


**PETROFAC E&C SDN. BHD.**  
**201001039972 (923897-A)**  
**(Incorporated in Malaysia)**

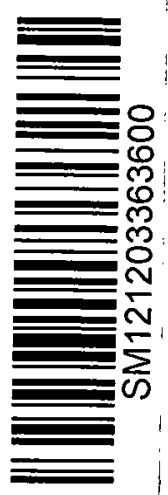
**Directors' Report and Audited Financial Statements**  
**31 December 2019**

These financial statements and reports of the company with Qualified/Unqualified Auditors' Report for the financial year ended 31 December 2019, were circulated on 30 December 2020.

  
YAP KIM MAY  
Secretary (MAICSA 0826873)  
Practice Certificate No. 201908003015

*Lee Hui Fen*  
*12/1/20*  
198801002116 (159772-A), APP-CIU-FINANCIAL STATEMENT CA 2016 (PRIVATE LIMITED) \$0.00  
200301034354 (63675-T), APP-CIU-FINANCIAL STATEMENT CA 2016 (PRIVATE LIMITED) \$0.00  
199301021803 (276581-P), APP-CIU-FINANCIAL STATEMENT CA 2016 (PRIVATE LIMITED) \$0.00  
198101001470 (67579-A), APP-CIU-FINANCIAL STATEMENT CA 2016 (PRIVATE LIMITED) \$0.00  
201001039972 (923897-A), APP-CIU-FINANCIAL STATEMENT CA 2016 (PRIVATE LIMITED) \$0.00

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**Petrofac E&C Sdn. Bhd.**  
**(Incorporated in Malaysia)**

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**Petrofac E&C Sdn. Bhd.**  
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**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 2019.

**Principal activities**

The principal activities of the Company are to carry out the works of executing onshore and offshore projects in the oil and gas (including liquefied natural gas), hydrocarbon, energy, petrochemicals, fertilizer, power generation, desalination and other industrial facilities.

The principal activities of the subsidiaries are as described in Note 9 to the financial statements.

**Results**

	<b>Group RM</b>	<b>Company RM</b>
Profit net of tax	<u>54,214,755</u>	<u>54,193,161</u>
Profit attributable to:		
Owners of the Company	54,218,297	54,193,161
Non-controlling interest	<u>(3,542)</u>	<u>-</u>
	<u>54,214,755</u>	<u>54,193,161</u>

There were no material transfers to or from reserves or provisions during the financial year.

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.

**Dividend**

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend to be paid in respect of the current financial year.

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**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:

Mark Foley \* (appointed on 11 December 2019)  
Sathyanarayanan Edakudi Swaminathan \* (appointed on 11 December 2019)  
Seew Choi Har \* (appointed on 11 December 2019)  
Shanmugam Kasi \* (appointed on 11 December 2019)  
Sunder Kalyanam (resigned on 12 December 2019)  
Vivek Prakash \* (resigned on 12 December 2019)  
Pitchai Murugan \* (resigned on 9 January 2020)

\* 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 are:

Carl William Thompson  
Noorul Khairi bin Mohd Nor  
Manivannan Rajapathy (appointed on 1 April 2019)  
Yuvraj Kumar Sardana (resigned on 11 August 2019)  
Pitchai Murugan (resigned from Petrofac Engineering Services (Malaysia) Sdn. Bhd. on 1 April 2019 and PFMAP Sdn. Bhd. on 9 January 2020)

**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.

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**Directors' benefits (cont'd.)**

Since the end of the previous financial year, no director has 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 below) by reason of a contract made by the Company or a related corporation with any 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.

The directors' benefits are as follows:

	Group RM	Company RM
Salaries and other emoluments	<u>2,875,379</u>	<u>2,875,379</u>

A related corporation of the Company, Petrofac (Malaysia-PM304) Ltd, maintains a liability insurance which provides insurance cover for the directors and officers of the Company. The total amount of sum insured for directors and officers under the liability insurance for the financial year amounted to RM20,665,478.

**Directors' interests**

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

	<----- Number of ordinary shares ----->			
	At 1.1.2019	Acquired /vested	Sold	At 31.12.2019
<b>Ultimate holding company</b>				
Petrofac Limited				
<b>Direct interest:</b>				
Seew Choi Har	1,727	762	(214)	2,275
Shanmugam Kasi	1,374	2,833	-	4,207
Mark Foley	2,000	12,134	(5,713)	8,421
Sathyanarayanan Edakudi				
Swaminathan	147,272	24,750	-	172,022
Pitchai Murugan	<u>260,444</u>	<u>19,534</u>	-	<u>279,978</u>

**Petrofac E&C Sdn. Bhd.**  
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**Directors' interests (cont'd.)**

	<----- Number of options over ordinary shares ----->				At 31.12.2019
	At 1.1.2019	Granted	Exercised	Forfeited/ Expired	
<b>Ultimate holding company</b>					
Petrofac Limited					
<b>Share options:</b>					
Seew Choi Har	1,788	1,274	(762)	-	2,300
Shanmugam Kasi	7,139	1,650	(2,833)	-	5,956
Mark Foley	40,513	44,712	(12,134)	-	73,091
Sathyanarayanan Edakudi					
Swaminathan	181,305	116,727	(24,750)	(10,930)	262,352
Pitchai Murugan	42,060	-	(19,534)	-	22,526

Other than as disclosed above, the directors in office at the end of the financial year did not have any interest in shares in the Company or its other related corporations during the financial year.

**Holding companies**

The immediate holding company is Petrofac International (UAE) LLC, which is incorporated in United Arab Emirates. The ultimate holding company is Petrofac Limited, which is incorporated in Jersey, Channel Islands and listed on the London Stock Exchange.

**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 there were no known bad debts and that no provision for doubtful debts was necessary; 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.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and the Company; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

**Petrofac E&C Sdn. Bhd.**  
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**Other statutory information (cont'd.)**

- (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) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or 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 or of the Company which has arisen since the end of the financial year, except for those disclosed in Note 20 to the financial statements.
- (f) In the opinion of the directors:
  - (i) subject to the continued financial support from the immediate holding company, 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 or of the Company to meet their 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 or of the Company for the financial year in which this report is made.

**Subsequent event**

Details of a subsequent event is disclosed in Note 22 to the financial statements.

Petrofac E&C Sdn. Bhd.  
(Incorporated in Malaysia)

**Auditors**

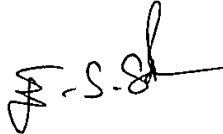
The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remuneration is as follows:

	Group RM	Company RM
Statutory audit	154,644	87,045

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT for the financial year ended 31 December 2019.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 December 2020



Sathyanarayanan Edakudi Swaminathan



Shanmugam Kasi



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**Statement by directors  
Pursuant to Section 251(2) of the Companies Act 2016**

We, Sathyanarayanan Edakudi Swaminathan and Shanmugam Kasi, being two of the directors of Petrofac E&C Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 12 to 77 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 2019 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 28 December 2020

Sathyanarayanan Edakudi Swaminathan

Shanmugam Kasi

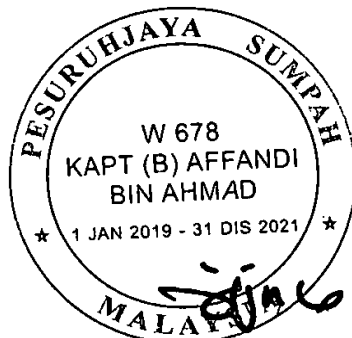
**Statutory declaration  
Pursuant to Section 251(1)(b) of the Companies Act 2016**

I, Shanmugam Kasi, being the director primarily responsible for the financial management of Petrofac E&C Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 77 are, to the best of my knowledge and belief, 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 Shanmugam Kasi  
at Kuala Lumpur in the Federal Territory  
on 28 December 2020

Shanmugam Kasi

Before me,



No. 86, Jalan Putra  
50350 Kuala Lumpur

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Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
SST ID: W10-2002-32000062  
Chartered Accountants  
Level 23A Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
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**Independent auditors' report to the members of  
Petrofac E&C Sdn. Bhd.  
(Incorporated in Malaysia)**

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of Petrofac E&C Sdn. Bhd., which comprise the statements of financial position as at 31 December 2019 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 77.

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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*Information other than the financial statements and auditors' report thereon*

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

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

Ernst & Young PLT 202006000003 (LLP0022760-LCA) & AF 0039 was registered on 02.01.2020 and with effect from that date, Ernst & Young (AF 0039), a conventional partnership was converted to a limited liability partnership.

A member firm of Ernst & Young Global Limited

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**Independent auditors' report to the members of  
Petrofac E&C Sdn. Bhd. (cont'd.)  
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*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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial statements*

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

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

*Auditors' responsibilities for the audit of the financial statements*

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

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**Independent auditors' report to the members of  
Petrofac E&C Sdn. Bhd. (cont'd.)  
(Incorporated in Malaysia)***Auditors' responsibilities for the audit of the financial statements (cont'd.)*

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

- 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.



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Independent auditors' report to the members of  
Petrofac E&C Sdn. Bhd. (cont'd.)  
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*Auditors' responsibilities for the audit of the financial statements (cont'd.)*

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.

