

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

**REPORTS AND FINANCIAL STATEMENTS**  
**for the financial year ended 31 March 2018**

**YONG & LEONARD (AF 0075)**  
**Chartered Accountants**

Company No.: 888132-D

**PUNJ LLOYD SDN. BHD.**  
*(Incorporated in Malaysia)*

**FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

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Company No.: 888132-D

**PUNJ LLOYD SDN. BHD.**  
*(Incorporated in Malaysia)*

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

The directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 March 2018.

**PRINCIPAL ACTIVITIES**

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

**FINANCIAL RESULTS**

|                   | <b>RM</b>           |
|-------------------|---------------------|
| Loss for the year | <u>(31,495,854)</u> |

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

**DIVIDENDS**

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

**RESERVES AND PROVISIONS**

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

**SHARES AND DEBENTURES**

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

**SHARE OPTIONS**

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

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

## DIRECTORS

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

Ashish Sharma  
Nor Hishammuddin Bin Mohd Nordin  
Mohd Affandi Bin Yusuf  
Atul Kumar Jain

## DIRECTORS' BENEFITS

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

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

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the directors who held office at the end of the financial year have any shares or debentures in the Company's or its holding company or subsidiaries of the holding company during the year ended 31 March 2017, except as follows:

|   | Number of Ordinary Shares of RM1 Each |        |      |                 |
|---|---------------------------------------|--------|------|-----------------|
|   | At<br>1.4.2017                        | Bought | Sold | At<br>31.3.2018 |
| <b><u>Direct Interest</u></b>                               |                                       |        |      |                 |
| Nor Hishammuddin Bin Mohd Nordin                            | 250,000                               | -      | -    | 250,000         |
| <b><u>Direct Interest - immediate holding company</u></b>   |                                       |        |      |                 |
| <i><u>Punj Lloyd Oil &amp; Gas (Malaysia) Sdn. Bhd.</u></i> |                                       |        |      |                 |
| Nor Hishammuddin Bin Mohd Nordin                            | 225,000                               | -      | -    | 225,000         |

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

## **OTHER STATUTORY INFORMATION**

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

- (a) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.

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

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in the financial statements of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

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

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

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the succeeding year.

## **HOLDING COMPANIES**

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

## **AUDITORS' REMUNERATION**

Details of auditors' remuneration are set out in Note 14.1 to the financial statements.

Company No.: 888132-D

**AUDITORS**

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

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



**ASHISH SHARMA**  
Director



**NOR HISHAMMUDDIN BIN MOHD NORDIN**  
Director

Date: 24 April 2018

Company No.: 888132-D

**PUNJ LLOYD SDN. BHD.**  
*(Incorporated in Malaysia)*

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

The directors of Punj Lloyd Sdn. Bhd. state that, in opinion of the Directors, the financial statements set out on pages 10 to 33 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2018 and financial performance of the Company for the financial year ended 31 March 2018 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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



**ASHISH SHARMA**  
Director



**NOR HISHAMMUDDIN BIN MOHD NORDIN**  
Director

Date: 24 April 2018

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

I, Ashish Sharma, the director primarily responsible for the financial management of Punj Lloyd Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 33 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the above-named Ashish Sharma )  
at Petaling Jaya in the state of Selangor Darul Ehsan )  
on 24 April 2018



**ASHISH SHARMA**

Before me,



Commissioner For Oaths

No. 34A(Tkt 1), Jalan SS2/67  
47300 Petaling Jaya  
Selangor Darul Ehsan

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

**Opinion**

We have audited the financial statements of Punj Lloyd Sdn. Bhd., which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 33.

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

**Basis for Opinion**

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

**Independence and Other Ethical Responsibilities**

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

**Material Uncertainty Related to Going Concern**

We draw attention to Note 2 in the Financial Statements, which indicates that the Company incurred a net loss of RM31,495,854 during the financial year ended 31 March 2018 and, as of that date, the Company's current liabilities exceeded its current assets by RM64,377,937. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
PUNJ LLOYD SDN. BHD. (Company No.: 888132-D)  
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**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of 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 Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error. In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Other Matters**

