TURBO-MECH BERHAD
(Company No. 863263-D)

ANNUAL REPORT 2018

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of TURBO-MECH BERHAD ("Company") will be held at Tiara Rini Ballroom, The Royale Chulan The Curve Hotel, 6 Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 27 May 2019 at 2:30 p.m. for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. ***(Note 7)***

2. To approve a final single-tier dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2018. **(Ordinary Resolution 1)**

3. To re-elect Mr Gan Kok Ten who is retiring in accordance with Clause 101 of the Constitution of the Company and, being eligible, has offered himself for re-election. **(Ordinary Resolution 2)**

4. To re-elect Mr Tam Juat Hong who is retiring in accordance with Clause 101 of the Constitution of the Company and, being eligible, has offered himself for re-election. **(Ordinary Resolution 3)**

5. To approve the Directors' fees and benefits payable of up to RM160,000 to the Directors for the period from 28 May 2019 and up to date of the next Annual General Meeting. **(Ordinary Resolution 4)**

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

As Special Business

To consider and, if thought fit, with or without any modification, to pass the following resolutions:-

7. **Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016**

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors be and are hereby empowered to allot and issue shares in the share capital of the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being, subject always to the approval of all the relevant regulatory bodies being obtained for such allotment and issuance." **(Ordinary Resolution 6)**

8. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")**

   "THAT subject always to the Companies Act 2016, the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as "Recurrent Transactions") with the Related Parties as stated in Section 2.3 of the Circular to Shareholders dated 26 April 2019 which are necessary for the day-to-day operations of the Company and its subsidiaries subject further to the following:-

   i. the Recurrent Transactions contemplated are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public, and are not to the detriment of the minority shareholders of the Company; and

   ii. disclosure will be made in the Annual Report of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate during the financial year on the type of Recurrent Transactions made, the names of the related parties involved in each type of Recurrent Transactions and their relationships with the Company.

AND THAT the approval is subject to annual renewal and shall only continue to be in force until:-

a. the conclusion of the next Annual General Meeting of the Company following the Tenth Annual General Meeting of the Company at which the Proposed Renewal of Shareholders' Mandate will be tabled;

b. the expiration of the period within which the next Annual General Meeting of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

c. revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earliest.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/or authorised by this Proposed Renewal of Shareholders' Mandate, as the Directors of the Company, in their absolute discretion, shall deem fit." **(Ordinary Resolution 7)**

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a final single-tier dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2018, if approved, will be paid on 27 June 2019. The entitlement date for the payment is 13 June 2019.

A depositor shall qualify for entitlement only in respect of:-

a. Shares transferred into the Depositor's Securities Accounts before 4.00 p.m. on 13 June 2019 in respect of transfer; and

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Tai Yit Chan (MAICSA 7009143)
Chan Yoke Peng (MAICSA 7053966)

Company Secretaries

Selangor Darul Ehsan
Date: 26 April 2019

Notice of Annual General Meeting

NOTES:-

1. A member entitled to attend and vote is entitled to appoint not more than two (2) proxies. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.

2. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

4. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or notarially certified copy of that power or authority shall be deposited at the Company's Share Registrar's office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or at any adjournment thereof at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. Any termination of a person's authority to act as a proxy shall be notified in writing and received by the Company at the Registered Office before the commencement of this Meeting.

5. In respect of deposited securities, only members whose names appear on the record of Depositors on **17 May 2019** (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on his behalf.

6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the Tenth Annual General Meeting will be put to vote by way of poll.

7. The Audited Financial Statements is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 ("the Act") does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

8. **Ordinary Resolution 6 - Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016**

   The Company had, during its Ninth Annual General Meeting held on 21 May 2018, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act"). The Company did not issue any shares pursuant to this mandate obtained.

   Ordinary Resolution 6 proposed under item 7 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the total number of issued shares (excluding treasury shares, if any) of the Company for such purposes as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

   The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding investment project(s), working capital and/or acquisitions.

9. **Ordinary Resolution 7 - Proposed Renewal of Shareholders' Mandate**

   For further information on Ordinary Resolution 7, please refer to the Circular to Shareholders dated 26 April 2019.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Gan Kok Ten
Executive Chairman and Chief Financial Officer

Nasaruddin Bin Mohamed Ali
Executive Director and Chief Executive Officer

Omar Bin Mohamed Said
Non-Independent Non-Executive Director

Chan Bee Eie
Non-Independent Non-Executive Director

Azhar Bin Mohamad
Senior Independent Non-Executive Director

Tam Juat Hong
Independent Non-Executive Director

AUDIT COMMITTEE

Tam Juat Hong
Chairman

Azhar Bin Mohamad
Member

Chan Bee Eie
Member

REMUNERATION COMMITTEE

Chan Bee Eie
Chairperson

Omar Bin Mohamed Said
Member

Azhar Bin Mohamad
Member

NOMINATION COMMITTEE

Azhar Bin Mohamad
Chairman

Chan Bee Eie
Member

Tam Juat Hong
Member

RISK MANAGEMENT COMMITTEE

Gan Kok Ten
Chairman

Nasaruddin Bin Mohamed Ali
Member

Omar Bin Mohamed Said
Member

Tam Juat Hong
Member

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
Chan Yoke Peng (MAICSA 7053966)

REGISTERED OFFICE

Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel : (03) 7720 1188
Fax : (03) 7720 1111

HEAD OFFICE

39-5, Jalan PJU 1/41, Block D1
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : (03) 7805 5592
Fax : (03) 7804 7801
E-mail : info@turbo-mech.com
Website : http://www.turbomech.com.my

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
(formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : (03) 7841 8000
Fax : (03) 7841 8151

AUDITORS

Ernst & Young (AF 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

SOLICITOR

Azman Davidson & Co.
Suite 13.03, 13th Floor
Menara Tan & Tan
207 Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 2164 0200
Fax : (03) 2164 0280

PRINCIPAL BANKER

Citibank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Sector : Trading/Service Sector
Stock Name : TURBO
Stock Code : 5167

CORPORATE STRUCTURE

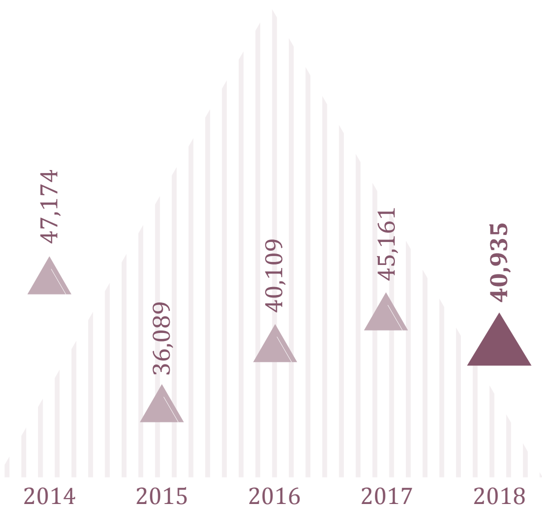
TURBO-MECH BERHAD

- 100% Turbo-Mech Asia Pte. Ltd.
  - 100% Rotodyne Phils. Inc.
  - 100% PT Turbo-Mech Indonesia
  - 50% TM-Elflow Pte. Ltd.
  - 75% Scallop (S) Pte. Ltd.
  - 99.8% Turbo-Mech (Thailand) Co. Ltd.
  - 30% Rotodyne Sendirian Berhad
- 42.5% Bayu Purnama Sdn. Bhd.
  - 100% Bayu Manufacturing Sdn. Bhd.
  - 100% Bayu SME Sdn. Bhd. (In member's voluntary winding up)

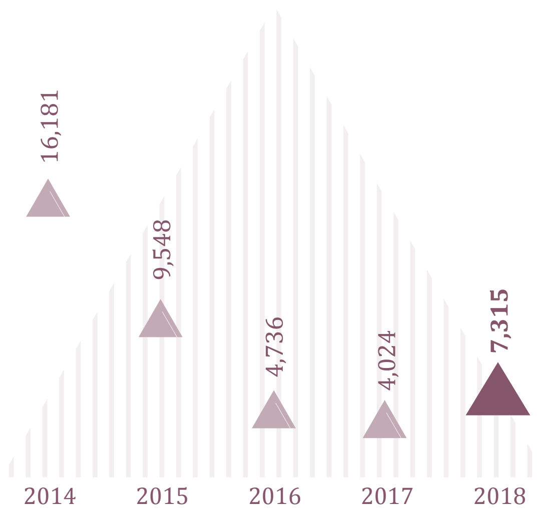
FINANCIAL HIGHLIGHTS

	FY 2018 RM	FY 2017 RM	FY 2016 RM	FY 2015 RM	FY 2014 RM
Revenue	**40,935,379**	45,160,549	40,108,623	36,088,790	47,174,270
Profit before tax	**7,315,396**	4,023,972	4,735,842	9,548,173	16,180,743
Profit for the year attributable to owners of the parent	**6,546,255**	3,095,829	4,182,080	8,382,607	14,273,697
Earnings per shares attributable to owners of the parent (sen per share)	**6.06**	2.87	3.87	7.76	13.21

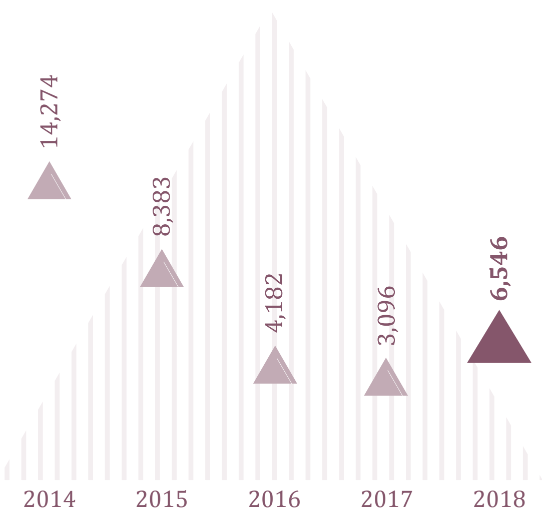
Revenue (RM Thousand)



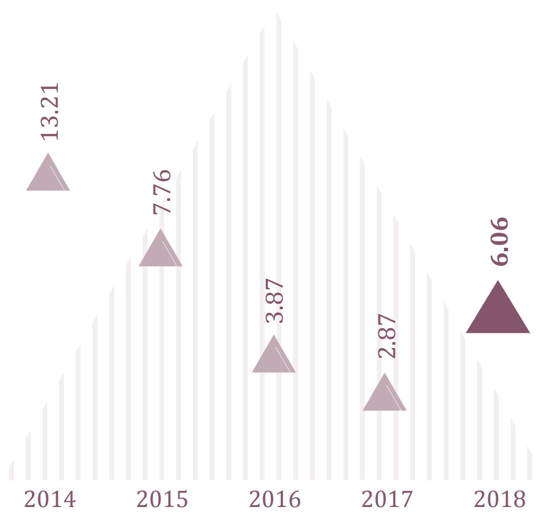
Profit before tax (RM Thousand)



Profit for the year (RM Thousand)



Earnings per shares (Sen Per Share)



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF BUSINESS & OPERATIONS

Turbo-Mech Berhad is the investment holding company for a group of companies engaged in the sale of rotating equipment and spare parts as well as providing maintenance and overhaul services for rotating equipment. The types of rotating equipment currently marketed by our Group are pumps, compressor and turbines. The Group's operation covers the South East Asia region, and can be segmented into Malaysia, Singapore, Indonesia, Philippines, Thailand and Others countries. The Singapore segment, which includes the operation results from Vietnam branch office is the major contributor to the Group's revenue. Meanwhile the Group has presence in Malaysia and Brunei through its associated company.

