the statement of cash flows, cash in hand, bank balances and demand deposits with original maturities of 3 months or less.

4.5 CONSTRUCTION CONTRACTS

The Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 15: *Revenue from Contract with Customers,* the Company has elected not to restate the comparatives. As disclosed in Note 3.2 to the financial statements, MFRS 15: *Revenue from Contract with Customers* replaces the guidance in various accounting standards and IC interpretations and hence all revenue recognition for current financial year is disclosed in Note 4.9 to the financial statements.

Previous financial year

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

When the total of costs incurred on construction plus, recognised profits (less recognised losses), exceeds progress billings the surplus is classified as amount due from contract customers. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the surplus is classified as amount due to contracts customers.

4.6 FINANCIAL INSTRUMENTS

Unless specifically disclosed below, the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9: *Financial Instruments,* the Company has elected not to restate the comparatives.

Recognition and initial measurement

A financial instrument is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Current financial year

A financial asset, (unless it is a receivable without a significant financing component) and a financial liability is measured at fair value plus or minus, in the case of a financial instrument not measured at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument. A trade receivable that does not contain a significant financing component is initially measured at the transaction price.

Previous financial year

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Reclassification and subsequent measurement

i) ***Financial Assets***

Current financial year

Upon adoption of MFRS 9: Financial Instruments, financial assets are classified as measured at amortised cost and fair value through profit or loss ("FVTPL"), as appropriate.

The Company determines the classification of financial assets at initial recognition and are not subsequently reclassified unless the Company change its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

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

Financial assets at fair value through profit or loss

As at the end of the reporting period, there were no financial assets classified under this category.

Financial assets at fair value through other comprehensive income

As at the end of the reporting period, there were no financial assets classified under this category.

Previous financial year

In the previous financial year, under MFRS 139: Financial Instruments: Recognition and Measurement, the Company determines the classification of their financial assets at initial recognition. Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. All financial assets of the Company are classified as loans and receivables. All loans and receivables are classified as current assets.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any accumulated impairment losses. A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

ii) ***Financial Liabilities***

Current financial year

The categories of financial liabilities at initial recognition are as follows:

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

As at the end of the reporting period, there were no financial liabilities classified under this category.

Financial liabilities at fair value through other comprehensive income

As at the end of the reporting period, there were no financial liabilities classified under this category.

Previous financial year

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other Financial Liabilities

The Company's other financial liabilities include trade payables and other payables.

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

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

A financial liability is derecognised when the obligation specified in the contract is discharged, 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

iii) ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

iv) ***Amortised cost financial instruments***

Current financial year

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (Note 4.7) where effective interest rate is applied to the amortised cost.

Previous financial year

Amortised cost was captured using the effective interest method. This method used effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

v) ***Derecognition of financial instruments***

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or 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-though" arrangement without retaining control of the asset or substantially all the risk and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit and loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss

4.7 IMPAIRMENT

Financial assets

The Company generally applied the following accounting policies and as permitted by MFRS 9: financial instruments, the Company have elected not to restate the comparatives.

Current financial year

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers 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 Company's historical experience and informed credit assessment including forward-looking information, where available.

The Company assumes that the credit risk on a financial asset has increased significantly if it is past due.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security.

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

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

Previous financial year

The Company assesses at each reporting date whether there is any objective evidence that a financial assets is impaired.

Receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments past the average credit period and observable changes in economic conditions.

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

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

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

4.8 EQUITY INSTRUMENTS

Equity instruments are any contracts that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Dividends on ordinary shares will be recognised as liabilities when the shareholders' rights to receive the dividends are established.

4.9 REVENUE

<u>*Current financial year*</u>

i) Revenue From Contracts With Customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Company performs;

(b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

Construction contracts

Construction activities do not create assets with alternative use for the Company due to contractual restriction at the contract inception, and the Company has enforceable rights to payment arising from the contractual terms, at all times, to an amount that at least compensates the Company for performance to-date (i.e. Cost plus a reasonable profit margin) if the contract is terminated for any reason other than the Company's failure to perform under the contract.