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



**YONG & LEONARD**  
Firm Number: AF 0075  
Chartered Accountants



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

Date: 24 April 2018

Petaling Jaya

**PUNJ LLOYD SDN. BHD.**  
*(Incorporated in Malaysia)*

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2018**

|   | Note | 2018<br>RM          | 2017<br>RM          |
|---|------|---------------------|---------------------|
| <b>ASSETS</b>                               |      |                     |                     |
| <b>NON-CURRENT ASSETS</b>                   |      |                     |                     |
| Plant and equipment                         | 6    | <u>7,624,318</u>    | <u>800,170</u>      |
| <b>CURRENT ASSETS</b>                       |      |                     |                     |
| Inventories - at cost                       |      | 11,139,725          | 4,306,834           |
| Trade receivables                           | 18.3 | 1,771,029           | -                   |
| Other receivables, deposits and prepayments | 7    | 81,714,566          | 76,527,472          |
| Tax refundable                              |      | 600,000             | -                   |
| Fixed deposits with licensed banks          | 8    | 466,740             | 453,111             |
| Cash and bank balances                      |      | <u>51,228,264</u>   | <u>83,874,260</u>   |
|   |      | <u>146,920,324</u>  | <u>165,161,677</u>  |
| <b>TOTAL ASSETS</b>                         |      | <u>154,544,642</u>  | <u>165,961,847</u>  |
| <b>EQUITY AND LIABILITIES</b>               |      |                     |                     |
| <b>CAPITAL AND RESERVES</b>                 |      |                     |                     |
| Share capital                               | 9    | 1,000,000           | 1,000,000           |
| Accumulated losses                          |      | <u>(57,753,619)</u> | <u>(26,257,765)</u> |
| <b>CAPITAL DEFICIENCY</b>                   |      | <u>(56,753,619)</u> | <u>(25,257,765)</u> |
| <b>NON-CURRENT LIABILITIES</b>              |      |                     |                     |
| Deferred tax liabilities                    | 10   | <u>-</u>            | <u>1,382,505</u>    |
| <b>CURRENT LIABILITIES</b>                  |      |                     |                     |
| Amount due to contract customer             | 11   | 107,754,312         | 88,103,594          |
| Trade payables                              | 12   | 100,455,611         | 100,817,150         |
| Other payables and accruals                 |      | 3,088,338           | 188,330             |
| Provision for taxation                      |      | -                   | 728,033             |
|   |      | <u>211,298,261</u>  | <u>189,837,107</u>  |
| <b>NET CURRENT LIABILITIES</b>              |      | <u>(64,377,937)</u> | <u>(24,675,430)</u> |
| <b>TOTAL LIABILITIES</b>                    |      | <u>211,298,261</u>  | <u>191,219,612</u>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>         |      | <u>154,544,642</u>  | <u>165,961,847</u>  |

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

**PUNJ LLOYD SDN. BHD.**  
*(Incorporated in Malaysia)*

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

|   | Note | 2018<br>RM    | 2017<br>RM    |
|---|------|---------------|---------------|
| Contract revenue  | 13   | 519,388,067   | 437,957,423   |
| Contract cost   |      | (552,526,444) | (431,241,420) |
| <b>Gross (loss)/profit</b>  |      | (33,138,377)  | 6,716,003     |
| Other operating expenses  |      |               |               |
| Administrative expenses   |      | (555,119)     | (117,571)     |
| Operating expenses  |      | (587,374)     | (144,060)     |
| Other operating income  |      | 1,180,591     | 5,160,354     |
| <b>(Loss)/Profit before tax</b>   | 14   | (33,100,279)  | 11,614,726    |
| Tax income/(Income tax expense)   | 15   | 1,604,425     | (2,490,735)   |
| <b>(Loss)/Profit for the year, representing total comprehensive income for the financial year</b> |      | (31,495,854)  | 9,123,991     |

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

**PUNJ LLOYD SDN. BHD.**  
*(Incorporated in Malaysia)*

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

|   | <b>Share<br/>capital<br/>RM</b> | <b>Accumulated<br/>losses<br/>RM</b> | <b>Total<br/>RM</b> |
|---|---------------------------------|--------------------------------------|---------------------|
| As at 1 April 2016                      | 1,000,000                       | (35,381,756)                         | (34,381,756)        |
| Total comprehensive income for the year | <u>-</u>                        | <u>9,123,991</u>                     | <u>9,123,991</u>    |
| As at 31 March 2017                     | 1,000,000                       | (26,257,765)                         | (25,257,765)        |
| Total comprehensive loss for the year   | <u>-</u>                        | <u>(31,495,854)</u>                  | <u>(31,495,854)</u> |
| As at 31 March 2018                     | <u>1,000,000</u>                | <u>(57,753,619)</u>                  | <u>(56,753,619)</u> |