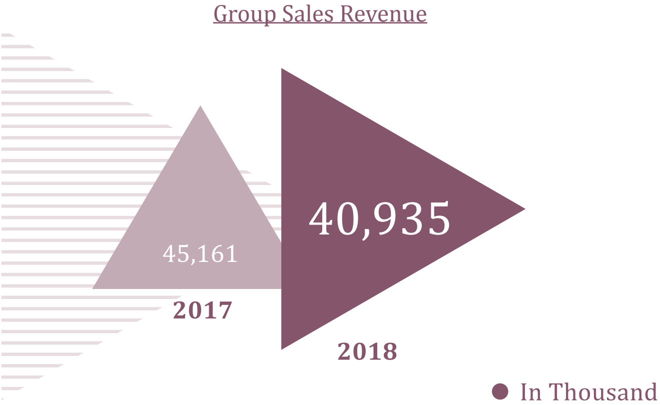
OVERVIEW OF GROUP OBJECTIVES AND STRATEGIES

Our Group is strategically positioned in between the equipment manufacturers and the end users in the value chain with focus in oil and gas, petrochemical and chemical industries. The equipment manufacturers who are our principals, offer a range of products that are API Standards compliance.

Our wide network that covers a number of countries in South East Asia enables us to be logistically close to customers and have the abilities and capabilities to fulfil our customers' needs.

We will continue maintain a lean organisation and flexible culture in order to be responsive to the markets' requirement. Our staff turnover is low and we maintain an excellent relationship with our customers as well as our principals. We believe our close geographical proximities will be of advantage to respond to the customers' need effectively.

Group Sales Revenue



REVIEW OF FINANCIAL RESULTS

Revenue

In 2018, the Group recorded RM40.9 million in revenue, drop by 9.5% as compared to the results of RM45.2 million in 2017.

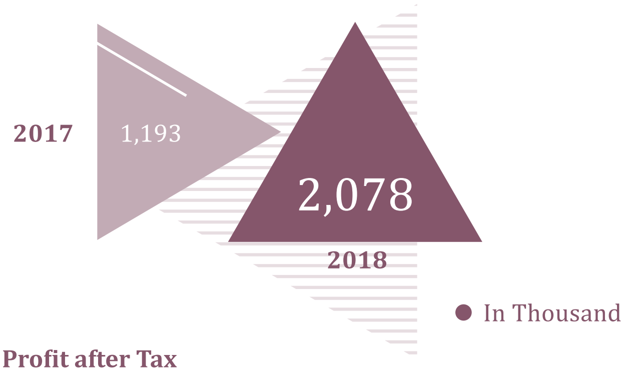
The average Brent crude oil price in year 2017 was USD55 per barrel and it has slowly climbed up to average USD72 per barrel in year 2018. This is the result of Petroleum Exporting Countries (OPEC) and a number of non-OPEC countries such as Russia to cap crude oil production in an effort to restore supply and demand balance. The oil and gas players have welcomed a rise in the oil prices. It is however, the trade war between US and China towards the end of year 2018 that led to volatility in oil price once again. With regards to investments in the oil and gas industry, after two consecutive years of significant decrease, year 2018 recorded a slight recovery. After a period of delay in project awards and cancellation of higher risk initiatives, there was an increase in final investment decisions by oil companies over the year. As a result, the Group kicked off the year in a relatively low-key manner, and gradually growth towards a commendable financial performance at the end of financial year 2018.

The persistence volatile and lower oil price in past few years has damaged the oil and gas industry. The industry has underwent structural changes, customers remain cautious in capital expenditures and operating costs, leading to overcapacity in the industry and eventually lead to companies are more aggressive in term of pricing. Adaptation to this new norm is crucial for the Group; we have remained resilient in such complex market environment and able to improve our revenue in last few quarters. Our commendable sales performance was due to good strategy in expanding our sales in maintenance services and lowered realised margin in trading sales during the year. It is a result of collaborative effort from management and marketing personnel in striving to achieve better.

Share of result of associates

The shares of net profit from the associated companies increase by 75% to RM2.08 from RM1.19 million in the previous year. The increase was mainly due to improved sales performance and diligent in cost optimisation from Bayu Purnama Sdn Bhd, an associate in Malaysia. Petronas, being the largest oil and gas company in Malaysia has introduced sequential steps to reduce in capital investments in the past three years. Adaptation to new norm of Malaysia's oil and gas industry led by Petronas was critical to the associate. The financial performance achieved by Bayu Purnama was a testament to the strength of associate remains resilient in Malaysia market.

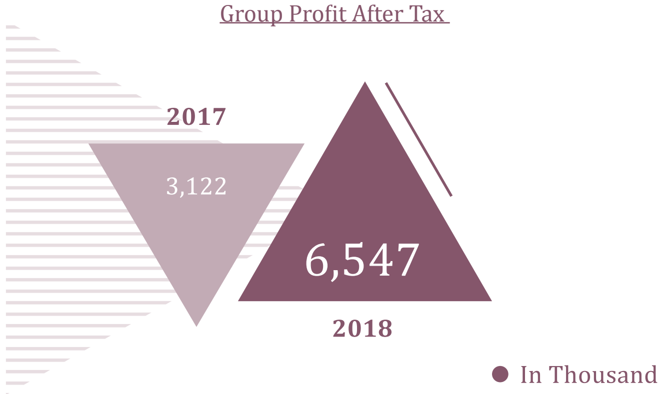
Group Share of Results of Associates



Profit after Tax

The Group was having a slow start in the first quarter of 2018 due to lower sales volume. However, the conditions have recovered gradually over the year and it has a steady upturn in line with improved operating environment towards year end. As a result, the Group recorded net profit after tax of RM6.5 million, which represents 16% net profit margin compared with 6.9% net profit margin in previous financial year. The increase in net profit margin was mainly due to composition of Group's revenue has gradually shifted towards services revenue which generally yield higher margin. Besides, the improved contribution from associates companies and joint venture company, decrease in unrealised losses in foreign exchanges and overall decrease in other operating expenses have contributed to better profit after tax.

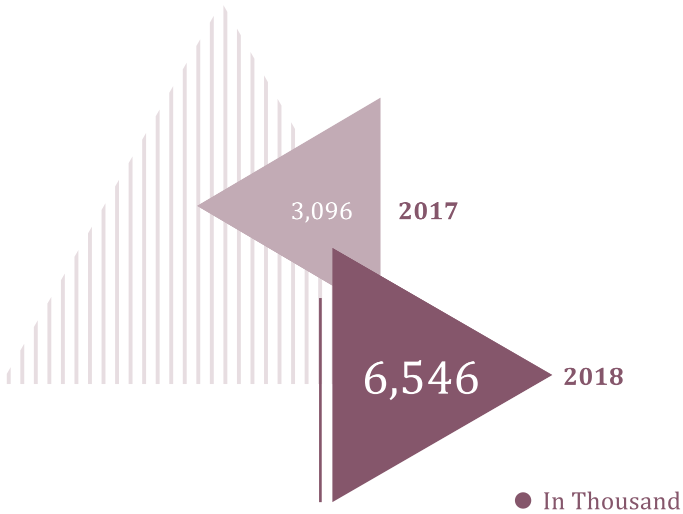
Group Profit After Tax



Attributable Net Profit

The Group's net profit attributable to shareholders was amounted to at RM6.5 million in the financial year 2018, as compared to the previous financial year of RM3.1 million. As a result, the Group's earnings per share stood at 6.06 sen as compared to 2.87 sen for the previous financial year.

Group Profit After Tax Attributable to Shareholders



Financial Position

As at 31 December 2018, the Group's shareholders' fund rose from RM100.5 million recorded at the end of 2017 to RM106 million and net assets per share increased from RM0.97 to RM0.98.

The Group continues to maintain a healthy financial position with a cash position of RM43 million or net cash per share of 40 sen and current ratio of more than 10 times as at 31 December 2018.

While our Group revenue was down, we demonstrated our strong cash generation ability despite considerable market volatilities. The Board of Directors is therefore pleased to propose a final single-tier dividend of 2 sen per ordinary share for the financial year ended 31 December 2018 subject to shareholders' approval at the forthcoming Annual General Meeting of the Company on 27 May 2019.

REVIEW OF OPERATING ACTIVITIES

The Group has come through a challenging period as the industry is undergoing structural changes and oil and gas players experienced much strenuous business condition. Despite the challenges, the Group continues to deliver a steadfast performance and an encouraging sales order in 2018.

Oil companies' capital investment has been lowered down in recent years and this has cast a pessimistic cloud over the sector. Customers are now looking to achieve cost savings given their significantly reduced revenues and this continues to put us under pricing pressure. However, this provides opportunity in service and maintenance sectors where customers opt for servicing its rotating equipment to prolong its equipment life cycle. Customers are looking for service providers who possess the tool, equipment, and expertise to make sure their machine is running reliably and efficiently at optimised costs.

One of the promising services offered by the Group is cleaning of air-cooled heat exchangers ("ACHE") and air cooling condensers ("ACC"), a commercial result of joint venture with Elflow Asia BV. The Group has a suite of environmental-friendly, green technologies and unique technique that have brought proven cost savings and all-round improvement for operational safety in the cleaning of ACHE and ACC. This cleaning method has effectively and delicately cleans aggressive substrates whilst keeping the environmental safe. The Group will continue leverage on the joint venture in enhancing the cleaning service in ACHE and ACC in ASEAN region. With extensive hands on experience, mechanical and materials engineering knowledge and creative business solution, the business prospect of this service is promising.