#### 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 PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Low Kin Weng  
No. 03504/07/2022 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
28 December 2020

**Petrofac E&C Sdn. Bhd.**  
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**Consolidated and separate statements of comprehensive income**  
**For the financial year ended 31 December 2019**

	Note	Group		Company	
		2019 RM	2018 RM (restated)	2019 RM	2018 RM (restated)
Revenue	3	161,047,423	315,654,433	138,960,388	289,639,849
Cost of sales		(98,894,352)	(540,330,227)	(80,617,315)	(521,235,735)
Gross profit/(loss)		62,153,071	(224,675,794)	58,343,073	(231,595,886)
Other income		1,533,855	12,761,297	1,391,938	12,683,926
Other operating and administrative expenses		(5,559,609)	(9,166,755)	(1,642,149)	(5,448,254)
Finance costs		(5,208,023)	(434,794)	(5,208,023)	(434,794)
<b>Profit/(loss) before tax</b>	4	52,919,294	(221,516,046)	52,884,839	(224,795,008)
Income tax credit/ (expenses)	6	1,295,461	(1,152,459)	1,308,322	(1,132,826)
<b>Net profit/(loss) for the year, representing total comprehensive income/(loss) for the year</b>		<u>54,214,755</u>	<u>(222,668,505)</u>	<u>54,193,161</u>	<u>(225,927,834)</u>
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		54,218,297	(223,619,578)	54,193,161	(225,927,834)
Non-controlling interest		(3,542)	951,073	-	-
		<u>54,214,755</u>	<u>(222,668,505)</u>	<u>54,193,161</u>	<u>(225,927,834)</u>

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

**Petrofac E&C Sdn. Bhd.**  
**(Incorporated in Malaysia)**

**Consolidated and separate statements of financial position**  
**As at 31 December 2019**

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Equipment	7	49,593	25,317	10,034	25,317
Right-of-use assets	16	345,968	-	345,968	-
Deferred tax assets	8	1,308,322	-	1,308,322	-
Investment in subsidiaries	9	-	-	1,200,000	1,200,000
Redeemable preference shares	10	-	-	1,000,000	1,000,000
		<u>1,703,883</u>	<u>25,317</u>	<u>3,864,324</u>	<u>2,225,317</u>
<b>Current assets</b>					
Receivables	11	17,946,556	54,951,684	9,919,086	46,813,350
Contract assets	12	-	89,372	-	-
Tax recoverable		6,327,729	7,367,241	5,312,500	6,290,618
Cash and bank balances	13	19,153,659	49,112,285	10,987,621	45,810,175
		<u>43,427,944</u>	<u>111,520,582</u>	<u>26,219,207</u>	<u>98,914,143</u>
<b>Total assets</b>		<u>45,131,827</u>	<u>111,545,899</u>	<u>30,083,531</u>	<u>101,139,460</u>

**Petrofac E&C Sdn. Bhd.**  
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**Consolidated and separate statements of financial position (cont'd.)**  
**As at 31 December 2019**

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Equity and liabilities</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	14	1,000,000	1,000,000	1,000,000	1,000,000
Accumulated losses		(143,982,021)	(198,200,318)	(150,498,905)	(204,692,066)
		<u>(142,982,021)</u>	<u>(197,200,318)</u>	<u>(149,498,905)</u>	<u>(203,692,066)</u>
Non-controlling interest		1,612,007	1,615,549	-	-
<b>Total shareholders' deficit</b>		<u>(141,370,014)</u>	<u>(195,584,769)</u>	<u>(149,498,905)</u>	<u>(203,692,066)</u>
<b>Non-current liabilities</b>					
Lease liabilities	16	23,354	-	23,354	-
Deferred tax liabilities	8	-	434	-	-
		<u>23,354</u>	<u>434</u>	<u>23,354</u>	<u>-</u>
<b>Current liabilities</b>					
Payables	15	163,399,983	278,297,147	160,724,104	275,998,439
Contract liabilities	12	22,768,749	28,833,087	18,525,223	28,833,087
Lease liabilities	16	309,755	-	309,755	-
		<u>186,478,487</u>	<u>307,130,234</u>	<u>179,559,082</u>	<u>304,831,526</u>
<b>Total liabilities</b>		<u>186,501,841</u>	<u>307,130,668</u>	<u>179,582,436</u>	<u>304,831,526</u>
<b>Total equity and liabilities</b>		<u>45,131,827</u>	<u>111,545,899</u>	<u>30,083,531</u>	<u>101,139,460</u>

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



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Petrofac E&C Sdn. Bhd.  
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**Consolidated statement of changes in equity  
For the financial year ended 31 December 2019**

<b>Group</b>	<b>Share capital (Note 14) RM</b>	<b>Accumulated losses RM</b>	<b>Total RM</b>	<b>cont in</b>
<b>At 1 January 2018</b>	1,000,000	25,419,260	26,419,260	6
Net loss for the year, representing total comprehensive loss	-	(223,619,578)	(223,619,578)	9
<b>At 31 December 2018</b>	<u>1,000,000</u>	<u>(198,200,318)</u>	<u>(197,200,318)</u>	<u>1,6</u>
<b>At 1 January 2019</b>	1,000,000	(198,200,318)	(197,200,318)	1,6
Net profit for the year, representing total comprehensive income	-	54,218,297	54,218,297	
<b>At 31 December 2019</b>	<u>1,000,000</u>	<u>(143,982,021)</u>	<u>(142,982,021)</u>	<u>1,6</u>

**Petrofac E&C Sdn. Bhd.**  
**(Incorporated in Malaysia)**

**Company statement of changes in equity**  
**For the financial year ended 31 December 2019**

	Share capital (Note 14) RM	Accumulated losses RM	Total shareholders' deficit RM
<b>Company</b>			
<b>At 1 January 2018</b>	1,000,000	21,235,768	22,235,768
Net loss for the year, representing total comprehensive loss	-	(225,927,834)	(225,927,834)
<b>At 31 December 2018</b>	<u>1,000,000</u>	<u>(204,692,066)</u>	<u>(203,692,066)</u>
<b>At 1 January 2019</b>	1,000,000	(204,692,066)	(203,692,066)
Net profit for the year, representing total comprehensive income	-	54,193,161	54,193,161
<b>At 31 December 2019</b>	<u>1,000,000</u>	<u>(150,498,905)</u>	<u>(149,498,905)</u>

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

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**Consolidated and separate statements of cash flows**  
**For the financial year ended 31 December 2019**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Cash flows from operating activities</b>				
Profit/(loss) before tax	52,919,294	(221,516,046)	52,884,839	(224,795,008)
Adjustments for:				
Depreciation of equipment	27,610	63,528	25,283	63,528
Depreciation of right-of-use assets	329,496	-	329,496	-
Unrealised (gain)/loss on foreign exchange	(483,109)	175,912	(489,871)	177,717
Interest income	(886,297)	(2,089,449)	(798,272)	(2,012,118)
Finance costs	5,208,023	434,794	5,208,023	434,794
Operating profit/(loss) before working capital changes	57,115,017	(222,931,261)	57,159,498	(226,131,087)
Decrease/(increase) in receivables	37,128,384	(39,095,125)	36,859,248	(33,840,722)
(Decrease)/increase in payables	(166,144,857)	33,478,778	(166,373,624)	31,999,107
Decrease in contract assets	89,372	170,975	-	-
Decrease in contract liabilities	(6,064,338)	(44,623,575)	(10,307,864)	(44,623,575)
Cash used in operations	(77,876,422)	(273,000,208)	(82,662,742)	(272,596,277)
Income taxes refunded	1,045,823	-	978,118	-
Income taxes paid	(19,606)	(8,590,248)	-	(8,562,500)
Leases interest paid	(21,734)	-	(21,734)	-
Net cash used in operating activities	(76,871,939)	(281,590,456)	(81,706,358)	(281,158,777)

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**Consolidated and separate statements of cash flows**  
**For the financial year ended 31 December 2019 (cont'd.)**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cash flows from investing activities</b>				
Purchase of equipment	(51,886)	(29,450)	(10,000)	(29,450)
Interest received	876,429	2,089,449	798,272	2,012,118
<b>Net cash generated from investing activities</b>	<b>824,543</b>	<b>2,059,999</b>	<b>788,272</b>	<b>1,982,668</b>
<b>Cash flows from financing activities</b>				
Net advances from/paid to immediate holding company	46,442,461	62,570,000	46,442,461	62,570,000
Payment of principal portion of lease liabilities	(342,355)	-	(342,355)	-
<b>Net cash generated from financing activities</b>	<b>46,100,106</b>	<b>62,570,000</b>	<b>46,100,106</b>	<b>62,570,000</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(29,947,290)</b>	<b>(216,960,457)</b>	<b>(34,817,980)</b>	<b>(216,606,109)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(11,336)</b>	<b>(13,369)</b>	<b>(4,574)</b>	<b>(15,174)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>49,112,285</b>	<b>266,086,111</b>	<b>45,810,175</b>	<b>262,431,458</b>
<b>Cash and cash equivalents at end of year (Note 13)</b>	<b>19,153,659</b>	<b>49,112,285</b>	<b>10,987,621</b>	<b>45,810,175</b>

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

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**Notes to the financial statements - 31 December 2019**

**1. Corporate information**

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at C-2-3A TTDI Plaza, Jalan Wan Kadir 3, Taman Tun Dr. Ismail, 60000 Kuala Lumpur. The principal place of business of the Company is located at Suite 12.6, Level 12, Menara Great Eastern, 303, Jalan Ampang, 50450 Kuala Lumpur.