For these contracts, revenue is accounted for based on over time recognition using input method (i.e. Stage of completion method). The stage of completion is determined by reference to the Company's progress towards completing the construction works. The measure of progress is determined based on the proportion of contract costs incurred to-date bear to the estimated total contract costs.

Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

ii) Rental income

Rental income from operating lease is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

iii) Interest income

Interest income is recognised as it accrues, using the effective interest method.

Previous financial year

i) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 4.5.

ii) Consultancy fee

Consultancy fees are recognised when services are rendered.

iii) Interest Income

Interest income is recognised using the effective interest method, and accrued on a time basis.

4.10 FOREIGN CURRENCY

i) Functional and presentation currency

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

Transactions in foreign currencies are measured in the respective functional currencies of the Company are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at that date. Non-monetary items denominated in foreign currencies that are measured at historical cost are not retranslated. Non-monetary items denominated in foreign currencies measured at fair value are retranslated 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.

4.11 EMPLOYMENT BENEFITS

i) Short-Term Employment Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial period in which the associated services are rendered by employees of the Company.

ii) Defined Contribution Plan

The Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Company make contributions to the Employee Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

4.12 INCOME TAX

Income tax comprises of current tax and deferred tax. Current tax and deferred tax are charged or credited to other comprehensive income or equity if the tax relates to items that are credited or charged directly to other comprehensive income or equity.

Current tax liabilities are measured based on the amounts expected to be paid, using the tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences which are the differences between the carrying amount in the financial statements and the corresponding tax base of an asset or liability at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax liabilities and assets are not recognised if the temporary differences arise from goodwill and for initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit. Deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amounts of its assets and liabilities and are measured using the tax rates that have been enacted or substantially enacted by the reporting date.

The carrying amount of the deferred tax assets are reviewed at each reporting date, and the carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised. The reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

4.13 FAIR VALUE MEASUREMENT

The Company measures financial instruments and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation techniques. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient date are available to measure fair value, maximising the use if relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement in unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge reputation, independence and whether professional standards are maintained. The senior management decides, after discussion with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4.14 CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

5.1 JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

There were no significant judgements made in applying the accounting policies of the Company which may have significant effects on the amounts recognised in the financial statements.

5.2 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumption 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 is discussed below.

i) Construction contract

The Company recognises construction contract revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by reference to the Company's progress towards completing the construction works. The measure of progress is determined based on the proportion of contract costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and costs, as well as the recoverability of the construction project. In making the judgement, the Company evaluates based on experience and by relying on the work of specialists.

6 PLANT AND EQUIPMENT

	As at 1 April 2018 RM	Additions RM	As at 31 March 2019 RM
Cost			
Furniture and fittings	793,333	-	793,333
Motor vehicles	5,440,000	-	5,440,000
Plant and machineries	3,378,544	-	3,378,544
	9,611,877	-	9,611,877

	As at 1 April 2018 RM	Charges for the year RM	As at 31 March 2019 RM
Accumulated Depreciation			
Furniture and fittings	433,791	317,334	751,125
Motor vehicles	1,057,610	1,088,885	2,146,495
Plant and machineries	496,158	716,841	1,212,999
	1,987,559	2,123,060	4,110,619

	As at 31 March 2019 RM	As at 31 March 2018 RM
Carrying Amounts		
Furniture and fittings	42,208	359,542
Motor vehicles	3,293,505	4,382,390
Plant and machineries	2,165,545	2,882,386
	5,501,258	7,624,318

7 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 RM	2018 RM
Deposits	631,540	835,540
Advances to suppliers	11,329,130	26,510,289
Other receivables	6,427,462	9,669,046
Amounts due from ultimate holding company	31,659,170	8,076,740
Amounts due from immediate holding company	28,797,904	34,549,407
Amount due from related companies	10,710,101	2,073,544
	89,555,307	81,714,566
Less: Allowance for impairment	(68,310,475)	-
	21,244,832	81,714,566

Other receivables that are impaired:		
Movement in allowance accounts:		
At beginning of year	-	-
Impairment loss during the financial year (Note 15.1)	(68,310,475)	-
At end of year	(68,310,475)	-

Amount due from ultimate holding, immediate holding and related companies

The amount due from ultimate holding, immediate holding and related companies are unsecured, non-interest bearing and repayable on demand.