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

**PUNJ LLOYD SDN. BHD.**  
*(Incorporated in Malaysia)*

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

|   | <b>2018</b>  | <b>2017</b>  |
|---|--------------|--------------|
|   | <b>RM</b>    | <b>RM</b>    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |              |              |
| (Loss)/Profit before tax                                | (33,100,279) | 11,614,726   |
| Adjustments for:  |              |              |
| Depreciation  | 1,753,940    | 208,774      |
| Interest income   | (93,450)     | (119,690)    |
| Unrealised exchange gain                                | -            | (4,885,020)  |
| Unrealised loss on foreign exchange                     | 243,329      | -            |
| Operating (loss)/profit before working capital changes  | (31,196,460) | 6,818,790    |
| Increase in inventories                                 | (6,832,891)  | (4,295,602)  |
| Increase in other receivables, deposits and prepayments | (7,201,452)  | (32,756,112) |
| Increase in trade and other payables and accruals       | 2,538,469    | 98,583,394   |
| Increase in amount due to contract customer             | 19,650,718   | 14,904,308   |
| Cash (used in)/generated from operations                | (23,041,616) | 83,254,778   |
| Tax paid, net of refund                                 | (1,106,113)  | (2,374,327)  |
| Interest income received                                | 93,450       | 119,690      |
| Net cash (used in)/generated from operating activities  | (24,054,279) | 81,000,141   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |              |              |
| Purchase of plant and equipment                         | (8,578,088)  | (688,574)    |
| Increase in fixed deposits pledged with licensed banks  | (13,629)     | (453,111)    |
| Net cash used in investing activities                   | (8,591,717)  | (1,141,685)  |
| Net (decrease)/increase in cash and cash equivalents    | (32,645,996) | 79,858,456   |
| Cash and cash equivalents at beginning of the year      | 83,874,260   | 133,375      |
| Effect of exchange difference                           | -            | 3,882,429    |
| Cash and cash equivalents at end of the year            | 51,228,264   | 83,874,260   |
| <b>Cash and cash equivalents comprise:</b>              |              |              |
| Fixed deposits with licensed banks                      | 466,740      | 453,111      |
| Cash and bank balances                                  | 51,228,264   | 83,874,260   |
|   | 51,695,004   | 84,327,371   |
| Less: Fixed deposits pledged with licensed banks        | (466,740)    | (453,111)    |
|   | 51,228,264   | 83,874,260   |

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

**PUNJ LLOYD SDN. BHD.**  
*(Incorporated in Malaysia)*

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

**1 GENERAL INFORMATION**

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

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

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

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

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

**2 FUNDAMENTAL ACCOUNTING CONCEPT**

As at the end of the reporting period, the Company has net current liabilities and deficit in shareholders' equity of RM64,377,937 and RM56,753,619 (2017: RM24,675,430 and RM25,257,765) respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements have been prepared on a going concern basis as the ultimate holding company has agreed to provide financial support through its group of companies under its control, to the Company to meet its liabilities as and when they fall due and, based on the expected realisation of the positive variation orders of the current construction project which has yet to be reflected in the financial statements. Please refer to Note 18.4 to the financial statements for further information.



### 3 ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS

#### 3.1 AMENDMENTS TO MFRS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

During the financial year, the Company has adopted the following new and revised Malaysian Financial Reporting Standards and the Interpretations (collectively “MFRSs”), issued by the MASB that are relevant to its operations and effective for annual financial periods beginning on or after 1 April 2017:

Amendments to MFRS 107: Statement of Cash Flows – Disclosure Initiatives  
 Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised losses

The adoption of the above standards did not have any material effect on the financial performance or position of the Company.

#### 3.2 NEW AND REVISED MFRSS IN ISSUE BUT NOT YET EFFECTIVE

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

| Description                                    |   | Effective Date |
|--|---|----------------|
| MFRS 9   | Financial Instruments (IFRS 9 as issued by IASB in July 2014)         | 1 January 2018 |
| MFRS 9   | Prepayment Features with Negative Compensation (Amendments to MFRS 9) | 1 January 2019 |
| MFRS 15  | Revenue from Contracts with Customers and Clarifications to MFRS 15   | 1 January 2018 |
| MFRS 16  | Leases  | 1 January 2019 |
| MFRS 17  | Insurance Contracts   | 1 January 2021 |
| MFRS 119                                       | Amendments to MFRS 119 (Plan Amendment, Curtailment or Settlement)    | 1 January 2019 |
| IC Int. 22                                     | Foreign Currency Transactions and Advance Consideration               | 1 January 2018 |
| IC Int. 23                                     | Uncertainty over Income Tax Treatments                                | 1 January 2019 |
| Annual improvements to MFRSs 2014 – 2016 Cycle |   | 1 January 2018 |
| Annual Improvements to MFRSs 2015 - 2017 Cycle |   | 1 January 2019 |

##### *i) MFRS 9 Financial Instruments*

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Company’s financial assets, but no impact on the classification and measurement of the Company’s financial liabilities.