The immediate holding company is Petrofac International (UAE) LLC, which is incorporated in United Arab Emirates. The ultimate holding company is Petrofac Limited, which is incorporated in Jersey, Channel Islands and listed on the London Stock Exchange.

The principal activities of the Company are to carry out the works of executing onshore and offshore projects in the oil and gas (including liquefied natural gas), hydrocarbon, energy, petrochemicals, fertilizer, power generation, desalination and other industrial facilities.

The principal activities of the subsidiaries are as described in Note 9.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 December 2020.

**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 and the requirements of the Companies Act 2016 in Malaysia.

As at 31 December 2019, the Group and the Company have shareholders' deficit of RM141,370,014 and RM149,498,905 respectively and current liabilities in excess of current assets of RM143,050,543 and RM153,339,875 respectively. This indicates the existence of conditions that may cast doubt on the Group's and the Company's ability to continue as a going concern. However, the financial statements of the Group and the Company have been prepared on the basis of going concern as the immediate holding company has agreed to provide financial support to enable the Group and the Company to meet its obligations and liabilities as and when they fall due.

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**2. Significant accounting policies (cont'd.)**

**2.1 Basis of preparation (cont'd.)**

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM").

**2.2 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2019, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2019.

**Effective for annual financial periods beginning on or after 1 January 2019:**

- MFRS 16: Leases
- Amendments to MFRS 3 Business Combinations (Annual improvements to MFRS Standards 2015 - 2017 Cycle)
- Amendments to MFRS 9 Financial instruments: Prepayment Features with Negative Compensation
- Amendments to MFRS 11 Joint Arrangements (Annual improvements to MFRS Standards 2015 - 2017 Cycle)
- Amendments to MFRS 112 Income taxes (Annual improvements to MFRS Standards 2015 - 2017 Cycle)
- Amendments to MFRS 119 Employee Benefits: Plan Amendments, Curtailment or Settlement
- Amendments to MFRS 123 Borrowing Costs (Annual improvements to MFRS Standards 2015 - 2017 Cycle)
- Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interest in Associates and Joint Ventures
- IC Interpretation 23 Uncertainty over Income Tax Treatments

**MFRS 16: Leases**

MFRS 16 supersedes MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Leases - Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

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**2. Significant accounting policies (cont'd.)**

**2.2 Changes in accounting policies (cont'd.)**

**MFRS 16: Leases (cont'd.)**

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117.

The Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application.

The impact of changes to the statement of financial position of the Company resulting from the adoption of MFRS 16 Leases as at 1 January 2019 are as follows:

	As at 31 December 2018 RM	Effect of MFRS 16 RM	As at 1 January 2019 RM
<b>Non-current assets</b>			
Right-of-use assets	-	95,560	95,560
<b>Non-current liabilities</b>			
Lease liabilities	-	32,572	32,572
<b>Current liabilities</b>			
Lease liabilities	-	62,988	62,988

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

The Company has lease contracts for building and equipment but do not have significant impact to the Company's financial statements as it is classified as short-term leases.

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## **2. Significant accounting policies (cont'd.)**

### **2.3 Standards and interpretations 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 of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

#### **Effective for annual financial periods beginning on or after 1 January 2020:**

- Amendments to MFRS 3 Business Combinations: Definition of a Business
- Amendments to MFRS 101 Presentation of Financial Statements: Definition of Material
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
- Amendments to MFRS 7, MFRS 9 and MFRS 139 Interest Rate Benchmark Reform

#### **Effective for annual financial periods beginning on or after 1 June 2020:**

- Amendments to MFRS 16 Leases: Covid-19 - Related Rent Concessions

#### **Effective for annual financial periods beginning on or after 1 January 2021:**

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 and Interest Rate Benchmark Reform

#### **Effective for annual financial periods beginning on or after 1 January 2022:**

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

#### **Effective for annual financial periods beginning on or after 1 January 2023:**

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



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## **2. Significant accounting policies (cont'd.)**

### **2.3 Standards and interpretations issued but not yet effective (cont'd.)**

#### **Deferred:**

- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors expect that the adoption of the above standards and interpretations are not expected to have any material impact on the financial statements of the Company in the period of initial application.

### **2.4 Summary of significant accounting policies**

#### **(a) Subsidiaries and basis of consolidation**

##### **(i) Subsidiaries**

A subsidiary is an entity over which the Group controls and the policy to determine the criteria for control is in accordance with Note 2.4(a)(ii).

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

##### **(ii) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Company controls an investee if, and only if, the Company has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(a) Subsidiaries and basis of consolidation (cont'd.)**

**(ii) Basis of consolidation (cont'd.)**

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(a) Subsidiaries and basis of consolidation (cont'd.)**

**(ii) Basis of consolidation (cont'd.)**

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained profits. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

**Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9, is measured at fair value with the changes in fair value recognised in the statements of comprehensive income in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(a) Subsidiaries and basis of consolidation (cont'd.)**

**(ii) Basis of consolidation (cont'd.)**

**Business combinations (cont'd.)**

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**(iii) Transactions with non-controlling interest**

Non-controlling interest represents the portion of profit or loss and net assets in a subsidiary not held by the Group and are presented separately in profit or loss of the Group and within equity in the statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interest are accounted for using the entity concept method, whereby, transactions with non-controlling interest are accounted for as transactions with owners. On acquisition of non-controlling interest, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interest is recognised directly in equity.

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(a) Subsidiaries and basis of consolidation (cont'd.)**

**(b) 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 RM, which is also the Company's functional currency.

**(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.

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## **2. Significant accounting policies (cont'd.)**

### **2.4 Summary of significant accounting policies (cont'd.)**

#### **(c) Equipment**

All items of equipment are initially recorded at cost. The cost of an item of 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 Company and the cost of the item can be measured reliably.

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

Depreciation of equipment is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Office equipment	30% - 50%
Motor vehicles	20%

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(d).

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

An item of 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.

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(d) 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 an asset's 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 except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(e) Financial assets**

At initial recognition, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit and loss ("FVTPL").

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 for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15 in accordance with Note 2.4(k).

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, 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.

**Financial assets measured at amortised cost**

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

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



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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(e) Financial assets (cont'd.)**

**Financial assets measured at amortised cost (cont'd.)**

Financial assets at amortised cost are subsequently measured using the effective interest 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 at amortised cost include receivables and cash and bank balances.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- (i) The rights to receive cash flows from the asset have expired; or
- (ii) The Group and the Company have transferred its rights to receive cash flows from the asset or has 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 (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has 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 could be required to repay.

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## **2. Significant accounting policies (cont'd.)**

### **2.4 Summary of significant accounting policies (cont'd.)**

#### **(e) Financial assets (cont'd.)**

##### **Financial assets at FVTPL**

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

#### **(f) Impairment of financial assets**

The Group and the Company recognise a provision for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. 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 effective interest rate. 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 have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(f) Impairment of financial assets (cont'd.)**

The Group and the Company consider a financial asset in default when contractual payments are past due for more than one year. 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.

**(g) Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

**(h) Provisions**

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

Provisions are reviewed at 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.

**Onerous contract**

An onerous contract is a contract under which the unavoidable costs (i.e. the cost that the Group and Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(i) Financial liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when continuing involvement approach applies;
- Financial guarantee contracts;
- Commitments to provide a loan at below-market interest rate; or
- Contingent consideration recognised by an acquirer in a business to which MFRS 3: Business Combinations applies.

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

The Group and the Company's financial liabilities include payables.

**Financial liabilities subsequently measured at amortised cost**

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest 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 effective interest. The effective interest amortisation is included as finance costs in the statement of comprehensive income.

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 profit or

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(j) Employee benefits**

**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

**(k) Revenue recognition**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

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.

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(k) Revenue recognition (cont'd.)**

Revenue from contracts with customers is measured at the amount of consideration to which the Group and the Company expect 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 goods and services or sales and service taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with a customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative standalone selling prices of the goods or services promised in the contract.

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 and the Company recognise revenue from rendering of services using an output method on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. The Group and the Company recognise revenue from construction contracts by using an input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation. The control over the 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 and the Company's performance as the Group and the Company perform;
- the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- the Group's and the Company's performance do not create an asset with an alternative use, and the Group and the Company have an enforceable right to payment for performance completed to date.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group and the Company perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(k) Revenue recognition (cont'd.)**

Trade receivable represents the Group's and the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

A contract liability is the obligation to transfer goods or services to a customer for which the Group and the Company have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group and the Company transfer goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group and the Company perform under the contract.

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

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

**(l) Income taxes**

**(i) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(I) Income taxes (cont'd.)**

**(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.

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.