During the financial year the Company had written off bad debts arising from amounts due from related companies amounting to RM13,757,886 (2018: Nil), as disclosed in Note 15.1 to the Financial Statements.

8 FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits amounting to RM585,155 (2018: RM466,740) are pledged to licensed banks for bank facilities granted to the Company.

9 SHARE CAPITAL

	Number of shares			
	2019 Units	2018 Units	2019 RM	2018 RM
Issued and fully paid:				
Ordinary shares	1,000,000	1,000,000	1,000,000	1,000,000

10 DEFERRED TAX LIABILITIES

The following are the movements of deferred tax liabilities:

	Unrealised foreign exchange gains RM	Plant and equipment RM	Unabsorbed capital allowances RM	Total RM
Deferred Tax Liabilities				
At 1 April 2017	1,172,405	210,100	-	1,382,505
Charge to profit or loss (Note 16)	(1,172,405)	136,049	(346,149)	(1,382,505)
At 31 March 2018	-	346,149	(346,149)	-
Charge to profit or loss (Note 16)	-	(22,221)	22,221	-
At 31 March 2019	-	323,928	(323,928)	-

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to set off current tax assets against current tax liabilities and deferred tax relate to income taxes levied by the same taxation authority on the same taxable entity.

As mentioned in Note 4.12, deferred tax assets are generally recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 31 March 2019, the estimated amount of unabsorbed capital allowances and unused tax losses, for which the tax effects have not been recognised in the financial statements due to uncertainty of their realisation, is as follows:

	2019 RM	2018 RM
Unabsorbed capital allowances	4,500,000	2,385,764
Unused tax losses	101,530,000	28,253,207

11 CONTRACT LIABILITIES

	2019 RM	2018 RM
Carrying amount before impairment:		
Balance at the beginning of year	(82,072,929)	(88,103,594)
Cost incurred during the year	284,608,893	538,392,246
Amortisation of contract asset (before impairment)	(177,806,094)	(526,844,971)
Payments received and progress billings	(183,089,008)	(524,904,677)
Revenue recognised in the year for amount included in contract liability at the beginning of the year	82,072,929	88,103,594
Revenue recognised in the year for performance obligations satisfied or partially satisfied in the year	95,732,991	431,284,473
Balance at the end of year	19,446,782	(82,072,929)
Less: Impairment loss on foreseeable loss on project	(146,125,170)	(25,681,383)
	(126,678,388)	(107,754,312)
Impairment loss on foreseeable loss on project:		
Balance at beginning of year	(25,681,383)	-
Further impairment loss	(120,443,787)	(25,681,383)
Balance at end of year	(146,125,170)	(25,681,383)
Retention sum payable (Note 12)	20,414,563	20,414,563

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Company receives payments from customers in line with a series of performance related milestones. The Company will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

12 TRADE PAYABLES

The normal trade credit terms granted to the Company ranges from 30 to 60 days.

Included in trade payables are retention sums amounting to RM20,414,563 (2018: RM20,414,563) as disclosed in Note 11 to the Financial Statements.

During the financial year, an amount of RM2,159,058 (2018: Nil) of the Company have been derecognised on grounds that the liabilities have been discharged by related companies in relation to contract cost incurred previously.

13 OTHER PAYABLES AND ACCRUALS

	2019 RM	2018 RM
Advances from contract customers	96,490,944	-
Other payables	212,174	3,088,338
	96,703,118	3,088,338

Advances from contract customers represents a partial sum of monies received in Ringgit Malaysia in relation to the encashment of the Project Performance Bond by the contract customer amounting to USD58,100,000. This amount is unsecured, interest-free and have no fixed terms of repayment.

14 REVENUE

Revenue is recognised by reference to the stage of completion from contract customers.

The transaction price allocated to (partially) unsatisfied performance obligations at 31 March 2019 are as set out below. As permitted under the transitional provisions in MFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 March 2018 is not disclosed.

	As at 31 March 2019 RM
Construction contract	(126,678,388)

Management expects that the entire transaction price allocated to the unsatisfied contracts as of the year ended 31 March 2019 will be recognised as revenue during the next reporting period.