**ii) MFRS 15 Revenue From Contracts With Customers**

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFR 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. When “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact the new standard on the required effective date.

**iii) MFRS 16 Leases**

MFRS 16 replaces existing lease guidance in MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease - Incentives, and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company is currently assessing the impact of adopting MFRS 16.

**iv) IC Interpretation 22**

This Interpretation addresses the diversity in practice as to the exchange rate used when reporting transactions that are denominated in a foreign currency in accordance with MFRS 21 The Effects of Changes in Foreign Exchange Rates in circumstances in which consideration is received or paid in advance of the recognition of the related asset, expense or income.

The clarification provided is that in such circumstances (i.e. When an entity pays or receives consideration in advance in a foreign currency), the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration (i.e. When the prepayment or income received in advance liability was recognised). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

The amendments apply to annual periods beginning on or after 1 January 2018 with earlier application permitted. A choice is available as to whether the amendments are to be applied either retrospectively or prospectively. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Company’s financial statements.

#### 4 SIGNIFICANT ACCOUNTING POLICIES

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

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

##### 4.1 PLANT AND EQUIPMENT

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

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

|                        | <u>Rate</u> |
|------------------------|-------------|
| Furniture and fittings | 20%         |
| Motor vehicles         | 20%         |
| Plant and machineries  | 10%         |

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

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

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

##### 4.2 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

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

#### **4.3 INVENTORIES**

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

#### **4.4 CASH AND CASH EQUIVALENTS**

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

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

#### **4.5 CONSTRUCTION CONTRACTS**

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

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

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

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

#### **4.6 FINANCIAL ASSETS**

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

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

The Company determines the classification of their financial assets at initial recognition. Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. All financial assets of the Company are classified as loans and receivables. All loans and receivables are classified as current assets.

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

***i) Impairment Of Financial Assets***

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

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

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

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

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

***ii) Derecognition Of Financial Assets***

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the Company transfer the financial assets and the transfers qualify for derecognition.

On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses that have been recognised in other comprehensive income are recognised in profit or loss.

#### **4.7 EQUITY INSTRUMENTS**

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

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

#### **4.8 FINANCIAL LIABILITIES**

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

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

##### ***i) Other Financial Liabilities***

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

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

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

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

#### **4.9 REVENUE**

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

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

##### ***ii) Consultancy fee***

Consultancy fees are recognised when services are rendered.

##### ***iii) Interest Income***

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

#### 4.10 FOREIGN CURRENCY

*i) Functional and presentation currency*

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

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

#### 4.11 EMPLOYMENT BENEFITS

*i) Short-Term Employment Benefits*

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

*ii) Defined Contribution Plan*

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

#### 4.12 INCOME TAX

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

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

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

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

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

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

#### 4.13 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient 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



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

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

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

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

#### **4.14 CURRENT VERSUS NON-CURRENT CLASSIFICATION**

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

## **5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

### **5.1 JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES**

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

### **5.2 KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

#### ***i) Construction contract***

The Company recognises construction contract revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

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

**6 PLANT AND EQUIPMENT**

|  | <b>As at 1 April<br/>2017<br/>RM</b> | <b>Additions<br/>RM</b>                | <b>As at 31<br/>March 2018<br/>RM</b> |
|--|--------------------------------------|--|---------------------------------------|
| <b><u>Cost</u></b>                     |                                      |  |                                       |
| Furniture and fittings                 | 626,533                              | 166,800                                | 793,333                               |
| Motor vehicles                         | -                                    | 5,440,000                              | 5,440,000                             |
| Plant and machineries                  | 407,256                              | 2,971,288                              | 3,378,544                             |
|  | <u>1,033,789</u>                     | <u>8,578,088</u>                       | <u>9,611,877</u>                      |
|  | <b>As at 1 April<br/>2017<br/>RM</b> | <b>Charges for<br/>the year<br/>RM</b> | <b>As at 31<br/>March 2018<br/>RM</b> |
| <b><u>Accumulated Depreciation</u></b> |                                      |  |                                       |
| Furniture and fittings                 | 94,169                               | 339,622                                | 433,791                               |
| Motor vehicles                         | -                                    | 1,057,610                              | 1,057,610                             |
| Plant and machineries                  | 139,450                              | 356,708                                | 496,158                               |
|  | <u>233,619</u>                       | <u>1,753,940</u>                       | <u>1,987,559</u>                      |
|  |                                      | <b>As at 31<br/>March 2018<br/>RM</b>  | <b>As at 31<br/>March 2017<br/>RM</b> |
| <b><u>Carrying Amounts</u></b>         |                                      |  |                                       |
| Furniture and fittings                 |                                      | 359,542                                | 532,364                               |
| Motor vehicles                         |                                      | 4,382,390                              | -                                     |
| Plant and machineries                  |                                      | 2,882,386                              | 267,806                               |
|  |                                      | <u>7,624,318</u>                       | <u>800,170</u>                        |