The Group will continue to adapt to a current challenging environment and cushion the risk factors by improving our maintenance and overhaul services, through operational excellence and prudent business decision making. Overall, the focus of the Group will remain on our few key priorities - securing the sales and realising the cash flow, lowering capital spending, strengthening customers service and maintenance operations and divesting into new business opportunities related to oil and gas industry. Our performance in 2018 was commendable and we will keep the momentum going.

PROSPECTS

Moving forward amidst the new market realities, the Group will continue to stay focus on its core business in ASEAN region whilst placing an emphasis on cost management as well as exploring opportunities in the repair and maintenance services. The Group will continue to collaborate with existing principals and partners as well as continue to enhance our capabilities by offering a broader range of products and services through partnership with potential new principals and partners. The Group sets to further strengthen the skill level in overhaul, maintenance and provide technical solutions for rotating equipment through existing and potential new principals and partners. In all that it undertakes, the Group will continue to focus on operational efficiencies in aiming to maintain a higher margin through improving the service revenue in the Group's overall revenue mix.

We have set our sights in optimising business sustainability and always endeavour to safeguard shareholders' interest. With that in mind, the Group will continue to remain focus on the opportunities available, developing new capabilities, preserving cash and working closely with customers, employees and all stakeholders. We have also in place a dynamic and responsive culture as well as a financial structure with low debt level. These competitive advantages put us in a good position to sail through the new norm of business environment as well as stay competitive against our competitors around ASEAN. Further with the stewardship and astute insights of our Board and disciplined execution of strategy by management, the business prospect of the Group will remain positive and encouraging.

GAN KOK TEN

Executive Chairman • Chief Financial Officer • Chairman of Risk Management Committee

Malaysian
aged 43
Male

Gan Kok Ten was appointed to the Board on 15 October 2009. He was subsequently redesignated as the Executive Chairman on 24 November 2015.

He obtained a Bachelor in Commerce from Griffith University, Australia in 1999 and started his career with Apex Healthcare Berhad in 2000 as a Sales Executive in the pharmaceutical division.

In 2002, he moved to Turbo-Mech Asia Pte Ltd as a Manager, where he was responsible for sales of the Singapore region. In 2003, he was appointed as Director in charge of the Singapore and Brunei markets. Subsequently in 2007, his responsibility was expanded to the Indonesia and Vietnam regions.

He is also responsible for the formulation and execution of the overall business strategies of the Group. He plays a key role in the growth, development and the strategic direction of the Group, including implementing management policies and overseeing marketing and sales activities.

He is the brother-in-law of Chan Bee Eie, a Non-Independent Non-Executive Director of the Company. He is a major shareholder of the Company. Save as disclosed, he does not have any other family relationships with any other director and/or major shareholder of the Company, or any conflict of interest in any business arrangement involving the Company. He attended all of the 4 Board Meetings held during the financial year ended 31 December 2018. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

NASARUDDIN BIN MOHAMED ALI

Executive Director • Chief Executive Officer • Member of Risk Management Committee

Malaysian
aged 55
Male

Nasaruddin Bin Mohamed Ali was appointed to the Board on 15 October 2009 as a Non-Independent Non-Executive Director. On 1 March 2012, he was redesignated as an Executive Director and was later appointed as Chief Executive Officer of the Company and the Group on 13 August 2012.

He obtained a Bachelor of Science in Mechanical Engineering from the University of Texas, United States in 1987. He was a registered member with the Board of Engineers, Malaysia.

He started his career in 1988 as process engineer in Intel Technology Sdn Bhd. Later, he was promoted as Senior Engineer, Process and Equipment. Subsequently in 1993, he joined Johnson Controls (M) Sdn Bhd as Manager, Technical Sales until 1996. From 1996 until 1998, he worked with SAAG Oil and Gas Sdn Bhd as Manager, Sales and Marketing.

From 1998 until present, he serves as Executive Director of Bayu Purnama Sdn Bhd, Bayu Manufacturing Sdn Bhd and Bayu SME Sdn Bhd (In member's voluntary liquidation), the associate companies of Turbo-Mech Berhad.

He does not have any other family relationships with any director and/or major shareholder of the Company, or any conflict of interest in any business arrangement involving the Company. He attended all of the 4 Board Meetings held during the financial year ended 31 December 2018. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

Directors' Profile

OMAR BIN MOHAMED SAID

Non-Independent Non-Executive Director • Member of Remuneration Committee
Member of Risk Management Committee

Malaysian
aged 36
Male

Omar Bin Mohamed Said was appointed to the Board on 25 February 2011.

He holds a Bachelor of Science (Honours) degree in Management (Accounting and Finance) from the University of Manchester Institute of Science & Technology, United Kingdom.

He started his career in Ernst & Young as an associate under Assurance and Business Services Group. He has experience in providing assurance and advisory services in the area of statutory audit. He is an Independent Non-Executive Director in Poly Glass Fibre (M) Berhad since 7 October 2003. From 2006 until present, he is the Managing Director of Flowco Malaysia Sdn Bhd, which specialises in downstream retail oil and gas equipment and services.

He does not have any other family relationships with any director and/or major shareholder of the Company, or any conflict of interest in any business arrangement involving the Company. He attended 3 out of 4 Board Meetings held during the financial year ended 31 December 2018. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

AZHAR BIN MOHAMAD

Senior Independent Non-Executive Director • Chairman of Nomination Committee
Member of Audit Committee • Member of Remuneration Committee

Malaysian
aged 54
Male

Azhar Bin Mohamad was appointed to the Board on 25 September 2014.

He holds a Bachelor's degree in Accounting and Finance (Honours) from Lancaster University, United Kingdom, and a Master's degree in Law (Business Law Executive) from International Islamic University, Malaysia. He is a member of the Malaysian Institute of Accountants ("MIA") and a Fellow member of the Association of Chartered Certified Accountants. He also holds a Capital Markets Services Representative's License for advising on corporate finance issued by the Securities Commission Malaysia ("SC").

He started his career with Amanah Merchant Bank Berhad in 1991, followed by corporate planning work with KUB Holdings Berhad. He subsequently joined SC in 1995 and left in early 2008, with his last position as Head of Securities Issues Department. During his tenure with SC, he was involved in the review and evaluation of various corporate proposals submitted by both listed and unlisted companies for the consideration of SC. He is currently the Managing Director of MainStreet Advisers Sdn Bhd, a licensed corporate finance advisory firm in Malaysia. He also serves as a Director of Berjaya Sompo Insurance Berhad.

He does not have any other family relationships with any director and/or major shareholder of the Company, or any conflict of interest in any business arrangement involving the Company. He attended all of the 4 Board Meetings held during the financial year ended 31 December 2018. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

CHAN BEE EIE

Non-Independent Non-Executive Director • Chairperson of Remuneration Committee
Member of Audit Committee • Member of Nomination Committee

Malaysian
aged 39
Female

Chan Bee Eie was appointed to the Board on 16 April 2012.

She graduated from the University of Manchester, United Kingdom in 2001 with a Bachelor's degree in Accounting and Finance and obtained a Master's degree in Finance from the London School of Economics in 2002. She is a member of the Association of Chartered Certified Accountants (ACCA).

She joined PricewaterhouseCoopers and was with the Audit and Assurance Services team from 2003 to 2006 before joining the Audit team in Deloitte Touche Tohmatsu Hong Kong in 2006. Her main roles with the accounting firms were to provide audit and assurance services, with diverse range of clients involved in trading, manufacturing, construction, property, plantation and automobile.

She then joined JP Morgan Hong Kong as a Manager in 2007 with the Client Services team, a division within the Asset Management, offering clients with portfolio valuations and accounting reports.

She is the sister-in-law of Gan Kok Ten, the Executive Chairman and Chief Financial Officer of the Company. Save as disclosed, she does not have any other family relationships with any other director and/or major shareholder of the Company, or any conflict of interest in any business arrangement involving the Company. She attended all of the 4 Board Meetings held during the financial year ended 31 December 2018. She has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

TAM JUAT HONG

Independent Non-Executive Director • Chairman of Audit Committee
Member of Nomination Committee • Member of Risk Management Committee

Malaysian
aged 67
Male

Tam Juat Hong was appointed to our Board on 25 May 2012.

He graduated from the University of Malaya in 1975 with a Bachelor of Economics (Accounting) Degree (First Class Honour) and obtained a Diploma in Accounting (Post Graduate course) in 1976 in the same university. He is a member of the MIA and the Malaysian Institute of Certified Public Accountants.

He joined Kassim Chan & Co with the Audit and Assurance team from 1976 to 1980 before joining Utama Merchant Bank Berhad from 1980 to 1999. His main responsibilities were heading the Corporate Finance which provided advisory on mergers/acquisitions, restructuring of companies for IPO and/or for rehabilitations, capital raising in the stock market via shares/bond/other derivatives, share/debenture issuance and placements of share/equity. His experience in the Investment bank includes heading Treasury and Portfolio Investment department for a period of more than 1 year.

He then joined Dunham-Bush Holding Berhad, a listed multinational company in Malaysia which was taken private in 2007. He joined as a General Manager of Finance in 1999 and retired as Director of Finance in 2011. His main responsibilities were to oversee the corporate/finance and accounts/legal departments of the overseas subsidiaries and Malaysian operations.

He does not have any other family relationships with any director and/or major shareholder of the Company, or any conflict of interest in any business arrangement involving the Company. He attended all of the 4 Board Meetings held during the financial year ended 31 December 2018. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

SUSTAINABILITY STATEMENT

1. ABOUT THIS STATEMENT

Building on our inaugural sustainability statement in 2017, Turbo-Mech Berhad ("Turbo-Mech" or the "Group") is pleased to present our second sustainability statement. As a leading provider of rotating equipment solutions to the oil and gas industry, Turbo-Mech continuously strives to adopt responsible business practices and to meet the expectations of our customers and other stakeholders. This statement demonstrates Turbo-Mech's commitment to sustainability in our business operation and throughout our value chain, incorporated through three key focus areas:

- Protecting people and the environment
- Promoting local economic development
- Partnering with communities and society

This statement is prepared in accordance with the Global Reporting Initiatives (GRI) Standards, and covers the initiatives carried out from 1 January 2018 to 31 December 2018, unless specified otherwise.

1.1 Statement Scope and Boundary

Turbo-Mech is a public listed company engaged in the sale of rotating equipment and spare parts as well as in providing maintenance and overhaul services for rotating equipment used in the oil and gas industry. The Group's operation extends across the South East Asia region, encompassing Malaysia, Singapore, Indonesia, Philippines, Brunei, Thailand and Vietnam. The scope of this statement covers our operation in Malaysia and Singapore through our associate companies, Bayu Purnama Sdn. Bhd. and Turbo-Mech Asia Pte. Ltd. respectively.