15 LOSS BEFORE TAX

15.1 DISCLOSURE ITEMS

	2019 RM	2018 RM
This is stated after charging:		
Auditors' remuneration		
- Current year	45,000	30,000
- Underprovision in prior years	15,000	-
Bank guarantee fee	2,519,400	5,380,770
Directors' fee	45,000	-
Depreciation of plant and equipment	2,123,060	1,753,940
Employees benefits expenses	4,282,758	5,119,922
Realised loss on foreign exchange	-	1,900,891
Impairment loss (Note 7)	68,310,475	-
Bad debts written off from:		
- Related companies (Note 7)	13,757,886	-
- Third party	-	2,889
	13,757,886	2,889
Unrealised loss on foreign exchange	7,197	243,329

	2019 RM	2018 RM
And crediting:		
Interest income	(178,585)	(93,450)
Other income	(2,766,132)	(533,956)
Rental income	(6,788,985)	-
Waiver of debts owing to related companies (Note 17)	(2,159,058)	-
Realised gain on foreign exchange	(1,029,686)	(553,185)
Scrap sales	(2,897,720)	-
	(15,820,166)	(1,180,591)

15.2 EMPLOYEES BENEFITS EXPENSES

	2019 RM	2018 RM
Salaries, bonuses and allowances	3,862,126	4,637,785
Contribution to defined contribution plan	420,632	482,137
	4,282,758	5,119,922

16 TAX INCOME

	2019 RM	2018 RM
Current tax expense		
- Current year	-	-
- (Over)/Under provision in prior years	-	(221,920)
	-	(221,920)
Deferred tax expenses (Note 10)		
- Current year	-	(1,382,505)
	-	(1,382,505)
Total income tax expense	-	(1,604,425)

The income tax expense is reconciled to the accounting loss at the applicable tax rate as follows:

	2019 RM	2018 RM
Loss before tax	(186,360,777)	(33,100,279)
Tax at Malaysian statutory tax rate at 24%	(44,726,586)	(7,944,067)
Tax effects of:		
- expenses not deductible for tax purposes	19,696,407	60,499
- deferred tax assets not recognised during the year	25,030,179	6,501,063
- (over)/under provision in prior years	-	(221,920)
Total income tax expense	-	(1,604,425)

17 RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following significant transactions with related parties during the financial year:

	2019 RM	2018 RM
Immediate holding company:		
Consultancy fee paid/payable	(64,803,980)	(99,281,366)
Penultimate holding company:		
Advances given	-	2,769,410
Related companies:		
Contractor charges	-	(2,152,714)
Waiver of debt arising by the Company (Note 15.1)	(2,159,058)	-

The transactions were undertaken at mutually agreed terms between the parties in the normal course of business. There is no compensation for key management personnel who are Directors of the Company other than as disclosed above.

18 BANKING FACILITIES

As of 31 March 2019, the Company has letter of credit and bank guarantees facilities amounting to RM9,000,000 and RM5,000,000 (2018: RM9,000,000 and RM5,000,000) respectively from a licensed financial institution. As of 31 March 2019, the said facilities remain unutilised by the Company except for letter of credit and bank guarantees amounting to RM103,499 and RM447,150 (2018: Nil and RM447,150) respectively.

The facilities were secured by the following:

a) 100% marginal fixed deposits to be placed as and when utilised.

The Company's receivables are charged to Standard Chartered Bank, Singapore against the loan taken by its penultimate holding company, Punj Lloyd Infrastructure Pte Ltd.

19 FINANCIAL INSTRUMENTS

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The carrying amounts of the Company's financial assets and liabilities based on their notional amounts, reasonably approximate their fair values either due to their short-term nature or repayable on demand term.

19.1 CAPITAL MANAGEMENT

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 March 2018 and 31 March 2019.

The Company monitors capital using the net tangible assets value of the Company, which is total tangible assets less total liabilities of the Company. The net tangible liabilities values of the Company as at 31 March 2018 and 31 March 2019 were RM56,753,619 and RM243,114,396 respectively.