**7 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

|  | <b>2018<br/>RM</b> | <b>2017<br/>RM</b> |
|--|--------------------|--------------------|
| Deposits                                   | 835,540            | 1,652,573          |
| Advances to suppliers                      | 26,510,289         | 29,642,583         |
| Other receivables                          | 9,669,046          | 9,189,959          |
| Amounts due from ultimate holding company  | 8,076,740          | 526,168            |
| Amounts due from immediate holding company | 34,549,407         | 34,303,040         |
| Amount due from related companies          | 2,073,544          | 1,213,149          |
|  | <u>81,714,566</u>  | <u>76,527,472</u>  |
| Less: Allowance for impairment             | -                  | -                  |
|  | <u>81,714,566</u>  | <u>76,527,472</u>  |

|   | <b>2018</b> | <b>2017</b>         |
|---|-------------|---------------------|
|   | <b>RM</b>   | <b>RM</b>           |
| <u>Other receivables that are impaired:</u> |             |                     |
| Movement in allowance accounts:             |             |                     |
| At beginning of year                        | -           | 42,039,750          |
| Written off against other receivables       | -           | <u>(42,039,750)</u> |
| At end of year                              | <u>-</u>    | <u>-</u>            |

#### **Amount due from ultimate holding, immediate holding and related companies**

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

#### **Loan to immediate holding company**

In the previous financial year, loan to immediate holding company bears interest at 6% per annum, is unsecured and repayable on demand.

#### **Loan to related company**

In the previous financial year, loan to a related company bears interest at 6% per annum, is unsecured and repayable on demand.

### **8 FIXED DEPOSITS WITH LICENSED BANKS**

Fixed deposits amounting to RM466,740 (2017: RM453,111) are pledged to licensed banks for bank facilities granted to the Company.

### **9 SHARE CAPITAL**

|                               | <b>Number of shares</b> |                  | <b>2018</b>      | <b>2017</b>      |
|-------------------------------|-------------------------|------------------|------------------|------------------|
|                               | <b>2018</b>             | <b>2017</b>      |                  |                  |
|                               | <b>Units</b>            | <b>Units</b>     |                  |                  |
| <b>Issued and fully paid:</b> |                         |                  |                  |                  |
| Ordinary shares of RM1 each   | <u>1,000,000</u>        | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> |

**10 DEFERRED TAX LIABILITIES**

The following are the movements of deferred tax liabilities:

|  | <b>Unrealised<br/>foreign<br/>exchange<br/>gains<br/>RM</b> | <b>Plant and<br/>equipment<br/>RM</b> | <b>Unabsorbed<br/>capital<br/>allowances<br/>RM</b> | <b>Total<br/>RM</b> |
|--|---|---------------------------------------|---|---------------------|
| <b><u>Deferred Tax Liabilities</u></b> |   |                                       |   |                     |
| At 1 April 2016                        | 1,382,222   | 18,893                                | (18,610)  | 1,382,505           |
| Charge to profit or loss<br>(Note 15)  | <u>(209,817)</u>  | <u>191,207</u>                        | <u>18,610</u>                                       | <u>-</u>            |
| At 31 March 2017                       | 1,172,405   | 210,100                               | -   | 1,382,505           |
| Charge to profit or loss<br>(Note 15)  | <u>(1,172,405)</u>  | <u>136,049</u>                        | <u>(346,149)</u>                                    | <u>(1,382,505)</u>  |
| At 31 March 2018                       | <u>-</u>  | <u>346,149</u>                        | <u>(346,149)</u>                                    | <u>-</u>            |

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

As mentioned in Note 4.12, deferred tax assets are generally recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 31 March 2018, the estimated amount of unabsorbed capital allowances and unused tax losses, for which the tax effects have not been recognised in the financial statements due to uncertainty of their realisation, is as follows:

|                               | <b>2018<br/>RM</b> | <b>2017<br/>RM</b> |
|-------------------------------|--------------------|--------------------|
| Unabsorbed capital allowances | 2,096,000          | -                  |
| Unused tax losses             | <u>30,300,000</u>  | <u>-</u>           |