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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(l) Income taxes (cont'd.)**

**(ii) Deferred tax (cont'd.)**

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.

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.

**(iii) Sales and Service Tax ("SST")**

Following the abolishment of Goods and Services Tax ("GST"), SST which was effective beginning 1 September 2018 resulted in the net amount of SST payable to the taxation authority is included as part of other payables in the statement of financial position.

**(m) Share capital and share issuance expenses**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of 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.

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## 2. Significant accounting policies (cont'd.)

### 2.4 Summary of significant accounting policies (cont'd.)

#### (n) Leases

##### As lessee

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### (i) Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	1 - 2 years
Equipment	1 - 2 years

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as disclosed in Note 2.4(d).

##### (ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(n) Leases (cont'd.)**

**As lessee (cont'd.)**

**(ii) Lease liabilities (cont'd.)**

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised, by the Group and the Company, and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company are likely to exercise the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date if the implicit interest rate to the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**(iii) Short-term leases and leases of low-value assets**

The Group and the Company apply short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group and the Company also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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**2. Significant accounting policies (cont'd.)**

**2.4 Summary of significant accounting policies (cont'd.)**

**(o) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) 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 Group and 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 Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 is unobservable.

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## **2. Significant accounting policies (cont'd.)**

### **2.4 Summary of significant accounting policies (cont'd.)**

#### **(o) Fair value measurement (cont'd.)**

For assets and liabilities that are recognised in the financial statements at fair value 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.

The fair value of financial instruments, and non-financial assets and liabilities are disclosed in Note 19.

### **2.5 Significant accounting judgements and estimates**

The preparation of the Group's and the Company's 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.

There were no critical judgements made by management in the process of applying accounting policies that have a significant effect on the amount recognised in the financial statements during the current financial year.

#### **(a) 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:

##### **(i) Construction contracts**

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

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**2. Significant accounting policies (cont'd.)**

**2.5 Significant accounting judgements and estimates (cont'd.)**

**(a) Key sources of estimation uncertainty (cont'd.)**

**(i) Construction contracts (cont'd.)**

Significant estimation is required in determining the stage of completion, the extent of the construction contract costs incurred, the estimated total construction contract revenue and costs, as well as the recoverability of the construction projects. In making the estimation, the Group and the Company evaluate based on past experience and by relying on the information available.

The carrying amounts of assets and liabilities arising from construction contracts at the reporting date are disclosed in Note 12.

**(ii) Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. The amount of deferred tax recognised and not recognised of the Group and of the Company are disclosed in Note 8.

**3. Revenue**

	Group		Company	
	2019 RM	2018 RM (restated)	2019 RM	2018 RM (restated)
Type of goods or service				
- Construction contracts	140,409,913	289,510,496	138,866,286	288,883,663
- Rendering of services	20,637,510	26,143,937	94,102	756,186
	<u>161,047,423</u>	<u>315,654,433</u>	<u>138,960,388</u>	<u>289,639,849</u>
Timing of revenue recognition				
- Services transferred over time	<u>161,047,423</u>	<u>315,654,433</u>	<u>138,960,388</u>	<u>289,639,849</u>

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**3. Revenue (cont'd.)**

Remaining unsatisfied performance obligations ("RUPO") represent the transaction price for goods and services for which the Group and the Company have a material right but work have not been performed. Transaction price of the RUPO includes the base transaction price, variable consideration and changes in transaction price.

As of 31 December 2019, the aggregate amounts of the transaction price allocated to the remaining unsatisfied performance obligations of the Group and the Company are RM112.2 million (2018: RM63.4 million) and RM29.3 million (2018: RM63.3 million) respectively.

**4. Profit/(loss) before tax**

The following items have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest income	(886,297)	(2,089,449)	(798,272)	(2,012,118)
Auditors' remuneration	154,644	166,395	87,045	102,655
Employee benefits expense (Note 5)	31,226,919	54,889,956	18,656,350	40,819,803
Depreciation of equipment (Note 7)	27,610	63,528	25,283	63,528
Depreciation of right-of-use assets (Note 16)	329,496	-	329,496	-
Interest expense on lease liabilities (Note 16)	21,734	-	21,734	-
Foreign exchange differences				
- Realised loss	785,029	1,029,587	769,695	1,008,806
- Unrealised (gain)/loss	(483,109)	175,912	(489,871)	177,717
Common costs backcharged by a related company (Including variable lease payments that are not included in the lease liabilities)	1,684,721	2,040,539	-	-
Expenses relating to leases of low value/short- term assets	153,820	-	128,080	-
Office rental expenses	-	954,749	-	954,749
Interest expense on advances from the immediate holding company	5,186,289	434,794	5,186,289	434,794
	<u>5,186,289</u>	<u>434,794</u>	<u>5,186,289</u>	<u>434,794</u>

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**5. Employee benefits expense**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Wages and salaries	28,727,882	46,847,448	17,734,639	35,103,910
Provision for bonus	424,139	4,032,180	191,561	2,959,512
(Reversal of)/provision for short term accumulating compensated absences	(368,523)	506,531	(370,300)	465,300
Social security contributions and employees insurance	729,755	1,127,827	633,380	1,035,595
Contributions to defined contribution plan	1,559,523	2,094,184	312,927	973,700
Other staff benefits	154,143	281,786	154,143	281,786
	<u>31,226,919</u>	<u>54,889,956</u>	<u>18,656,350</u>	<u>40,819,803</u>
Classified as:				
Cost of sales	30,800,738	48,388,797	18,230,169	36,605,129
Other operating and administrative expenses	426,181	6,501,159	426,181	4,214,674
	<u>31,226,919</u>	<u>54,889,956</u>	<u>18,656,350</u>	<u>40,819,803</u>

Included in employee benefits expense of the Group and of the Company are executive directors' benefits, amounting to RM2,875,379 (2018: RM2,933,987) and RM2,875,379 (2018: RM2,900,987) respectively, as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries and other emoluments	2,875,379	2,900,987	2,875,379	2,900,987
Fees	-	33,000	-	-
	<u>2,875,379</u>	<u>2,933,987</u>	<u>2,875,379</u>	<u>2,900,987</u>



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**6. Income tax expense**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Income tax:				
Malaysian income tax	13,262	12,453	-	-
Under/(over)provision in prior year	33	(2,117,878)	-	(2,122,586)
	<u>13,295</u>	<u>(2,105,425)</u>	<u>-</u>	<u>(2,122,586)</u>
Deferred tax (Note 8):				
Relating to origination and reversal of temporary differences	1,886,920	3,249,146	1,887,354	3,246,674
(Over)/underprovision in prior year	(3,195,676)	8,738	(3,195,676)	8,738
	<u>(1,308,756)</u>	<u>3,257,884</u>	<u>(1,308,322)</u>	<u>3,255,412</u>
Income tax (credit)/ expense recognised in profit or loss	<u>(1,295,461)</u>	<u>1,152,459</u>	<u>(1,308,322)</u>	<u>1,132,826</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profits/(loss) for the year.

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**6. Income tax expense (cont'd.)**

A reconciliation of income tax expense applicable to profit/(loss) 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(loss) before tax	52,919,294	(221,516,046)	52,884,839	(224,795,008)
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	12,700,630	(53,163,851)	12,692,361	(53,950,802)
Income not subject to tax	-	(11,167)	-	-
Expenses not deductible for tax purposes	197,087	107,161	176,657	77,464
Under/(over)provision of income tax in prior year	33	(2,117,878)	-	(2,122,586)
(Over)/underprovision of deferred tax in prior year	(3,195,676)	8,738	(3,195,676)	8,738
Utilisation of previously unrecognised tax losses	(10,807,221)	(1,028,100)	(10,866,927)	-
Utilisation of previously unrecognised unabsorbed capital allowances	(104,313)	-	(114,737)	-
Utilisation of previously unrecognised other deductible temporary differences	(86,001)	-	-	-
Deferred tax assets not recognised	-	57,357,556	-	57,120,012
Income tax (credit)/ expense recognised in profit or loss	(1,295,461)	1,152,459	(1,308,322)	1,132,826

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**7. Equipment**

Group	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
<b>At 31 December 2019</b>					
<b>Cost</b>					
At 1 January 2019	4,727,361	89,334	1,082,357	4,672,757	10,571,809
Additions	51,886	-	-	-	51,886
Disposals	(311,379)	-	-	-	(311,379)
Write-off	(4,209,645)	(89,334)	(217,350)	(4,672,757)	(9,189,086)
At 31 December 2019	<u>258,223</u>	<u>-</u>	<u>865,007</u>	<u>-</u>	<u>1,123,230</u>
<b>Accumulated depreciation</b>					
At 1 January 2019	4,702,044	89,334	1,082,357	4,672,757	10,546,492
Charge for the year (Note 4)	27,610	-	-	-	27,610
Disposals	(311,379)	-	-	-	(311,379)
Write-off	(4,209,645)	(89,334)	(217,350)	(4,672,757)	(9,189,086)
At 31 December 2019	<u>208,630</u>	<u>-</u>	<u>865,007</u>	<u>-</u>	<u>1,073,637</u>
<b>Net carrying amount</b>					
At 31 December 2019	<u>49,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,593</u>
<b>At 31 December 2018</b>					
<b>Cost</b>					
At 1 January 2018	4,850,734	94,854	1,082,357	4,672,757	10,700,702
Additions	29,450	-	-	-	29,450
Write off	(152,823)	(5,520)	-	-	(158,343)
At 31 December 2018	<u>4,727,361</u>	<u>89,334</u>	<u>1,082,357</u>	<u>4,672,757</u>	<u>10,571,809</u>
<b>Accumulated depreciation</b>					
At 1 January 2018	4,791,339	94,854	1,082,357	4,672,757	10,641,307
Charge for the year (Note 4)	63,528	-	-	-	63,528
Write off	(152,823)	(5,520)	-	-	(158,343)
At 31 December 2018	<u>4,702,044</u>	<u>89,334</u>	<u>1,082,357</u>	<u>4,672,757</u>	<u>10,546,492</u>
<b>Net carrying amount</b>					
At 31 December 2018	<u>25,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,317</u>