2. SUSTAINABILITY STRATEGY

Developing and integrating a detailed sustainability vision into our long-term strategic plan in a way that creates lasting value whilst also building public trust.

The Group's sustainability strategy is deeply embedded in our vision to be a premier leader of integrity, innovation and excellence in the supply and maintenance and overhaul service of rotating equipment in the South East Asia region. Our sustainability strategy is developed by identifying the most significant sustainability issues and opportunities facing Turbo-Mech-Energy and Climate Change; Environmental, Safety and Health; and Our Service and Quality.

Improved communications and increased transparency between Turbo-Mech and our shareholders and investors were pivotal in defining the Group's sustainability commitment, built around these three pillars-Our Marketplace; Our People; and Our Environment.

Our Marketplace

We aim to provide eccellent customer service and treat each client with empathy and trust in order to allow our clients' facilities to operate more effciently and strive in the competitive market.

Our People

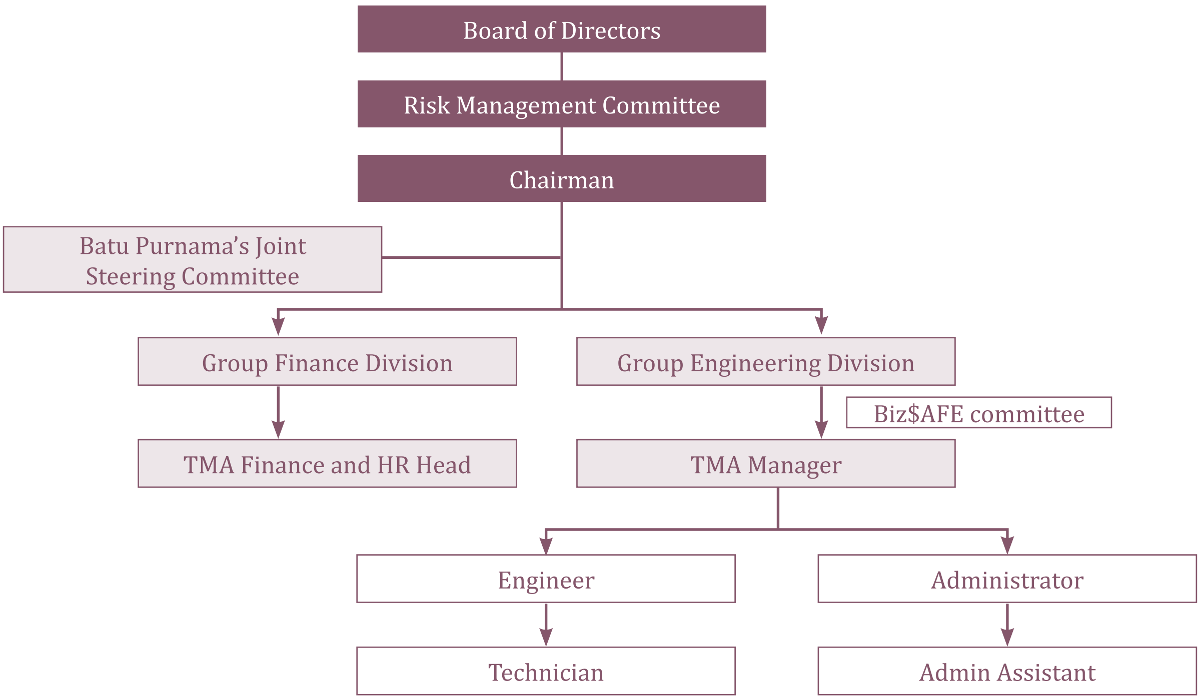
We aim to provide all our employees with a working environment that is safe and healthy, that provides skill development deversity, integrity and teamwork.

Our Environment

We aim to introduce measures to move beyond compliance in mitigating the Group's environmental impact.

3. SUSTAINABILITY GOVERNANCE STRUCTURE

Turbo-Mech recognises the importance of having a dedicated governance structure to monitor the sustainability progress and the effectiveness of sustainability initiatives implemented in the Group. To this end, we have established a dedicated Sustainability Working Committee, which is helmed by the Risk Management Committee, to integrate sustainability into our business operations as illustrated below.



The Risk Management Committee is responsible for reporting to the Board, and oversees the implementation of sustainability strategies and initiatives in our business operation, with the main aim of steering the Group towards achieving our sustainability goals. The Group's Finance and Engineering Divisions will report the sustainability progress to the Chairman of the Sustainability Working Committee. The Chairman, who plays an advisory role in supporting, guiding and providing oversight of the Group's sustainability progress, will report to the Risk Management Committee.

Roles and Responsibilities

Group Finance Division:

- Assess budgeting and planning in order to define strategies and solutions that will strengthen the Group's financial sustainability
- Strengthen operations and guide decision-making based on a robust framework that analyses the Group's progressive direct and indirect economic impact
- Ensure regulatory compliance towards mitigating financial and other related risks
- Measure the economic impact of the Group on the local economy, on local communities and on its workforce

Group Engineering Division:

- Promote innovative technology and equipment to improve environmental performance
- Suggest strategy and plans to embed sustainability practices in engineering operations
- Ensure regulatory compliance towards mitigating environmental and other related risks
- Measure and monitor the impact of engineering activities against Environmental, Economic and Social (EES) criteria

4. MATERIALITY ASSESSMENT

Materiality assessment is an exercise in stakeholder engagement. It is designed to gather insight into the relative importance of specific economic, environmental and social (EES) issues. The assessment is conducted with the Sustainability Working Committee to ensure that we report on material matters.

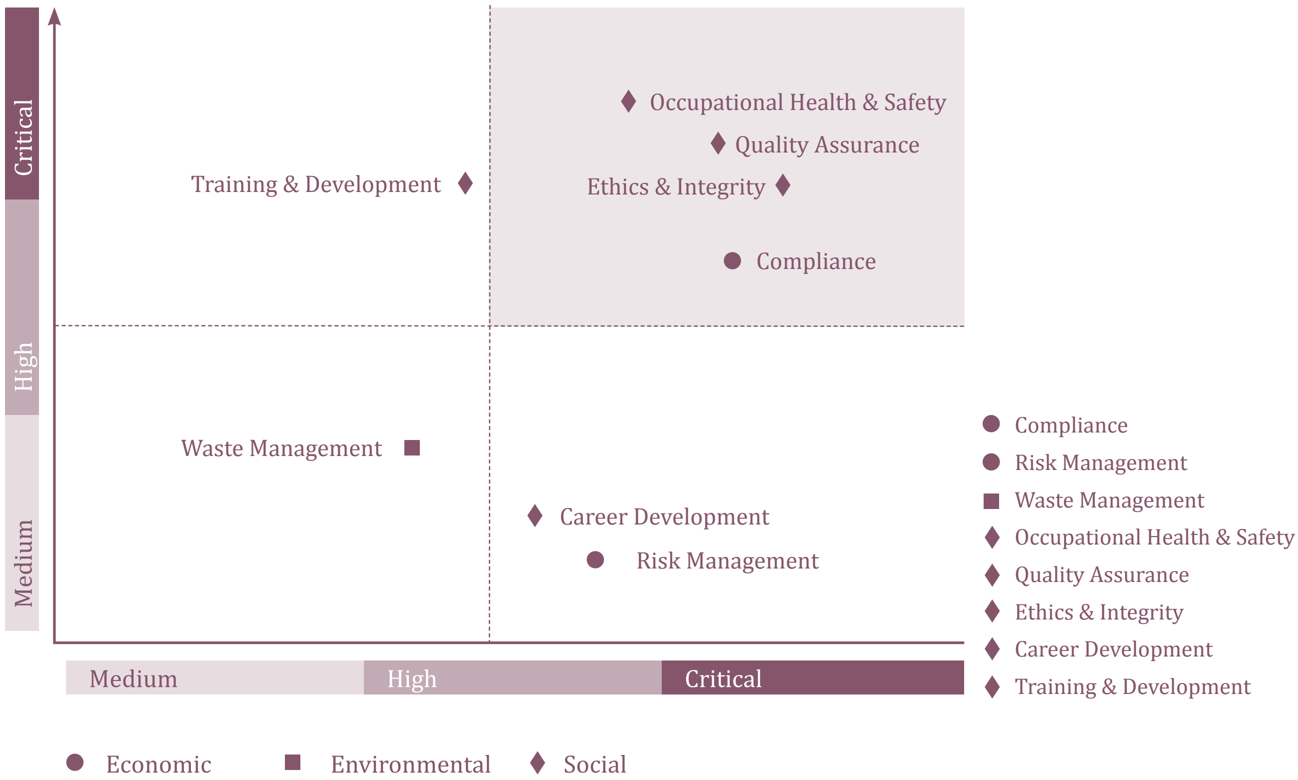
This year, we have improved our materiality assessment to a more balanced and comprehensive approach by employing the weighted ranking method, whereby we assign a weightage to the stakeholders according to their level of influence on our business operation. The materiality matrix was attained by following these 3 simple steps:

STEP 1 Identification of material matters that have an impact on stakeholder decision-making.

STEP 2 The process continues by conducting a ranking survey based on the importance of material sustainability matters to the Group's business and to each stakeholder.

STEP 3 The materiality matrix is derived by plotting a graph using the ranking and weightage mechanism.

Based on the rankings given by the Sustainability Working Committee, we derive a materiality matrix as shown in the figure below.



5. STAKEHOLDER ENGAGEMENT

Stakeholders are people who can affect or are affected by our business operation. Regular and ongoing stakeholder engagement is essential to understand their expectations and issues of interest to the Group. Stakeholder engagement is integrated into our daily business operation to create shared value and achieve mutual success. The table below shows our stakeholders' issues of interest, how we engage with them and the frequency of each engagement method.

Stakeholder	Issues of Interest	Methods of Engagement	Frequency
Investors	• Corporate financial performance	- Annual general meetings - Financial statement	Annual Quarterly
Clients	• Competency • Innovation and technology • Workers' health and safety • Price • Response time and delivery • Reaction time to complaints and enquiries/Aftersales service (total solution)	- Face-to-face meetings - Workshop visits - Troubleshooting collaboration with clients - Product training - Final acceptance/Witness testing (results-oriented) - Corporate website	Daily/Weekly Daily/Weekly Daily/Weekly Twice a year Weekly As and when required
Employees	• Career development • Safe and heathy working environment • Compensation • Training and development • Succession planning	- OSH trainings - Group activities - Performance appraisals	As and when required Monthly Annual
Regulatory Agencies and Statutory Bodies	• Labour practices and compliance • Environmental issues • Workplace safety	- Investigation visits for accidents/ incidents - Unannounced visits - Equipment inspection (overhead crane, air compressors, etc.)	As and when required Ad hoc Annual

6. OUR MARKETPLACE

We are committed to creating a sustainable economic impact on the local community. The Group aims to maintain good business standards in complying with regulatory requirements, undertaking sound risk management and contributing to the local economy.