**11 AMOUNT DUE TO CONTRACT CUSTOMERS**

|   | <b>2018<br/>RM</b>     | <b>2017<br/>RM</b>   |
|---|------------------------|----------------------|
| Construction costs incurred to date               | 989,031,910            | 441,631,229          |
| Attributable (losses)/profits                     | (20,555,619)           | 7,457,078            |
| Expected loss to be incurred                      | <u>(5,125,764)</u>     | <u>-</u>             |
|   | 963,350,527            | 449,088,307          |
| Add: Costs incurred relating to future activities | <u>4,152,263</u>       | <u>13,160,524</u>    |
|   | 967,502,790            | 462,248,831          |
| Less: Progress billings                           | <u>(1,075,257,102)</u> | <u>(550,352,425)</u> |
|   | <u>(107,754,312)</u>   | <u>(88,103,594)</u>  |

|                                  | 2018<br>RM           | 2017<br>RM          |
|----------------------------------|----------------------|---------------------|
| <b>Represented by:</b>           |                      |                     |
| Amount due to contract customers | <u>(107,754,312)</u> | <u>(88,103,594)</u> |
| Retention sums payable (Note 12) | <u>(2,732,234)</u>   | <u>(691,937)</u>    |

**12 TRADE PAYABLES**

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

Included in trade payables are retention sums amounting to RM2,732,234 (2017: RM691,937).

**13 REVENUE**

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

**14 (LOSS)/PROFIT BEFORE TAX****14.1 DISCLOSURE ITEMS**

|                                     | 2018<br>RM         | 2017<br>RM         |
|-------------------------------------|--------------------|--------------------|
| This is stated after charging:      |                    |                    |
| Auditors' remuneration              | 30,000             | 30,000             |
| Bank guarantee fee                  | 5,380,770          | 6,081,128          |
| Depreciation of plant and equipment | 1,753,940          | 208,774            |
| Employees benefits expenses         | 5,119,922          | 3,689,388          |
| Rental of premises                  | -                  | 622,931            |
| Realised loss on foreign exchange   | 1,900,891          | -                  |
| Unrealised loss on foreign exchange | <u>243,329</u>     | <u>-</u>           |
| And crediting:                      |                    |                    |
| Income from management services     | -                  | (151,683)          |
| Interest income                     | (93,450)           | (119,690)          |
| Other income                        | (533,956)          | -                  |
| Realised gain on foreign exchange   | (553,185)          | -                  |
| Scrap sales                         | -                  | (3,961)            |
| Unrealised foreign exchange gain    | <u>-</u>           | <u>(4,885,020)</u> |
|                                     | <u>(1,180,591)</u> | <u>(5,160,354)</u> |

**14.2 EMPLOYEES BENEFITS EXPENSES**

|   | <b>2018</b>      | <b>2017</b>      |
|---|------------------|------------------|
|   | <b>RM</b>        | <b>RM</b>        |
| Salaries, bonuses and allowances          | 4,637,785        | 3,271,189        |
| Contribution to defined contribution plan | 482,137          | 418,199          |
|   | <u>5,119,922</u> | <u>3,689,388</u> |

**15 (TAX INCOME)/INCOME TAX EXPENSE**

|   | <b>2017</b>        | <b>2016</b>      |
|---|--------------------|------------------|
|   | <b>RM</b>          | <b>RM</b>        |
| <b>Current tax expense</b>                      |                    |                  |
| - Current year                                  | -                  | 2,278,033        |
| - (Over)/Under provision in prior years         | (221,920)          | 212,702          |
|   | <u>(221,920)</u>   | <u>2,490,735</u> |
| <b>Deferred tax expenses (Note 10)</b>          |                    |                  |
| - Current year                                  | (1,382,505)        | 510,811          |
| - Over provision of deferred tax in prior years | -                  | (510,811)        |
|   | <u>(1,382,505)</u> | <u>-</u>         |
| Total income tax expense                        | <u>(1,604,425)</u> | <u>2,490,735</u> |

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

|  | <b>2018</b>         | <b>2017</b>       |
|--|---------------------|-------------------|
|  | <b>RM</b>           | <b>RM</b>         |
| (Loss)/Profit before tax                             | <u>(33,100,279)</u> | <u>11,614,726</u> |
| Tax at Malaysian statutory tax rate at 24%           | (7,944,067)         | 2,787,534         |
| Tax effects of:                                      |                     |                   |
| - expenses not deductible for tax purposes           | 60,499              | 1,310             |
| - deferred tax assets not recognised during the year | 6,501,063           | -                 |
| - over provision of deferred tax in prior years      | -                   | (510,811)         |
| - (over)/under provision in prior years              | (221,920)           | 212,702           |
| Total income tax expense                             | <u>(1,604,425)</u>  | <u>2,490,735</u>  |