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**7. Equipment (cont'd.)**

Company	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
<b>At 31 December 2019</b>					
<b>Cost</b>					
At 1 January 2019	4,239,145	89,334	1,082,357	4,672,757	10,083,593
Additions	10,000	-	-	-	10,000
Write-off	(4,209,645)	(89,334)	(217,350)	(4,672,757)	(9,189,086)
At 31 December 2019	<u>39,500</u>	<u>-</u>	<u>865,007</u>	<u>-</u>	<u>904,507</u>
<b>Accumulated depreciation</b>					
At 1 January 2019	4,213,828	89,334	1,082,357	4,672,757	10,058,276
Charge for the year (Note 4)	25,283	-	-	-	25,283
Write-off	(4,209,645)	(89,334)	(217,350)	(4,672,757)	(9,189,086)
At 31 December 2019	<u>29,466</u>	<u>-</u>	<u>865,007</u>	<u>-</u>	<u>894,473</u>
<b>Net carrying amount</b>					
At 31 December 2019	<u>10,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,034</u>
<b>At 31 December 2018</b>					
<b>Cost</b>					
At 1 January 2018	4,209,695	89,334	1,082,357	4,672,757	10,054,143
Additions	29,450	-	-	-	29,450
At 31 December 2018	<u>4,239,145</u>	<u>89,334</u>	<u>1,082,357</u>	<u>4,672,757</u>	<u>10,083,593</u>
<b>Accumulated depreciation</b>					
At 1 January 2018	4,150,300	89,334	1,082,357	4,672,757	9,994,748
Charge for the year (Note 4)	63,528	-	-	-	63,528
At 31 December 2018	<u>4,213,828</u>	<u>89,334</u>	<u>1,082,357</u>	<u>4,672,757</u>	<u>10,058,276</u>
<b>Net carrying amount</b>					
At 31 December 2018	<u>25,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,317</u>

Included in equipment of the Group and of the Company are fully depreciated assets which are still in use costing RM1,081,637 (2018: RM8,882,927) and RM904,800 (2018: RM8,394,711) respectively.

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**8. Deferred tax assets/(liabilities)**

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
At 1 January	(434)	3,257,450	-	3,255,412
Recognised in profit or loss (Note 6)	1,308,756	(3,257,884)	1,308,322	(3,255,412)
At 31 December	<u>1,308,322</u>	<u>(434)</u>	<u>1,308,322</u>	<u>-</u>

The components and movements of deferred tax assets/(liabilities) of the Group and of the Company during the financial year are as follows:

**Deferred tax assets of the Group**

	Capital allowances	Provisions	Others	Total
	RM	RM	RM	RM
At 1 January 2019	-	-	-	-
Recognised in profit or loss	58,445	1,371,446	4,749	1,434,640
At 31 December 2019	<u>58,445</u>	<u>1,371,446</u>	<u>4,749</u>	<u>1,434,640</u>

**Deferred tax liabilities of the Group**

	Capital allowances	Provisions for liabilities	Other taxable temporary differences	Total
	RM	RM	RM	RM
At 1 January 2019	-	-	(434)	(434)
Recognised in profit or loss	-	-	(125,884)	(125,884)
At 31 December 2019	<u>-</u>	<u>-</u>	<u>(126,318)</u>	<u>(126,318)</u>
At 1 January 2018	130,291	1,646,488	1,480,671	3,257,450
Recognised in profit or loss	(130,291)	(1,646,488)	(1,481,105)	(3,257,884)
At 31 December 2018	<u>-</u>	<u>-</u>	<u>(434)</u>	<u>(434)</u>

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**8. Deferred tax assets/(liabilities) (cont'd.)**

**Deferred tax assets of the Company**

	Capital allowances RM	Provisions for liabilities RM	Other taxable temporary differences RM	Total RM
At 1 January 2019	-	-	-	-
Recognised in profit or loss	58,445	1,371,446	4,749	1,434,640
At 31 December 2019	58,445	1,371,446	4,749	1,434,640
At 1 January 2018	130,291	1,646,488	1,478,633	3,255,412
Recognised in profit or loss	(130,291)	(1,646,488)	(1,478,633)	(3,255,412)
At 31 December 2018	-	-	-	-

**Deferred tax liabilities of the Company**

	Capital allowances RM	Provisions for liabilities RM	Other taxable temporary differences RM	Total RM
At 1 January 2019	-	-	-	-
Recognised in profit or loss	-	-	(126,318)	(126,318)
At 31 December 2019	-	-	(126,318)	(126,318)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unused tax losses	183,960,464	228,990,552	178,803,118	224,081,980
Unabsorbed capital allowances	43,433	478,070	-	478,070
Other deductible temporary differences	832,272	1,190,608	-	-
	<u>184,836,169</u>	<u>230,659,230</u>	<u>178,803,118</u>	<u>224,560,050</u>

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits from a business source as defined by Malaysian tax legislature will be available against which the unrecognised temporary differences can be utilised.

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**8. Deferred tax assets/(liabilities) (cont'd.)**

Deferred tax assets have not been recognised in respect of the following items: (cont'd.)

The unused tax losses, unabsorbed capital allowances and other deductible temporary differences of the Company are available for offsetting against future taxable profits of the Company, subject to no substantial changes in shareholdings under the Income Tax Act, 1967 and subject to the relevant provisions of the Income Tax Act, 1967. Effective from the year of assessment 2019 in accordance to the Finance Act, 2019 (Act 812), any unused tax losses of the Company as at 31 December 2019 for the year of assessment 2019 will only be available for utilisation for 7 consecutive years of assessment until the year of assessment 2026. Any unutilised tax losses after the year of assessment 2026 shall be disregarded.

**9. Investment in subsidiaries**

	<b>Company 2019 RM</b>	<b>2018 RM</b>
<b>Unquoted shares, at costs</b>		
At 1 January/31 December	<u>1,200,000</u>	<u>1,200,000</u>

The following are the subsidiaries of the Company which were incorporated in Malaysia:

<b>Company</b>	<b>Effective interest</b>		<b>Principal activities</b>
	<b>2019</b>	<b>2018</b>	
PFMAP Sdn. Bhd.	100%	100%	To carry out the works of executing onshore and offshore projects in the oil and gas (including liquefied natural gas) hydrocarbon, energy, petrochemicals, fertilizer, power generation, desalination and other industrial facilities and related operations and maintenance and project management services. The management services. The Company has no new projects and remained dormant since the financial year ended 31 December 2016.
Petrofac Engineering Services (Malaysia) Sdn. Bhd.	70%	70%	Supply of engineering resources and other related activities.

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**10. Redeemable preference shares**

	<b>Company 2019 RM</b>	<b>2018 RM</b>
At 1 January/31 December	<u>1,000,000</u>	<u>1,000,000</u>

**(a) Subscription of redeemable preference shares**

On 21 July 2015, the Company subscribed for 1,000,000 redeemable preference shares ("RPS") of RM1 each in its subsidiary, Petrofac Engineering Services (Malaysia) Sdn. Bhd. ("PES"), for a cash consideration of RM1,000,000, pursuant to the RPS Subscription Agreement and Addendum 1 to the agreement entered into with PES and the other individual shareholders.

The salient terms of the RPS are summarised below:

- (i) The Company shall be exclusively entitled to the entire profits of PES's Engineering, Procurement and Construction ("EPC") business only, and PES shall pay dividends related to the profits of the EPC business to the Company only.
- (ii) Subject to the availability of profits of PES which would otherwise be available for dividend, the Company shall have a right to a preference dividend at a rate determined at the discretion of the directors of PES and payable on a date to be determined by said directors.
- (iii) The Company may at any time after the Closing Date by giving a 30-day notice of redemption to PES substantially in the form set out in the Subscription Agreement, redeem any or all RPS registered in the name of the Company. On the date fixed for redemption, the Company shall deliver to PES the share certificate(s) for the relevant RPS in exchange for payment in cash by PES, of the aggregate Redemption Price, as defined below, for the time being payable for those RPS.

Closing Date is defined as the date on which the allotment and issuance of the relevant number of RPS is to be completed pursuant to the fulfilment of all conditions precedent in the Subscription Agreement, i.e. 21 July 2015.