6.1 Ethics and Integrity

The Group is committed to the highest standards of integrity and accountability in the conduct of our business and operations. We do not condone any form of corruption in our business operation.

6.1.1 Code of Conduct

We aim to build an ethical culture shared by every employee working in the Group based on the principle of understanding right from wrong in the course of business dealings. This Code of Conduct identifies and illustrates behavioural standards adhered to by our employees in making business decisions across our operations. Conformity with this Code of Conduct enhances our profitability, secures the trust and loyalty of stakeholders and improves operational efficiency.

6.1.2 Whistleblowing Policy

The Group has a Whistleblowing Policy (the Policy) in place to ensure businesses are transacted in a fair and transparent manner. In line with the commitment to promote transparency, accountability and ethics and to ensure high standards of corporate governance is being upheld in the workplace, the Board and Management encourages its employees and external parties to report suspected and/or known instances of wrongdoing involving the Group's employees and its assets in accordance with the Policy.

Sustainability Statement

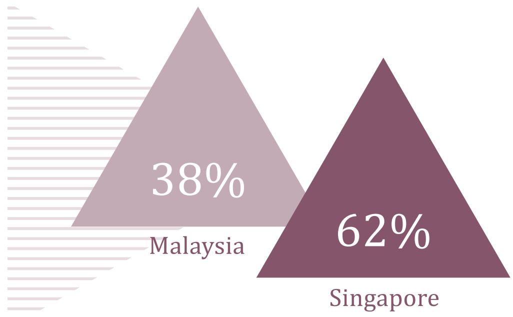
6. OUR MARKETPLACE (CONT'D)

6.2 Risk Management

An annual meeting will be held by the Risk Management Committee to identify the business-related risks of Turbo-Mech and mitigate the impact of these risks. Enterprise Risk Management is conducted to review and identify control measures for the top risks identified. The management will take immediate actions recommended by the Risk Management Committee to be well-prepared to face any incidents that might arise.

6.3 Hiring from the Local Community

All our senior managers and leaders are hired from the local community in Malaysia and Singapore. The Group prefers to tap the local talent pool as these employees better understand the local industry market and regulations, and most importantly, Turbo-Mech is able to contribute to the local economy that we operate within.



Senior Manager

7. OUR PEOPLE

It is our responsibility to provide a safe and positive workplace for our employees. We are committed to growing the strength, talent, health and well-being of employees.

7.1 Occupational Health and Safety

Turbo-Mech is committed to ensuring the health and safety of our employees. The key thrusts of our commitment are to ensure employee safety at the workplace, reduce accidents and incidents, and ensure a conducive workplace environment.

We are pleased to announce that Turbo-Mech has adopted the new international ISO 45001:2018 Occupational Health and Safety management system published in March 2018, which replaces the previous OHSAS 18001:2007 standards, to make the workplace safe for our employees. The Group obtained its ISO 45001:2018 certification on 27 February 2019, following which a total of 19 employees comprised of workshop staff (excluding contractors) and office engineers attended the training (Hearing Test) on 3 September 2018.

Safety and health is everyone's responsibility at Turbo-Mech. We actively encourage employee involvement in discussing workplace safety and health issues, for which we have established an effective workplace safety and health committee. Our Occupational Health & Safety workforce comprises a total of 32 employees, 11 of whom are Occupational Health and Safety officers.

We continuously provide training to all employees to equip them with awareness and knowledge on maintaining a safety-first culture. The table below indicates the competency-based and awareness safety training provided to our employees. The training is based on our employees' job specifications to improve their performance and ensure their competency in health and safety.

Competency-Based Training	Awareness Training
Oil & Gas Safety Passport (OGSP)	Safe Handling Forklift
Tropical Basic Offshore Safety Induction & Emergency (T-BOSIET)	Safe Handling Overhead Crane
Petronas Carigali Sdn Bhd Permit To Work (PCASB PTW)	PPE Usage & Maintenance
CIDB: Green Card	Emergency Preparedness & Response Plan
Authorised Entrant and Standby Person for Confined Space (AESP)	Emergency Responses
Working Safely at Heights (WAH)	Hand & Finger Injury
Schedule Waste Management Training	Safety in the Use of Chemicals
Rigging and Slinging Training	PTW Awareness Training

7. OUR PEOPLE (CONT'D)

7.1 Occupational Health and Safety (Cont'd)

Turbo-Mech is pleased to announce that there were no Loss Time Injuries (LTIs) recorded during the reporting period and as a Group, we endeavour to continuously monitor and benchmark our Occupational Health and Safety practices to ensure compliance with industry best practices.

We are committed to creating a safe, healthy and secure work environment, by providing platforms for the management and staff to improve the workplace and work practices. Turbo-Mech complies with applicable legal and other requirements and established Workplace Safety and Health (WSH) documented procedures to reduce risks at source and prevent or reduce unwanted incidents.

Turbo-Mech Asia Pte Ltd Health Safety Security & Environmental Policy

Management and staff commitment in providing feedbacks to improve the workplace	Analyse and derive programmes to continually improve work practices	Compliance to applicable legal & other requirements
Prevent and reduce incident through established WSH documented procedures to reduce risk at source	Prevention of pollution to the environment from our activities	Educating our staff to report suspicious activity to ensure a secure workplace

7.2 Training and Development

Our employees are the key assets of our Group that drive business excellence. We emphasise on developing employees' talent and potential by providing specific and practical training and development programmes. All trainings, whether internal or external, are beneficial to the employee for their career development.

Turbo-Mech Training Procedure

Training need Analysis
↓
Traget Group for Training
↓
Preparing Trainers
↓
Preparing Training Packages
↓
Presentation
↓
Performance
↓
Follow up

Training is carried out to ensure capable employees are given an opportunity to further develop their skills and improve their knowledge base.

An annual Training Need Analysis is conducted to assess the type of training required specific to each employee's job role and responsibility. The urgency level of each training recommended is also indicated in the Need Analysis.

Employees are divided into groups based on area of training needed, employment level and training intensity. Trainers comprise both in-house and external trainers and the performance of each employee is tracked by the trainer. The table below lists the key training provided to our employees in 2018.

Employee Training Programmes
New Blasting Machine by Abrasive Engineering
Respirator Fit Test Certificate by Mass Technologies Pte Ltd
Apply Workplace Safety and Health in Process Plant by Institute of Process Industry
Exxonmobil Contractor Orientation Checklist (COC) by Exxonmobil Safety
Air Flow Test Training ACHE Internal Training
ISO 9001 Conversion Internal Training
CHIT Certification by SMAG Complex

7. OUR PEOPLE (CONT'D)

7.3 Quality Assurance

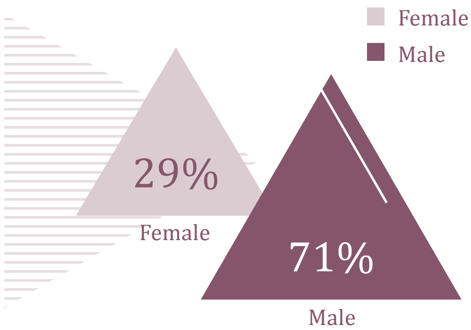
Turbo-Mech is pleased to note that we have successfully attained the ISO 9001 Quality Management System certification. The implementation of this Quality Management System ensures customer requirements are met and enhances customers' satisfaction with our engineering and maintenance services. Any gaps or non-compliances identified within the operations are addressed through the implementation of work process procedures in line with continuous improvements efforts.

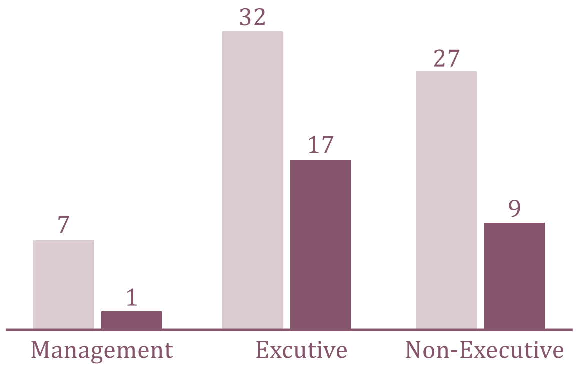
Turbo-Mech firmly believes that good service and product quality lead to customer loyalty, and as such, we conduct quarterly Customer Satisfaction Surveys to measure customers' satisfaction on delivery, product quality and service quality. Based on the outcome of our Customer Satisfaction Survey for FY 2018, the Group is proud to note that we achieved a score of 78.3% for Bayu Purnama Sdn Bhd which surpassed the target of 71% and an impressive score of 82.53% for Turbo-Mech Asia Pte Ltd.

7.4 Employee Diversity

In Turbo-Mech, we embrace diversity in the workforce. Our employees are hired based on meritocracy and we do not tolerate any form of discrimination based on culture, race, religion, age or gender.

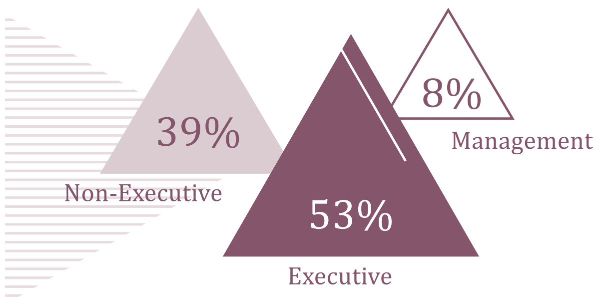
Employee Breakdown By Gender



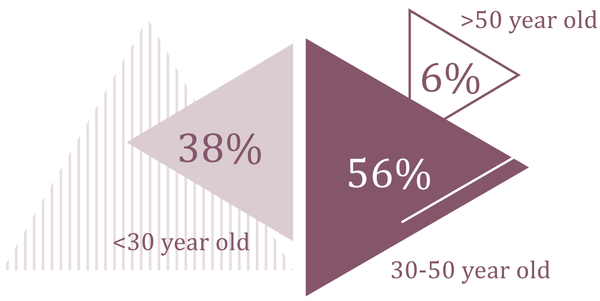


71% of our total workforce are men due to the physical nature of work at our maintenance and service centres and this is consistent with our industry sector which is largely male-dominated.