19.2 CATEGORIES OF FINANCIAL INSTRUMENTS

Current financial year

	2019 RM
Financial assets	
Financial assets measured at amortised cost:	
Cash and bank balances	14,545,611
Fixed deposits with licensed banks	585,155
Other receivables and deposits	9,915,713
Financial liabilities	
Financial liabilities measured at amortised cost:	
Trade payables	(66,506,869)
Other payables and accruals	(96,703,118)

Previous financial year

	2018 RM
Financial assets	
Cash and bank balances	51,228,264
Fixed deposits with licensed banks	466,740
Loans and receivables:	
At amortised cost:	
Trade receivables	1,771,029
Other receivables and deposits	44,699,691
Financial liabilities	
Other financial liabilities:	
At amortised cost:	
Trade payables	(100,455,611)
Other payables and accruals	(3,088,338)

19.3 CREDIT RISK

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from the amounts due from trade receivables, ultimate holding, immediate holding and related companies. For other financial assets (including fixed deposits and cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

Trade receivables

The Company's normal credit terms granted to customers is 30 days (2018: 30 days). There is a significant concentration risk in trade receivables arising from a single customer which represents 100% (2018: 100%) of total trade receivables.

Exposure to credit risk

At the reporting date, 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.

19.4 LIQUIDITY RISK

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

The Company actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. The Company also maintains sufficient levels of cash to meet its working capital requirement.

19.5 INTEREST RATE RISK

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

The Company's exposure to interest rate risk arises from its interest-bearing financial assets which are short-term in nature and placed in fixed deposits at agreed fixed rates. As the interest-bearing financial assets are at fixed rates, the Company's profit and reserves are not sensitive to the market movement in interest rates.

19.6 FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to United States Dollar ("USD"), United Arab Emirates Dirham ("AED"), Kuwaiti Dinar ("KWD"), Singapore Dollar ("SGD") and Qatari Rial ("QAR").

Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The net unhedged financial assets and financial liabilities of the Company that are not denominated in their functional currencies are as follows:

	2019 RM	2018 RM
Cash and cash equivalents		
- USD	95,194	183,359
Amount due from related companies		
- AED	-	(306)
- USD	2,856,700	2,436,824
- KWD	-	(15,729)
- QAR	-	(14,126)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit net of tax to a reasonable possible change in USD exchange rate against the respective functional currencies of the Company, with all other variables held constant.

		2019 RM	2018 RM
USD/RM	- strengthened 3%	88,557	78,605
	- weakened 3%	(88,557)	(78,605)

20 MATERIAL LITIGATION

In the previous financial year, a legal claim has been made against the Company by a third party for a sum of USD8,590,876 being among others, payment of purported outstanding sums for variation works and retention sums under contract for the RAPID Project ("Works").

The Company has denied the claim and issued Payment Responses on 11 January 2018 and 7 February 2018. It was and still is the Company's contention that it is not a party to any contract with the said third party and the proper party to the contract for the Works described above is the ultimate holding company, Punj Lloyd Limited ("PLL") in India.

The third party then issued a Notice of Adjudication on 23 February 2018 and filed its Adjudication Claim on 16 March 2018 and the Company had responded with its Adjudication Response on 30 March 2018.

As of the end of the previous financial year ended 31 March 2019, the management of the Company were of the opinion that the Company had a good chance of success in resisting the third party's claims on grounds that PLL was in contract with the said third party and not the Company.

However, during the financial year, on 2 July 2018, the Adjudication Decision was received against the Company to award the third party sums amounting to RM9,305,288 with interest at the rate of 5% per annum from 2 January 2018 until full and final settlement and a further cost of RM50,000.

On 13 July 2018, the Company had filed an application under Originating Summons to stay or set aside the Adjudication Decision and the application was allowed on 14 December 2018. On 20 December 2018, the Company filed an appeal against the dismissal under Civil Appeal and the appeal is fixed for hearing on 13 August 2019.

Despite the Adjudication order, the management of the Company is of the opinion that the Company still has a good chance of succeeding in the case and management estimates an expected value of RM4,800,000 based on the probability of the outcome assessed by management, of which RM4,000,000 has already been recognised as an expense in the statement of comprehensive income.

21 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements of the Company were authorised for issue by the Board of Directors on 21 May 2019.