- (iv) The RPS will be redeemable from funds legally available for distribution at the value of RM1 per RPS plus all accrued but unpaid dividends and dividends in arrears, if any, and the value of all assets (less liabilities) relating to PES's EPC business only, if any ("Redemption Price").
- (v) The Company will be entitled to voting rights.
- (vi) In the event of any liquidation, dissolution or winding up of PES, the Company will be entitled to receive in preference to the ordinary shareholders only in relation to the EPC business, the relevant subscription price paid for the RPS plus all accrued but unpaid dividends and dividends in arrears, if any, and the value of all assets (less liabilities) relating to PES's EPC business only, if any.



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**11. Receivables**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Trade receivables</b>				
Third parties	1,736,968	29,700,036	-	29,663,852
Related parties	8,442,280	10,281,784	2,239,363	2,275,458
	<u>10,179,248</u>	<u>39,981,820</u>	<u>2,239,363</u>	<u>31,939,310</u>
Accrued receivables	-	44,800	-	-
	<u>10,179,248</u>	<u>40,026,620</u>	<u>2,239,363</u>	<u>31,939,310</u>
<b>Other receivables</b>				
Deposits	789,416	1,432,713	789,416	1,432,713
Goods and Services Tax ("GST") input receivable	6,885,733	12,199,751	6,885,307	12,198,749
Third parties	92,159	1,177,121	5,000	1,127,099
Prepayments	-	115,479	-	115,479
	<u>7,767,308</u>	<u>14,925,064</u>	<u>7,679,723</u>	<u>14,874,040</u>
Total trade and other receivables	<u>17,946,556</u>	<u>54,951,684</u>	<u>9,919,086</u>	<u>46,813,350</u>

**Trade receivables**

Trade receivables are non-interest bearing, and the Group's and the Company's normal trade credit term ranges from 30 to 60 days (2018: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The information about the credit exposures are disclosed in Note 18(d).

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**12. Contract assets and liabilities**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Presented as:				
Contract assets	-	89,372	-	-
Contract liabilities	<u>(22,768,749)</u>	<u>(28,833,087)</u>	<u>(18,525,223)</u>	<u>(28,833,087)</u>
			2019 RM	2018 RM

**Group and Company**

Revenue recognised which was included in construction contract liabilities at the beginning of the financial year	<u>28,833,087</u>	<u>73,456,662</u>
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**13. Cash and bank balances**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash at banks	783,660	1,304,309	112,365	702,199
Cash on hand	1,191	226	1,191	226
Deposits with a licensed bank	<u>18,368,808</u>	<u>47,807,750</u>	<u>10,874,065</u>	<u>45,107,750</u>
Cash and cash equivalents	<u>19,153,659</u>	<u>49,112,285</u>	<u>10,987,621</u>	<u>45,810,175</u>

At the reporting date, the interest rates of deposits with a licensed bank ranged from 0.50% to 2.90% (2018: 0.58% to 3.00%) per annum and the remaining days to maturity ranged from 2 to 28 (2018: 2 to 3) days.

Other information on financial risks of cash and bank balances are disclosed in Notes 18(a), (c) and (d).

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**14. Share capital**

	Company		Amount	
	Number of ordinary shares 2019	2018	2019	2018
<b>Issued and fully paid:</b>				
At 1 January/				
31 December	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

**15. Payables**

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Trade payables</b>					
Third parties	(a)	13,166,999	17,013,166	13,043,850	16,803,268
Related party	(b)	-	2,274,042	-	2,422,446
		<u>13,166,999</u>	<u>19,287,208</u>	<u>13,043,850</u>	<u>19,225,714</u>
Accruals		16,618,016	175,786,067	16,167,566	175,421,100
		<u>29,785,015</u>	<u>195,073,275</u>	<u>29,211,416</u>	<u>194,646,814</u>
<b>Other payables</b>					
Provisions for liabilities	(c)	6,603,427	13,905,131	5,714,358	12,791,335
Related parties	(b)	122,322,065	63,679,256	121,940,803	63,679,256
Accruals	(a)	4,329,186	5,630,140	3,857,527	4,881,034
SST payable		360,290	9,345	-	-
		<u>133,614,968</u>	<u>83,223,872</u>	<u>131,512,688</u>	<u>81,351,625</u>
		<u>163,399,983</u>	<u>278,297,147</u>	<u>160,724,104</u>	<u>275,998,439</u>

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**15. Payables (cont'd.)**

- (a) Trade and other payables are non-interest bearing and the normal credit term granted to the Group and the Company ranges from 30 to 60 days (2018: 30 to 60 days).
- (b) The amounts due to related parties are unsecured, non-interest bearing and are repayable on demand, except for the advances from the immediate holding company, amounting to RM105,692,750 (2018: RM62,570,000), which bore interest at the rate of interbank offered rate plus 2% per annum (2018: 2%).
- (c) Provisions for liabilities

	Onerous contract RM	Bonus RM	Short term accumulating compensated absences RM	Others RM	Total RM
<b>Group</b>					
At 1 January 2019	6,854,440	4,804,263	2,246,428	-	13,905,131
Provisions for/ (Reversal of) the year	-	424,139	(368,523)	63,000	118,616
Utilisation	(5,078,112)	(2,342,208)	-	-	(7,420,320)
At 31 December 2019	<u>1,776,328</u>	<u>2,886,194</u>	<u>1,877,905</u>	<u>63,000</u>	<u>6,603,427</u>
At 1 January 2018	-	5,346,965	1,756,496	-	7,103,461
Provisions for the year	6,854,440	4,032,180	506,531	-	11,393,151
Utilisation	-	(4,574,882)	(16,599)	-	(4,591,481)
At 31 December 2018	<u>6,854,440</u>	<u>4,804,263</u>	<u>2,246,428</u>	<u>-</u>	<u>13,905,131</u>

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**15. Payables (cont'd.)**

(c) Provisions for liabilities (cont'd.)

<b>Company</b>	<b>Onerous contract RM</b>	<b>Bonus RM</b>	<b>Short term accumulating compensated absences RM</b>	<b>Total RM</b>
At 1 January 2019	6,854,440	3,851,595	2,085,300	12,791,335
Provisions for/(reversal of) the year	-	191,561	(370,300)	(178,739)
Utilisation	(5,078,112)	(1,820,126)	-	(6,898,238)
At 31 December 2019	<u>1,776,328</u>	<u>2,223,030</u>	<u>1,715,000</u>	<u>5,714,358</u>
At 1 January 2018	-	5,346,965	1,620,000	6,966,965
Provisions for the year	6,854,440	2,959,512	465,300	10,279,252
Utilisation	-	(4,454,882)	-	(4,454,882)
At 31 December 2018	<u>6,854,440</u>	<u>3,851,595</u>	<u>2,085,300</u>	<u>12,791,335</u>

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**16. Right-of-use assets and lease obligations**

**As lessee**

The Group and the Company has entered lease contracts for buildings and equipment used in its operation. Remaining lease terms upon adoption of MFRS 16 are disclosed in Note 2.4(n).

**Right-of-use assets**

The Group and the Company also has certain leases with lease terms of 12 months or less. The Group and the Company apply the "short-term lease" recognition exemption for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings RM	Equipment RM	Total RM
<b>Group and Company</b>			
<b>Cost</b>			
At 1 January 2019	-	-	-
Adoption of MFRS 16	-	95,560	95,560
At 1 January 2019 (adjusted)	-	95,560	95,560
Additions	579,904	-	579,904
As at 31 December 2019	<u>579,904</u>	<u>95,560</u>	<u>675,464</u>
<b>Accumulated depreciation</b>			
At 1 January 2019	-	-	-
Charge for the year	265,790	63,706	329,496
At 31 December 2019	<u>265,790</u>	<u>63,706</u>	<u>329,496</u>
<b>Net carrying amount</b>			
At 31 December 2019	<u>314,114</u>	<u>31,854</u>	<u>345,968</u>

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**16. Right-of-use assets and lease obligations (cont'd.)**

**Lease liabilities**

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	<b>2019</b>
	<b>RM</b>
<b>Group and Company</b>	
At 1 January	-
Adoption of MFRS 16	95,560
At 1 January (adjusted)	<u>95,560</u>
Addition	579,904
Accretion of interest	21,734
Payments	<u>(364,089)</u>
As at 31 December	<u><u>333,109</u></u>
Analysed as:	
Current	309,755
Non-current	<u>23,354</u>
	<u><u>333,109</u></u>

The maturity analysis of the lease liabilities as at 31 December 2019 are as follows:

	<b>2019</b>
	<b>RM</b>
Not later than 1 year	309,755
Later than 1 year but not later than 2 years	<u>23,354</u>
	<u><u>333,109</u></u>

The following are the amounts recognised in the profit and loss:

	<b>Group</b>	<b>Company</b>
	<b>2019</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Depreciation expenses of right-of-use assets	329,496	329,496
Interest expenses on lease liabilities	21,734	21,734
Expense relating to leases of low-value assets	25,740	-
Expense relating to leases of short-term assets	<u>128,080</u>	<u>128,080</u>
Total amount recognised in profit and loss	<u><u>505,050</u></u>	<u><u>479,310</u></u>

The Group and the Company have total cash outflow for leases of RM0.5 million in 2019.