Employee Breakdown By Category



Employee Breakdown By Age



Non-executive employees and executives make up the highest percentage in the employee distribution (39% and 53% respectively) and management level employees comprise the remaining 8% of the workforce.

Employees below the age of 50 make up 94% of the Group's total employees, with the majority being under 30 years old. Only 6% of employees are above the age of 50. We strive to develop skilled and talented young people who will grow with our company. We also place importance on career succession planning to ensure that suitable candidates are trained to take over the management role.

7. OUR PEOPLE (CONT'D)

7.5 Community Engagement

As a responsible corporate citizen, Turbo-Mech endeavours to contribute to the society by catering to the needs of the underprivileged in the community. It is our aim to continuously provide aid to those in need. During this financial year, Turbo-Mech donated non-cash supplies valued at SGD5,306 to several charity organisations, the Red Cross Home for the Disabled and the Salvation Army in Singapore, among others.

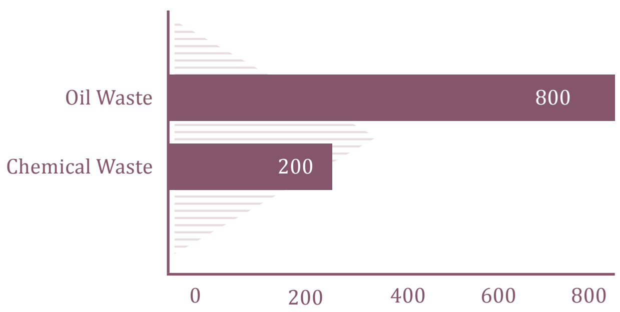
The Red Cross Home for the Disabled is a residential home for those with multiple disabilities, and operates a Day Activity Centre providing day care services. The Salvation Army, meanwhile, runs several social centres to reach out to children who need care and protection and to families in material need, as well as to provide quality nursing care for the ailing, aged and others with disabilities.

8. OUR ENVIRONMENT

Turbo-Mech aims to move beyond compliance to ensure environmental sustainability. We are committed to minimising our environmental impact by proper waste management and ensuring energy efficiency throughout our business operation.

8.1 Waste Management

Turbo-Mech is aware of the disastrous consequences of improper waste management to the environment and the community. In view of this, we place great importance in disposing of our scheduled waste responsibly by engaging proper scheduled waste management contractors registered under the Department of Environment Malaysia and the National Environment Agency in Singapore. The graph below shows the volume of scheduled waste disposed of by Turbo-Mech in FY 2018.



8.2 Energy Efficiency

Turbo-Mech is actively putting in efforts to reduce our electricity consumption which will in turn minimise our carbon footprint. Among our implemented energy-saving initiatives are turning off electrical appliances when not in use, monitoring electricity bills, and retrofitting LED lights in all the restrooms for energy efficiency improvements.

9. CONCLUSION

Sustainability is a long-term goal that defines our business model and advances from limited practice among eco-friendly business leaders. Sustainability reporting allows us to identify business risks that were previously overlooked and alerts the management to business opportunities related to new markets, products and services. We incorporate our frameworks and sustainable practices to showcase our progression towards transparency and accountability in a sustainable business. While our sustainability report is still maturing, we are devoted to improving our reporting methods and establishing more structured data to ensure that the published report gives a comprehensive picture of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board of Directors ("the Board") of Turbo-Mech Berhad ("Turbo" or the "Company") and its subsidiaries (hereinafter referred to as the "Group") recognises the importance of good corporate governance and is fully committed to maintain the highest standards in corporate governance practices, professionalism and integrity in driving the Company to safeguard and enhance shareholders' value and performance of the Group. The Board believes that good corporate governance is in delivering shareholders' value.

This Corporate Governance Overview Statement provides the summary of the Company's corporate governance practices during the financial year with reference to the three (3) principles set out in the Malaysian Code on Corporate Governance ("MCCG").

This Corporate Governance Overview Statement is to be read together with a Corporate Governance Report ("CG Report"), which is prepared based on a prescribed format as outlined in Paragraph 15.25(2) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The CG Report which provides the detailed application of the Company's corporate governance practices against the MCCG during the financial year can be downloaded from the Company's website at http://www.turbomech.com.my/corporate-governance.php as well as via an announcement on the website of Bursa Securities.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

1. Clear roles and responsibilities

The Board is accountable and responsible for the overall performance and affairs of the Group by overseeing and appraising the Group's strategies, policies and performance.

The Board assumes, amongst others, the following duties and responsibilities:-

a. Review and adopt a strategic plan for the Group, addressing the sustainability of the Group's business;
b. Oversee the conduct of the Group's business;
c. Identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures;
d. Succession planning for senior management;
e. Oversee the development and implementation of a shareholder communication policy for the Group; and
f. Review the adequacy and the integrity of the management information and risk management and internal controls system of the Group.

The Board is guided by a Board Charter which sets out the duties and responsibilities of the Board. The Board Charter serves as a reference point for Board's activities and promotes good corporate governance. The Board reviews its Board Charter periodically and updates the Board Charter to ensure it complies with legislations and best practices, and remains relevant and effective in light of the Board's objectives. The Board Charter is made available on the Company's website at www.turbomech.com.my.

The Directors are to devote sufficient time and effort to carry out their responsibilities. It is also the Board's policy for Directors to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements allow a Director to sit on the boards of 5 listed issuers.

The Board is mindful of its role to establish a corporate culture which inculcates ethical conduct that permeates throughout the Group. Accordingly, the Board had formalised a Code of Conduct for Directors and Employees. The Board has also established Whistleblowing Policy to foster an ethical culture throughout the Company and allow legitimate ethical concerns to be raised in confidence without the risk of reprisal. The Code of Conduct and Whistleblowing Policy are reviewed periodically by the Board. These policies are available on the Company's website at www.turbomech.com.my.

2. Separation of positions of the Chairman and Chief Executive Officer

There is a clear division of responsibilities between the Chairman and Chief Executive Officer cum Executive Director for ensuring there is a balance of power and authority in the Company. The Chairman is responsible for the effective functioning of the Board. He is responsible for the implementation of the Board's policies and decisions. Whilst, the Chief Executive Officer cum Executive Director is responsible for managing the day-to-day business operations of the Group with powers, discretions and delegations authorised from time to time by the Board.

The detail of the responsibilities of the Chairman and Chief Executive Officer is clearly set out in the Board Charter.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. BOARD RESPONSIBILITIES (CONT'D)

3. Supply of and Access to Information

All Directors have full and unrestricted access to all information pertaining to the Group's businesses and affairs in a timely manner to enable them to discharge their duties effectively.

The Board meets on a scheduled basis, at least four (4) times a year to oversee and monitor the development of the Group. Additional meetings will be held on ad-hoc basis to deliberate on matters requiring its immediate attention. All information with regards to the agenda and Board papers are circulated seven (7) days prior to the meetings to give Directors sufficient time to deliberate on issues to be raised at the Board meetings.

4. Supported by Competent Company Secretaries

The Board is supported by qualified and competent Company Secretaries. The Directors have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively.

The Board is also regularly updated and kept informed of the latest developments in the legislation and regulatory framework affecting the Group and are advised on the proposed contents and timing of material announcements to be made to regulatory authorities.

The Company Secretaries attended all Board and Board Committee meetings and are responsible for ensuring the meeting procedures are followed including disseminating complete and accurate meeting materials in a timely manner to allow Board members to have sufficient time to review the relevant documents prior to meetings. The Company Secretaries also facilitate the communication of key decisions and policies between the Board, Board Committees and Management.

The information of the Company Secretaries' qualification can be found in Corporate Information of this Annual Report.

II. BOARD COMPOSITION

1. Board Composition and Balance

The strength of the Board lies in the composition of its members. The current members of the Board have a wide range of expertise, extensive experience and come from diverse backgrounds. The Board currently comprises two (2) Executive Directors (including the Executive Chairman and Chief Executive Officer cum Executive Director), two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors.

The composition of the Board complies with Paragraph 15.02(1) of the MMLR. The Board is therefore of the opinion that the interests of shareholders of the Company are fairly represented through the current composition of the Board and its size constitutes an effective Board to the Company. The wide spectrum of knowledge, skills and experience of the Board members strengthen the leadership which is necessary for the stewardship of the Group. The profiles of each Director are presented on pages 11 to 13 of this Annual Report.

The current composition of the Board reflects the current shareholding structure of the Company. Although the Board does not comprise at least 50% of Independent Directors as recommended in the MCCG, the Independent Directors together with the Chairmen of Audit Committee and Nomination Committee who are both Independent Non-Executive Directors are able to exercise strong independent judgment and provide independent views and advices to all Board deliberations.

The presence of Independent Non-Executive Directors also safeguards the interest of the stakeholders in ensuring that the highest standard of conduct and integrity are maintained. Their role is to ensure that any decision of the Board is deliberated fully and objectively with regard to the long term interest of all stakeholders.

During the financial year under review, the Board via the Nomination Committee assessed the independence of its Independent Non-Executive Directors and found them to be independent and objective during Board's deliberations and none of the Independent Directors has served more than a cumulative term of 9 years.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

1. Board Composition and Balance (Cont'd)

The Board recognises the importance of having a Senior Independent Non-Executive Director to serve as a sounding board for the Chair and as an effective conduit for other Independent Directors to voice their concern. The Board has identified Encik Azhar Bin Mohamad, who is also the Chairman of the Nomination Committee as the Senior Independent Non-Executive Director of the Company. His duties would typically include the following:-

a. Serve as a Chairman of the Nomination Committee;
b. Ensure all Independent Directors have an opportunity to provide input on the agenda and advise the Chairman on the quality, quantity and timeliness of the information submitted by the Management that is necessary or appropriate for the Independent Directors to perform their duties effectively; and
c. Serve as a designated contact for consultation and direct communication with the shareholders on areas that cannot be resolved through the normal channels of contact with the Chairman or Chief Executive Officer.

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board upon recommendation from the Nomination Committee with due consideration given to the mix of expertise, experience, character, integrity and knowledge required for an effective Board.

In accordance with the Company's Constitution, all Directors who are appointed by the Board are subject to re-election by the shareholders at the next Annual General Meeting ("AGM") subsequent to their appointment. At least one third (1/3) of the Directors are required to retire from office by rotation annually and subject to re-election at each AGM. All Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election.

At this forthcoming 10th AGM, Mr Gan Kok Ten and Mr Tam Juat Hong shall retire from office and be eligible for re-election pursuant to Constitution of the Company. Their profiles are set out in the section on Directors' Profile of this Annual Report.