## 16 RELATED PARTY TRANSACTIONS

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

|                                     | 2018<br>RM         | 2017<br>RM   |
|-------------------------------------|--------------------|--------------|
| <b>Immediate holding company:</b>   |                    |              |
| Consultancy fee received/receivable | -                  | 151,683      |
| Consultancy fee paid/payable        | (99,281,366)       | (45,644,059) |
| <b>Penultimate holding company:</b> |                    |              |
| Advances given                      | 2,769,410          | 231,972      |
| <b>Related companies:</b>           |                    |              |
| Contractor charges                  | <u>(2,152,714)</u> | <u>-</u>     |

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

## 17 BANKING FACILITIES

As of 31 March 2018, the Company has letter of credit and bank guarantees facilities amounting to RM9,000,000 and RM5,000,000 (2017: Nil and RM5,000,000) respectively from a licensed financial institution. As of 31 March 2018, the said facilities remain unutilised by the Company except for bank guarantees amounting to RM447,150 (2017: RM447,150).

The facilities were secured by the following:

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

## 18 FINANCIAL INSTRUMENTS

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

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

### 18.1 CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 March 2017 and 31 March 2018.



The Company monitors capital using the net tangible assets value of the Company, which is total tangible assets less total liabilities of the Company. The net tangible liabilities values of the Company as at 31 March 2017 and 31 March 2018 were RM25,257,765 and RM57,753,619 respectively.

## 18.2 CATEGORIES OF FINANCIAL INSTRUMENTS

|                                     | 2018<br>RM         | 2017<br>RM        |
|-------------------------------------|--------------------|-------------------|
| <b>Financial assets</b>             |                    |                   |
| Cash and bank balances              | 51,228,264         | 83,874,260        |
| Fixed deposits with licensed banks  | 466,740            | 453,111           |
| <u>Loans and receivables:</u>       |                    |                   |
| At amortised cost:                  |                    |                   |
| Trade receivables                   | 1,771,029          | -                 |
| Other receivables and deposits      | 44,699,691         | 37,818,054        |
|                                     | <u>44,699,691</u>  | <u>37,818,054</u> |
| <b>Financial liabilities</b>        |                    |                   |
| <u>Other financial liabilities:</u> |                    |                   |
| At amortised cost:                  |                    |                   |
| Trade payables                      | (100,455,611)      | (100,817,150)     |
| Other payables and accruals         | (3,088,338)        | (188,330)         |
|                                     | <u>(3,088,338)</u> | <u>(188,330)</u>  |

## 18.3 CREDIT RISK

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

### Trade receivables

The Group's normal credit terms granted to customers is 30 days (2017: 30 days). There is a significant concentration risk in trade receivables arising from a single customer which represents 100% (2017: Nil) of total trade receivables.

### Exposure to credit risk

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

## 18.4 LIQUIDITY RISK

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

The Company actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. The Company also maintains sufficient levels of cash to meet its working capital requirement. However, as disclosed in Note 2 to the financial statements, if the Company is unable to continue as a going concern, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business and the adjustments may have to be made to reflect the situation.

#### 18.5 INTEREST RATE RISK

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

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

#### 18.6 FOREIGN CURRENCY RISK

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

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

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

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

|  | 2018<br>RM | 2017<br>RM   |
|--|------------|--------------|
| <b>Cash and cash equivalents</b>         |            |              |
| - USD                                    | 183,359    | 55,298,570   |
| <b>Amount due from holding companies</b> |            |              |
| - USD                                    | -          | (836,626)    |
| <b>Amount due from related companies</b> |            |              |
| - AED                                    | (306)      | (351)        |
| - USD                                    | 2,436,824  | 1,220,302    |
| - KWD                                    | (15,729)   | (16,234)     |
| - QAR                                    | (14,126)   | (16,222)     |
| <b>Other receivables</b>                 |            |              |
| - USD                                    | -          | 20,117,464   |
| <b>Trade payables</b>                    |            |              |
| - USD                                    | -          | (10,264,390) |

Sensitivity analysis for foreign currency risk

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

|        |                   | <b>2018</b>     | <b>2017</b>        |
|--------|-------------------|-----------------|--------------------|
|        |                   | <b>RM</b>       | <b>RM</b>          |
| USD/RM | - strengthened 3% | 78,605          | 1,966,060          |
|        | - weakened 3%     | <u>(78,605)</u> | <u>(1,966,060)</u> |

**19 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS**

The financial statements of the Company were authorised for issue by the Board of Directors on 24 April 2018.