The Company has several lease contracts that include extension and termination options. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. As at 31 December 2019, the Company has exercised option to extend for one lease contract for 1 year which is included in the lease terms.

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**17. Related party disclosures**

**(a) Sale and purchase of goods and services**

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Expenses/(income)			
	Group 2019 RM	2018 RM	Company 2019 RM	2018 RM
Provision of engineering services by other related parties	257,152	257,330	-	105,349
Provision of engineering services by a subsidiary	-	-	264,363	483,499
Provision of project management, engineering and other services to other related parties	(20,148,054)	(25,143,597)	-	(842,849)
Interest income on amount due from the immediate holding company	-	(144,007)	-	(144,007)
Interest expense on advances from the immediate holding company	5,186,289	434,794	5,186,289	434,794
Rental and utilities payable to a related party	1,684,721	2,040,539	-	-



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**17. Related party disclosures (cont'd.)**

**(b) Compensation of key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiaries, directly or indirectly, including any director of the Company.

The compensation of key management personnel in respect of the executive directors is disclosed in Note 5.

**18. Financial risk management objectives and policies**

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

The Group's and the Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and of the Company's businesses whilst managing their foreign currency, liquidity, interest rate and credit risks. The Group and the Company operate within clearly defined guidelines approved by the Board. It is, and has been throughout the current and previous financial years, the Group's and the Company's policy not to engage in speculative transactions and that no derivatives shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

**(a) 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 Group and the Company have transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly US Dollar ("USD") and Euro ("EUR").

As at 31 December 2019, approximately 12% (2018: 58%) and 78% (2018: 27%) of the Group's receivables and payables respectively are denominated in foreign currencies. As at 31 December 2019, approximately 23% (2018: 68%) and 79% (2018: 27%) of the Company's receivables and payables respectively are denominated in foreign currencies.

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**18. Financial risk management objectives and policies (cont'd.)**

**(a) Foreign currency risk (cont'd.)**

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's profit/(loss) before tax to a reasonably possible change in the USD and EUR exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	2019 RM	2018 RM
<b>Group</b>		
USD/RM - strengthened 5%	(6,232,542)	(1,078,886)
- weakened 5%	6,232,542	1,078,886
EUR/RM - strengthened 5%	(31,823)	(26,065)
- weakened 5%	31,823	26,065
<b>Company</b>		
USD/RM - strengthened 5%	(6,240,334)	(1,086,758)
- weakened 5%	6,240,334	1,086,758
EUR/RM - strengthened 5%	(38,178)	(32,674)
- weakened 5%	38,178	32,674

**(b) Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's or the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company actively manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet their working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities of a reasonable level to their overall debt position. As far as possible, the Group and the Company raise committed funding from the immediate holding company and financial institutions, and prudently balance their portfolios with some short term funding so as to achieve overall cost effectiveness.

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**18. Financial risk management objectives and policies (cont'd.)**

**(b) Liquidity risk (cont'd.)**

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

	<b>Repayable on demand/ Within 1 year RM</b>	<b>1-2 years RM</b>	<b>3-5 years RM</b>	<b>Total RM</b>
<b>Group</b>				
<b>31 December 2019</b>				
<b>Financial liabilities</b>				
Trade and other payables	156,436,266	-	-	156,436,266
Lease liabilities	317,961	23,442	-	341,403
	<u>156,754,227</u>	<u>23,442</u>	<u>-</u>	<u>156,777,669</u>
<b>31 December 2018</b>				
<b>Financial liabilities</b>				
Trade and other payables	<u>264,382,671</u>	<u>-</u>	<u>-</u>	<u>264,382,671</u>
<b>Company</b>				
<b>31 December 2019</b>				
<b>Financial liabilities</b>				
Trade and other payables	155,009,746	-	-	155,009,746
Lease liabilities	317,961	23,442	-	12,723,233
	<u>155,327,707</u>	<u>23,442</u>	<u>-</u>	<u>167,732,979</u>
<b>31 December 2018</b>				
<b>Financial liabilities</b>				
Trade and other payables	<u>263,207,104</u>	<u>-</u>	<u>-</u>	<u>263,207,104</u>

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**18. Financial risk management objectives and policies (cont'd.)**

**(c) Interest rate risk**

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

The interest bearing asset is made up of deposits with a licensed bank. The Group and the Company manage the interest rate risk of deposits with a licensed bank by placing them at the most competitive interest rates obtainable, which yield better returns than cash at banks.

The Company's exposure to interest rate risk arises primarily from advances from the immediate holding company. Interest is charged at rates comparable to market borrowing rates. Therefore, at the reporting date, the Company has minimal exposure to interest rate risk.

**(d) Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group and the Company are exposed to credit risk from their operating activities (primarily trade receivables) and from their financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

**Trade receivables and contract assets**

The Group and the Company control credit risk by entering into transactions only with creditworthy counterparties, assessed through credit approvals, limits and monitoring procedures. In addition, trade receivables and contract assets are monitored on an ongoing basis with the result that the Group's and the Company's exposure to bad debts is not significant.

At 31 December 2019, the Group had 1 (2018: 2) customers that owed RM6,202,917 (2018: RM37,670,178) which accounted for approximately 61% (2018: 94%) of trade receivables outstanding.

At 31 December 2018, the Company had 1 customer that owed RM29,663,852 which accounted for approximately 93% of trade receivables outstanding. The Company does not have any outstanding customer balances as at 31 December 2019.

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18. Financial risk management objectives and policies (cont'd.)

(d) Credit risk (cont'd.)

Set out below is the information about the credit risk exposure on the Group's and the Company's trade receivables:

	Contract assets RM	Group				
		Days past due				
	Current RM	< 30 days RM	30 - 60 days RM	61 - 90 days RM	> 91 RM	
<b>31 December 2019</b>						
Estimated total gross carrying amount subject to default	-	-	1,190,290	2,776,790	1,787,828	4,42
<b>31 December 2018</b>						
Estimated total gross carrying amount subject to default	89,372	37,718,631	-	-	-	2,26

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18. Financial risk management objectives and policies (cont'd.)

(d) Credit risk (cont'd.)

Set out below is the information about the credit risk exposure on the Group's and the Company's trade receivables assets (cont'd.):

	Contract assets RM	Company				
		Days past due				
	Current RM	< 30 days RM	30 - 60 days RM	61 - 90 days RM	> 91 RM	
<b>31 December 2019</b>						
Estimated total gross carrying amount subject to default	-	-	-	-	2,23	
<b>31 December 2018</b>						
Estimated total gross carrying amount subject to default	-	29,676,121	-	-	2,26	

Based on the impairment analysis performed, the Group's and the Company's exposure to credit risk at t minimal as the Group's and the Company's estimate of the amount of ECLs relating to trade receivables ar negligible.

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**18. Financial risk management objectives and policies (cont'd.)**

**(d) Credit risk (cont'd.)**

**Other receivables and cash and cash equivalents**

The ECLs relating to other receivables and cash and cash equivalents of the Group and of the Company are negligible as these are financial assets which are neither past due nor impaired placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 19(a).

**19. Financial instruments**

**(a) Classification of financial instruments**

The following table analyses the financial assets and liabilities of the Group and of the Company in the statements of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

Group	Note	Financial assets	Financial liabilities	Total
		measured at amortised cost RM	subsequently measured at amortised cost RM	
<b>At 31 December 2019</b>				
<b>Assets</b>				
Receivables, excluding GST input receivable and prepayments	11	11,060,823	-	11,060,823
Cash and bank balances	13	19,153,659	-	19,153,659
Total financial assets		<u>30,214,482</u>	-	<u>30,214,482</u>
Total non-financial assets				<u>14,917,345</u>
Total assets				<u>45,131,827</u>
<b>Liabilities</b>				
Payables, excluding SST payable and provisions for liabilities, representing total financial liabilities	15	-	156,436,266	156,436,266
Total non-financial liabilities				<u>30,065,575</u>
Total liabilities				<u>186,501,841</u>

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**19. Financial instruments (cont'd.)**

**(a) Classification of financial instruments (cont'd.)**

<b>Group (cont'd.)</b>		<b>Financial assets measured at Note amortised cost RM</b>	<b>Financial liabilities subsequently measured at amortised cost RM</b>	<b>Total RM</b>
<b>At 31 December 2018</b>				
<b>Assets</b>				
Receivables, excluding GST input receivable and prepayments	11	42,636,454	-	42,636,454
Cash and bank balances	13	49,112,285	-	49,112,285
Total financial assets		<u>91,748,739</u>	-	<u>91,748,739</u>
Total non-financial assets				<u>19,797,160</u>
Total assets				<u>111,545,899</u>
<b>Liabilities</b>				
Payables, excluding SST payable and provisions for liabilities, representing total financial liabilities	15	-	264,382,671	264,382,671
Total non-financial liabilities				<u>42,747,997</u>
Total liabilities				<u>307,130,668</u>