2. Directors' Commitment

The Board endeavors to meet at least four (4) times a year, at quarterly intervals which are scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company as most of the Directors had attended all the Board Meetings during the financial year under review. Additional meetings are convened where necessary to deal with urgent and important matters that require attention of the Board.

All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries.

The Board met four (4) times during the financial year under review. The details of Directors' attendance are set out as follows:-

Director	Attendance				Total	Percentage (%)
	26th Feb	21st May	20th Aug	19th Nov		
Gan Kok Ten *Executive Chairman/Chief Financial Officer*	√	√	√	√	4/4	100
Nasaruddin Bin Mohamed Ali *Executive Director and Chief Executive Officer*	√	√	√	√	4/4	100
Omar Bin Mohamed Said *Non-Independent Non-Executive Director*	√	√	X	√	3/4	75
Chan Bee Eie *Non-Independent Non-Executive Director*	√	√	√	√	4/4	100
Tam Juat Hong *Independent Non-Executive Director*	√	√	√	√	4/4	100
Azhar Bin Mohamad *Senior Independent Non-Executive Director*	√	√	√	√	4/4	100

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

3. Board Committees

To assist in the discharge of its duties and responsibilities, the Board has established the following Board Committees to perform certain of its functions and to provide recommendations and advice:

- Audit Committee;
- Nomination Committee;
- Remuneration Committee; and
- Risk Management Committee.

Each Committee operates its functions within their approved terms of reference by the Board which are periodically reviewed by the Board and the Board appoints the Chairman and members of each Committee.

All Board Committees have written terms of reference which are approved by the Board. The respective Chairmen of the Board Committees report to the Board accordingly subsequent to the respective Committee meetings. The ultimate responsibility for decision making lies with the Board.

a. Audit Committee

The details of the Audit Committee are set out in Audit Committee Report on pages 36 to 38 of this Annual Report.

b. Nomination Committee

The Nomination Committee consists of three members, the majority of whom are Independent Non-Executive Directors. During the year under review, the committee met once and the attendance record is tabulated as follows:-

Director	Designation	Attendance	Total
		26th Feb	
Azhar Bin Mohamad (Chairman of Nomination Committee)	Senior Independent Non-Executive Director	√	1/1
Chan Bee Eie	Non-Independent Non-Executive Director	√	1/1
Tam Juat Hong	Independent Non-Executive Director	√	1/1

The authorities, functions and responsibilities of the Nomination Committee are set out in its terms of reference, which is available on the Company's website at www.turbomech.com.my.

The main objectives of the Nomination Committee are to review, recommend and consider candidates for appointment to the Board based on skills and experience, to assess the effectiveness and continually seek ways to upgrade the effectiveness of the Board as a whole and the Committees of the Board. It also assesses the contribution of each Director, executive or independent non-executive. In evaluating candidates for directorship, the Nomination Committee will consider based on the following criteria:-

- Mix of skills, experience and diversity;
- Character, integrity, knowledge and expertise;
- In the case of independent directors, their abilities to discharge their responsibilities and functions. The independent directors who have served the Company for an aggregate of more than nine (9) years will submit themselves for retention with justifications at every annual general meeting.

The Board does not specify any gender policy in its evaluation of candidacy as the focus is on skills, experience, character, knowledge, time commitment and integrity. However, the evaluation will be reviewed and revised from time to time to meet the needs of the Company.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

3. Board Committees (Cont'd)

c. Remuneration Committee

The Remuneration Committee consists of three members, the majority of whom are Non-Executive Directors. During the year under review, the committee met once and the attendance record is tabulated as follows:-

Director	Designation	Attendance	Total
		26th Feb	
Chan Bee Eie (Chairperson of Remuneration Committee)	Non-Independent Non-Executive Director	√	1/1
Omar Bin Mohamed Said	Non-Independent Non-Executive Director	√	1/1
Azhar Bin Mohamad	Senior Independent Non-Executive Director	√	1/1

The Remuneration Committee is responsible for reviewing, considering and recommending the following matters to the Board for its approval:-

i. The framework of Executive Directors' remuneration and the remuneration package for each Executive Director drawing from outside advice as necessary;
ii. Any performance related pay schemes for Executive Directors;
iii. Executive Directors' scope of service contracts; and
iv. Appointment of the service of such advisers or consultants as it deems necessary to fulfill its functions.

The Remuneration Committee reviewed the reward scheme, remuneration package for Executive Directors and directors' fees for Non-Executive Directors.

d. Risk Management Committee

The Risk Management Committee consists of four members. During the year under review, the committee met once and the attendance record is tabulated as follows:-

Director	Designation	Attendance	Total
		19th Nov	
Gan Kok Ten (Chairman of Risk Management Committee)	Executive Chairman/Chief Financial Officer	√	1/1
Nasaruddin Bin Mohamed Ali	Executive Director/Chief Executive Officer	√	1/1
Omar Bin Mohamed Said	Non-Independent Non-Executive Director	√	1/1
Tam Juat Hong	Independent Non-Executive Director	√	1/1

The responsibilities of the Risk Management Committee are as follows:-

a. Review the effectiveness of the Group's risk management activities;
b. Ensure the implementation of the objectives outlined in the Risk Management Policy and compliance with them;
c. Evaluate the process of the Group has in place for assessing and continuously improving internal controls and systems, particularly those related to areas of significant business risk;
d. Review risk management reports particularly the significant risk observations and risk response and ensure that appropriate action plan is in place to mitigate the risk;
e. Report to the Board any significant risk observations that warrants the Board's attention;
f. Report and update the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals;
g. Review the adequacy and effectiveness of risk management, internal control and governance systems put in place in the Group, including information technology security and control and to evaluate the systems with the internal and external auditors;
h. Work with Management and Internal Auditors in the preparation of the Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report and to recommend the same for the approvals of the Board;
i. Consider the appointment of the service of such advisers or consultants as it deems necessary to fulfill its functions; and
j. All other matters delegated by the Board.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

4. Continuing Education and Development

In addition to the Mandatory Accreditation Programme as required by Bursa Securities, the Nomination Committee and Directors will continue to identify and attend appropriate seminars, conferences and courses to keep abreast of changes in market, legislations and regulations affecting the Group. The Directors are also committed to continue to undergo other relevant training programmes and seminars whether in-house or external to keep abreast with the developments of the business environment and further enhance their skills and knowledge.

During the financial year ended 31 December 2018, the Directors have attended various training programmes and seminars, amongst others, the following:-

Director	No.	Title	Organiser	Date
Gan Kok Ten	1	Launch of Institute of Corporate Directors Malaysia	Securities Commission	1-Oct-18
	2	Technical, Engineering and Sales training program in 1st SEA sales meeting in Jakarta	Daido Machinery Corporation	22-Nov-18
Nasaruddin Bin Mohamed Ali	1	Advocacy Programme on CG Assessment using the Revised Asean CG Scorecard Methodology	MSWG	9-Aug-18
	2	Impact of AI on Shareholder Value & Market Performance, "What Every Listco Needs to Know"	MIRA	8-Nov-18
Tam Juat Hong	1	Cryptocurrency , Blockchain & Beyond-A cautionary	SIDC	29-Mar-18
	2	Alternative Lending-P2P and Islamic Financing	MIA	22-Mar-18
	3	Impact of AI on Shareholder Value & Market Performance, "What Every Listco Needs to Know"	MIRA	15-Nov-18
Azhar Bin Mohamad	1	Insurance Industry Overview & Roles and Responsibilities of Directors	Malaysia Insurance Institute (MII)	5-Jun-18
	2	Board's Responsibilities on Financial Management and Reports of the Company, and Understanding Financial Reports and Indicators	Malaysia Insurance Institute (MII)	14-Aug-18
	3	Principles, Codes and Rules on Governance, Risk Management and Compliance - Oversight and Action Plans for Board	Malaysia Insurance Institute (MII)	30-Oct-18
	4	Corporate Strategic Analytics I: Essentials of Corporate Proposal Analysis	Securities Industry Development Corporation (SIDC)	28-Apr-18
	5	China's Belt and Road Initiative: Impact on Malaysian Capital Market	CHK Consultancy Sdn Bhd	19-Jul-18
	6	Breakfast Series: Non-Financials - Does It Matter?	ICLIF	5-Dec-18
Omar Bin Mohamed Said	1	Breakfast Series: Companies of the Future - The Role for Board	Institute of Corporate Directors Malaysia (ICDM)	4-Dec-18
Chan Bee Eie	1	Intelligent automation for finance and accounting	HKICPA	23-Nov-18

The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time and updated the Board on the same at Board meetings. The External Auditors also briefed the Board members on any current and future changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

5. Board Assessment and Annual Evaluation

The Nomination Committee reviews annually the required mix of skills and experience of Directors; effectiveness of the Board as a whole; succession plans and boardroom diversity, including gender, age, ethnicity, diversity; training courses for Directors and other qualities of the Board, including core-competencies which Non-Executive Directors should bring to the Board.

The evaluation of the suitability of candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. The assessment and comments by Directors are summarized in a questionnaire regarding the effectiveness of the Board and its Board Committees and discussed at the Nomination Committee meeting and reported at the Board Meeting by the Nomination Committee Chairman.

During the financial year, the Nomination Committee has undertaken the following key activities:-

- Reviewed and assessed the mix of skills and experience and size of the Board, contribution of each Director and effectiveness of the Board and Board Committees;
- Reviewed and assessed the character, experience, integrity and competence of the Board and the CEO to ensure they have the time to discharge their respective roles;
- Assessed the overall Board and the Board Commitees' performance and effectiveness as a whole;
- Reviewed and assessed the independence of Independent Directors and their tenure of service;
- Assessed Directors' training needs to ensure all Directors receive appropriate continuous training programmes; and
- Reviewed and assessed the term of office and performance of the Audit Committee and each of its members.

All assessments and evaluations carried out by the Nomination Committee were properly documented.

In its assessment, it was concluded that the Board's size is conducive for effective discussion and decision-making and the Board is satisfied that it has an appropriate balance of expertise, skills, and attributes among the Directors including relevant core competencies.

III. REMUNERATION

Board Remuneration

The objective of the Group is to ensure that the Group attracts and retains caliber Directors needed to run the Group successfully. The Executive Directors are to be appropriately rewarded giving due regard to the corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

The Directors' fees and benefits payable to Directors are subject to shareholders' approval at the Annual General Meeting ("AGM").