**PUNJ LLOYD SDN. BHD.**  
*(Incorporated in Malaysia)*

**DETAILED INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2018**

|                                    | <b>2018</b>          | <b>2017</b>         |
|------------------------------------|----------------------|---------------------|
|                                    | <b>RM</b>            | <b>RM</b>           |
| <b>REVENUE</b>                     | <u>519,388,067</u>   | <u>437,957,423</u>  |
| <b>LESS: COST OF SALES</b>         |                      |                     |
| Contractor Charges                 | <u>409,359,651</u>   | <u>350,437,866</u>  |
| <b>GROSS PROFIT</b>                | 110,028,416          | 87,519,557          |
| <b>ADD: OTHER OPERATING INCOME</b> |                      |                     |
| Exchange Fluctuation income        | 553,185              | 4,885,020           |
| Income from management service     | -                    | 151,683             |
| Interest income                    | 93,450               | 119,690             |
| Other income                       | 533,956              | -                   |
| Scrap Sales                        | -                    | 3,961               |
|                                    | <u>1,180,591</u>     | <u>5,160,354</u>    |
| <b>LESS: OPERATING EXPENSES</b>    | 111,209,007          | 92,679,911          |
|                                    | <u>(144,309,286)</u> | <u>(81,065,185)</u> |
| <b>(LOSS)/PROFIT BEFORE TAX</b>    | <u>(33,100,279)</u>  | <u>11,614,726</u>   |

*This Statement is prepared for the purpose of the Management's use only and does not form part of the statutory audited financial statements.*

**PUNJ LLOYD SDN. BHD.**  
*(Incorporated in Malaysia)*

**OPERATING EXPENSES**  
**FOR THE YEAR ENDED 31 MARCH 2018**

|  | <b>2018</b>        | <b>2017</b>       |
|--|--------------------|-------------------|
|  | <b>RM</b>          | <b>RM</b>         |
| <b>OTHER OPERATING EXPENSES</b>          |                    |                   |
| Auditors' remuneration                   | 45,246             | 42,521            |
| Bank Guarantee Commission                | 5,380,770          | 6,081,128         |
| Business Promotion                       | 4,000              | 16,906            |
| Client Entertainment                     | 17,498             | 2,613             |
| Consumption                              | 55,490,295         | 43,546,739        |
| Contribution to Provident and Other Fund | 482,137            | 418,199           |
| Conveyance                               | 209,410            | 277,130           |
| Custom Duty                              | 462                | 107,837           |
| Depreciation                             | 1,753,940          | 208,774           |
| Diesel & Fuel                            | 8,081,429          | 1,965,803         |
| Fees & Taxes                             | 4,516,009          | 5,819,094         |
| Financial Charges                        | 43,616             | 72,397            |
| Freight & Cartage                        | 10,455,943         | 4,834,641         |
| Hire Charges                             | 29,321,830         | 2,788,567         |
| Insurance                                | 200,693            | 236,588           |
| Legal Expenses                           | 10                 | 9,080             |
| Letter of Credit                         | 52,116             | 6,196             |
| Office Expenses                          | 518,467            | 971,472           |
| Other expenses                           | 20,000             | -                 |
| Postage & Telegram                       | 270,775            | 352,242           |
| Power & Fuel                             | 1,032,822          | 411,566           |
| Printing & Stationary                    | 99,302             | 133,286           |
| Professional Charges                     | 7,134,331          | 2,785,156         |
| Realised loss on foreign exchange        | 1,900,891          | -                 |
| Recruitment Charges                      | -                  | 1,200             |
| Rent                                     | -                  | 622,931           |
| Repair & Maintenance others              | 15,954             | 185,659           |
| Repair & Maintenance plant & Machinery   | 250,274            | 470,870           |
| Round Off                                | 657                | (308)             |
| Salary, Wages And Bonus                  | 4,637,785          | 3,271,189         |
| Site / Connectivity Charges              | 3,033,095          | 2,824,492         |
| Staff Domestic                           | 274,600            | 125,873           |
| Staff Foreign                            | 5,470,500          | 1,717,215         |
| Sundry Balances Written Off              | 2,889              | 17,876            |
| Survey / Inspection Charges              | 1,360,684          | 48,900            |
| Unrealised loss on foreign exchange      | 243,329            | -                 |
| Workmen & Staff Welfare                  | 1,987,527          | 691,353           |
|  | <u>144,309,286</u> | <u>81,065,185</u> |
|  | <u>144,309,286</u> | <u>81,065,185</u> |

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