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**19. Financial instruments (cont'd.)**

**(a) Classification of financial instruments (cont'd.)**

	Note	Financial asset measured at fair value through profit or loss RM	Financial assets measured at amortised cost RM	Financial liabilities subsequently measured at amortised cost RM	Total RM
<b>Company</b>					
<b>At 31 December 2019</b>					
<b>Assets</b>					
Redeemable preference shares	10	1,000,000	-	-	1,000,000
Receivables, excluding GST input receivable and prepayments	11	-	3,033,779	-	3,033,779
Cash and bank balances	13	-	10,987,621	-	10,987,621
Total financial assets		<u>1,000,000</u>	<u>14,021,400</u>	<u>-</u>	<u>15,021,400</u>
Total non-financial assets					<u>15,062,131</u>
Total assets					<u>30,083,531</u>
<b>Liabilities</b>					
Payables, excluding provisions for liabilities, representing total financial liabilities	15		-	155,009,746	155,009,746
Total non-financial liabilities					<u>24,572,690</u>
Total liabilities					<u>179,582,436</u>

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**19. Financial instruments (cont'd.)**

**(a) Classification of financial instruments (cont'd.)**

Company	Note	Financial asset measured at fair value through profit or loss RM	Financial assets measured at amortised cost RM	Financial liabilities subsequently measured at amortised cost RM	Total RM
<b>At 31 December 2018</b>					
<b>Assets</b>					
Redeemable preference shares	10	1,000,000	-	-	1,000,000
Receivables, excluding GST input receivable and prepayments	11	-	34,499,122	-	34,499,122
Cash and bank balances	13	-	45,810,175	-	45,810,175
Total financial assets		<u>1,000,000</u>	<u>80,309,297</u>	-	<u>81,309,297</u>
Total non-financial assets					<u>19,830,163</u>
Total assets					<u>101,139,460</u>
<b>Liabilities</b>					
Payables, excluding provisions for liabilities, representing total financial liabilities	15	-	-	263,207,104	263,207,104
Total non-financial liabilities					<u>41,624,422</u>
Total liabilities					<u>304,831,526</u>

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**19. Financial instruments (cont'd.)**

**(b) Determination of fair value**

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

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<b>Note</b>
Receivables	11
Payables	15

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

**Fair value hierarchy**

The following table provides the fair value measurement hierarchy of the Company's asset.

	<b>Fair value measurement using significant unobservable inputs (Level 2) RM</b>
<b>At 31 December 2019/2018</b>	
<b>Asset measured at fair value</b>	
Redeemable preference shares (Note 10)	<u>1,000,000</u>

The fair value of the non-listed equity investment has been estimated by discounting future cash flows using cost of capital at the reporting period.

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**20. Contingent liabilities**

Legal claims

- (a) On 18 November 2015, Kingtime International Limited ("Kingtime") commenced an action against the Company on the alleged infringement of two patents in respect of the engineering, construction and installation of the Sepat Mobile Offshore Production Unit ("MOPU"), which included relief on an account of profits basis estimated at an amount considered to be grossly excessive by the Company. Accordingly, the Company filed its defence on 17 December 2015 and denied all allegations made by Kingtime and further, the Company counterclaimed against Kingtime.

On 11 July 2018, the High Court allowed Kingtime's claim for infringement, and dismissed the Company's counterclaim. In so doing, the High Court ordered the Company to furnish to Kingtime, an account of profits, with interest at the rate of 5% per annum from 30 December 2010 to 26 June 2018, and thereafter at the same rate until payment, which will be payable upon the taking of such account before the Judge. The Company then submitted its appeal to the Court of Appeal on 9 August 2018. The trial date for the appeal has been fixed on 19 September 2019.

On 21 January 2020, the Court of Appeal dismissed the appeal filed by the Company and ordered costs of RM70,000 to be paid by the Company to Kingtime. Subsequently, the Company filed an application to the Federal Court in order to seek leave to appeal against the appeal decision to the Federal Court. The leave application has been scheduled for 20 March 2020. The leave application was heard before the Federal Court on 19 August 2020 and dismissed by the Federal court.

Subsequent to the dismissal of the leave application, the decision has been made final and the Company made a payment to Kingtime a total sum of RM876,216.35 on 4 September 2020.

- (b) On 19 March 2019, the High Court granted Kingtime a discovery order against the Company compelling disclosure and production of documents relating to the Sepat Project, in which, the Company filed an appeal against the discovery appeal and a hearing date has been fixed for 16 March 2020.

The hearing for the discovery appeal has been scheduled for 26 January 2021 before the Court of Appeal. Any assessment of damages at this juncture is still being put in abeyance pending disposal of the discovery appeal.

The solicitors believe there is merit in the discovery appeal. At this juncture, it is not practicable to determine the amount and timing of payment as the financial effect cannot be reliably estimated and the outcome of the appeal is not yet known. In view of the same, the management is of the opinion that no provision for any liability is required to be made in these financial statements.

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**20. Contingent liabilities (cont'd.)**

Legal claims (cont'd.)

- (c) On 15 January 2020, Petrosahabat Engineering Sdn. Bhd. ("Petrosahabat") commenced a writ and statement of claim action against the Company and other parties on the alleged claim that their scaffoldings bearing the marking of pink or light purple at the pengerang site, which the Company is one of the contractors employed by PETRONAS, had been stolen or removed. Accordingly, the Company filed an affidavit in reply dated 10 March 2020 to oppose the claim made by Petrosahabat that the scaffolding at the Company's sites are predominantly not in pink or purple color.

Subsequently, Petrosahabat has filed an affidavit in reply on the opposed claim on 19 August 2020. The Company has responded via their second affidavit in reply on 23 September 2020 which thereafter, Petrosahabat filed their second affidavit in reply on 27 November 2020. Currently, the Inter Parte Injunction is fixed for a hearing on 21 January 2021.

At this juncture, it is not practicable to determine the amount and timing of payment as the financial effect cannot be reliably estimated and the outcome is not yet known. The Company's legal counsel is of the opinion that the Company has a good chance to defend against the case. In view of the same, the management is of the opinion that no provision for any liability is required to be made in these financial statements.

- (d) In October 2020, Surya Scaffolds Sdn. Bhd. ("Surya") filed a claim against the Company premised on a subcontract entered between both parties. Surya is claiming for more monies as alleged that the subcontract awarded was not enough to cover the total work done. A case management has been fixed on 29 December 2020 where the Company has to file their defence.

At this juncture, it is not practicable to determine the amount and timing of payment as the financial effect cannot be reliably estimated and the outcome is not yet known. The Company's legal counsel is of the opinion that the Company has a good chance to defend against the case. In view of the same, the management is of the opinion that no provision for any liability is required to be made in these financial statements.

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## **21. Capital management**

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

The Group and 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 Group 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 years ended 31 December 2019 and 31 December 2018.

The Group is not subject to any externally imposed capital restriction.

## **22. Subsequent events – Impact of the COVID-19 Outbreak**

The COVID-19 was initially reported in December 2019 and has since spread globally. On 11 March 2020, the World Health Organisation declared COVID-19 a worldwide pandemic. This pandemic has resulted in countries around the world including Malaysia to implement immediate preventive measures to control and minimise the spread of the virus. Some of the measures taken include temporary closure of businesses, issuance of movement control order within the country, prohibition of crowd gathering and travel bans. This has led to operational disruptions to businesses.

The COVID-19 pandemic poses a significant threat to the global oil and gas industry. The actions taken to spread of the virus has led to a global economic slowdown resulting in further pressures on the oil price. In the event, the effects of the COVID-19 pandemic and low oil prices are prolonged beyond current expectations, the market outlook and business operations of the Company may be adversely impacted. At this juncture, it is not possible to reliably estimate the extent of the impact of the pandemic and the timing of recovery of oil prices.

The Company is taking the necessary steps to mitigate the risks arising from the COVID-19 pandemic and low oil prices which include cost reduction initiatives and preserving liquidity. The Company is closely monitoring the evolving situation of the COVID-19 pandemic and the effects, if any will be reflected in the 2020's annual financial statements.

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## 23. Comparatives

## 23. Comparatives

The comparatives have been restated to conform with current year's presentation and restated to conform with current year's presentation.

Group	As Reclassification previously of provision for stated onerous contract		As restated	
	RM	RM	RM	RM
<b>Statement of comprehensive income</b>	<b>Statement of comprehensive income</b>			
<b>At 31 December 2018</b>	<b>At 31 December 2018</b>			
Revenue	308,799,993	venue 6,854,440	315,654,433	315,654,433
Cost of sales	(533,475,787)	st of sa(6,854,440)	(540,330,227)	(540,330,227)

Company	As Reclassification previously of provision for stated onerous contract		As restated	
	RM	RM	RM	RM
<b>Statement of comprehensive income</b>	<b>Statement of comprehensive income</b>			
<b>At 31 December 2018</b>	<b>At 31 December 2018</b>			
Revenue	282,785,409	venue 6,854,440	289,639,849	289,639,849
Cost of sales	(514,381,295)	st of sa(6,854,440)	(521,235,735)	(521,235,735)

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