Details of Directors' remuneration (both the Company and the Group) who served during the financial year ended 31 December 2018 are as follows:-

The Group

Category	Remuneration					
	Fees (RM)	Salary (RM)	Bonus (RM)	Benefits-in-kind (RM)	Emoluments (RM)	Total (RM)
Executive Directors						
Gan Kok Ten	-	233,257	34,988	45,537	-	313,782
Nasaruddin Bin Mohamed Ali	20,000	-	-	-	-	20,000
Non-Executive Directors						
Omar Bin Mohamad Said	18,000	-	-	-	5,000	23,000
Chan Bee Eie	18,000	-	-	-	10,000	28,000
Azhar Bin Mohamad	18,000	-	-	-	10,000	28,000
Tam Juat Hong	18,000	-	-	-	10,000	28,000
Total	**92,000**	**233,257**	**34,988**	**45,537**	**35,000**	**440,782**

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. REMUNERATION (CONT'D)

Board Remuneration (Cont'd)

The Company

Category	Remuneration					
	Fees (RM)	Salary (RM)	Bonus (RM)	Benefits-in-kind (RM)	Emoluments (RM)	Total (RM)
Executive Directors						
Gan Kok Ten	-	-	-	-	-	-
Nasaruddin Bin Mohamed Ali	20,000	-	-	-	-	20,000
Non-Executive Directors						
Omar Bin Mohamad Said	18,000	-	-	-	5,000	23,000
Chan Bee Eie	18,000	-	-	-	10,000	28,000
Azhar Bin Mohamad	18,000	-	-	-	10,000	28,000
Tam Juat Hong	18,000	-	-	-	10,000	28,000
Total	**92,000**	**-**	**-**	**-**	**35,000**	**127,000**

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Audit Committee comprises all non-executive directors and majority of its members are independent directors, and all of them are financial literate and have sufficient understanding of the Group's business. Mr Tam Juat Hong is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. The Audit Committee therefore meets the requirements of Paragraph 15.09(1)(b) and (c) of the MMLR.

The composition of Audit Committee, including its roles and responsibilities, number of meetings and attendance of Audit Committee, summary of Audit Committee activities and Internal Auditors' activities during the financial year under review were set out in the Audit Committee Report on pages 36 to 38 of this Annual Report.

The Chairman of the Audit Committee is not the Chairman of the Board, ensuring that the impairment of objectivity on the Board's review of the Audit Committee's findings and recommendation remains intact.

The Audit Committee's terms of reference sets out its goals, objectives, duties, responsibilities and criteria on the composition of the Audit Committee which includes a former key audit partner of the Group to observe a cooling-off period of at least two (2) years before being able to be appointed as a member of the Audit Committee.

The Board maintains good and professional relationship with the external and internal auditors through the Audit Committee's discussion with them their audit plans, audit findings and financial statements. The Audit Committee invites the external auditors at least twice a year to discuss their findings and audited financial statements of the Group. The Audit Committee also met with the External Auditors, Messrs Ernst & Young twice during the financial year ended 31 December 2018 without the presence of the Executive Directors and Management.

The Board upholds the integrity of financial reporting by the Company and has established procedures, via the Audit Committee, in assessing the suitability and independence of the External Auditors. Such procedures entail the provision of written assurance by the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants. The Board has determined that the provision of non-audit services contracts which cannot be entered into with the external auditors include management consulting, policy and standard operating procedures documentation, strategic decision and internal audit.

The Audit Committee carried out an assessment of the performance and suitability of the External Auditors based on the quality of services, sufficiency of resources, adequacy of resources and trained professional staff assigned to the audit. The Audit Committee is generally satisfied with the independence, performance and suitability of the External Auditors based on the assessment and recommended to the Board and subsequently proposed to shareholders for approval for the re-appointment of Messrs Ernst & Young as External Auditors of the Company for the financial year ending 31 December 2019.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board established a Risk Management Committee to oversee the Company's risk management framework and policies.

The Board acknowledges the importance of maintaining a sound system of risk management and internal control to safeguard and enhance the value of the Company's shareholders and affirms its overall responsibility for the Group's risk management, and for reviewing the adequacy and integrity of the Group's risk management framework which encompasses all subsidiaries of the Group. The Board has established an internal audit function that reports directly to the Audit Committee. This internal audit function is outsourced to an independent professional firm, UHY Advisory (KL) Sdn. Bhd.. The functions of the internal auditors are to ensure that adequate system of internal controls exist to assist the management to address operational, regulatory and financial risks.

Further information can be found in the Statement of Risk Management and Internal Control on pages 33 to 35 of this Annual Report.

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

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of maintaining good relationship with both the shareholders and other stakeholders and will take the responsibility to always improve the communication with the shareholders and the stakeholders. As such, the Board is committed to disseminate all important information on the Group's performance and operations timely and adequately. Information is communicated through the following channels:-

a. The Annual Report; and
b. The various disclosures and announcements made to Bursa Securities including the quarterly results and annual results.

The Board supports the use of information technology for effective dissemination of information. The Company has established a website at www.turbomech.com.my, which is served as a useful reference source of information to shareholders, business partners and other stakeholders. In addition to publishing financial results, annual reports and business information, the website has dedicated Corporate Governance sections which included the Board Charter, Terms of Reference of Board Committees, Code of Conduct and Whistleblowing Policy.

II. CONDUCT OF GENERAL MEETING

The AGM is the principal forum for dialogue with shareholders, allowing shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. The Chairmen of the Audit Committee, Nomination Committee and Remuneration Committee were present at the last AGM. All Directors will attend the upcoming AGM, which shall provide shareholders the opportunities to enquire the Directors in person on the Company's performance and operations.

In line with the MMLR, the Company has implemented and will continue to implement poll voting for all proposed resolutions set out in the notice of any general meeting. An independent scrutineer will also be appointed to validate the votes cast at any general meeting of the Company.

To ensure shareholders have sufficient time to go through the Annual Report, it is circulated at least twenty-eight (28) clear days before the date of the AGM. Shareholders are encouraged to vote on the proposed motions by appointing a proxy in the event they are unable to attend the meeting.

Notice of the 9th AGM was circulated more than twenty-eight (28) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed, which is in line with Section 316(2) of Companies Act 2016, Paragraph 7.15 of the MMLR and the MCCG. Notice of AGM was also circulated in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities. This allows shareholders to have immediate access of the notice of AGM and make the necessary preparations for the AGM. The Company will continue to circulate Notice of 10th AGM at least twenty-eight (28) days prior to the meeting.

The outcome of all resolutions proposed at the previous AGM was announced to Bursa Securities at the end of the meeting day while the Minutes of the previous AGM were published on the Company's website as soon as practicable after the conclusion of the AGM.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under the Companies Act 2016 ("Act"), the Directors on page 44 of this Annual Report have made a statement expressing an opinion on the financial statements. The Board is of the opinion that the financial statements have been drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act 2016 so as to give a true and fair view of the financial position of the Company and the Group for the financial year ended 31 December 2018.

In the process of preparing these financial statements, and other than as disclosed in the notes to the financial statements, the Directors have reviewed the accounting policies and practices to ensure that they were consistently applied throughout the year. In cases where judgment and estimates were made, they were based on reasonableness and prudence.

The Board has also taken all such necessary steps to ensure that proper internal controls are in place to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

The Company did not raise any funds through any corporate proposals during the financial year.

2. Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for the services rendered to the Company and the Group by the External Auditors during the financial year under review were as follows:-

	Company (RM'000)	Group (RM'000)
Audit Services	75	274
Non-audit services	10	10
Total	**85**	**284**

3. Material Contracts

There were no material contracts entered by the Company and its subsidiaries involving the interests of the Directors, Chief Executive who is not a Director or major shareholders during the financial year ended 31 December 2018.

4. Key Senior Management

Save for the Chief Executive Officer and Chief Financial Officer, who are also the Directors of the Company, there is no other key senior management.

5. Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")

The breakdown of the aggregate value of the RRPT conducted pursuant to the shareholders' mandate obtained at the 9th AGM held on 21 May 2018 was as follows:-

No	Related Party	Company within the Group	Type of Recurrent Transactions	Interested Related Parties (*)	Amount transacted during the financial year (RM)
1	Bayu Purnama Sdn Bhd	Turbo-Mech Asia Pte Ltd	Sales of pump parts to Bayu Purnama Sdn Bhd	<u>Interested Director</u> - Omar Bin Mohamed Said <u>Interested Persons Connected to Director</u> - Salmiah Binti Jantan - Hamimah Binti Mohamed Said - Hamizah Binti Mohamed Said	71,221

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

5. Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT") (Cont'd)

Note (*) The nature of the relationships and extent of the interest of the Related Parties are as follows:-

a. Bayu Purnama Sdn Bhd is a 42.5% associated company of TMB.
b. The family relationships of the Related Parties are as follows:-

Mother	- Salmiah Binti Jantan
Son	- Omar Bin Mohamed Said
Daughters	- Hamimah Binti Mohamed Said and Hamizah Binti Mohamed Said

c. Hamimah Binti Mohamed Said is a director of Bayu Purnama Sdn Bhd.
d. The Related Parties' shareholding in Bayu Purnama Sdn Bhd is as follows:-

Related Parties	Direct	Indirect	Total %
Salmiah Binti Jantan	-	-	-
Omar Bin Mohamed Said	-	-	-
Hamimah Binti Mohamed Said	2,550,000	-	51.0
Hamizah Binti Mohamed Said	-	-	-

e. Salmiah Binti Jantan, Omar Bin Mohamed Said, Hamimah Binti Mohamed Said and Hamizah Binti Mohamed Said are deemed interested by virtue of their family relationships with each other.
f. The direct and indirect interest of the interest Director and persons connected to him are as follows:-

Related Parties	Direct		Indirect	
	No. of Shares in the Company	%	No. of Shares in the Company	%
Interested Director				
Omar Bin Mohamed Said	-	-	-	-
Persons Connected				
Salmiah Binti Jantan	2,827,564	2.62	-	-
Hamimah Binti Mohamed Said	50,000	0.05	-	-
Hamizah Binti Mohamed Said	50,000	0.05	-	-

This Statement is made in accordance with a resolution of the Board dated 8 April 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to paragraph 15.26 (b) of the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MAIN Market and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), the Board of Directors of Turbo-Mech Berhad ("the Company") is pleased to include a statement on the state of the Group's risk management and internal controls in this annual report. This Statement has outlines the nature and scope of risk management and internal control of the Group and covers all of the Group's operations except for associate companies.

BOARD'S RESPONSIBILITIES

The Board acknowledges the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board recognises its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, the Board has also received assurance from the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such system put into effect by Management is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatement of financial information, financial losses or irregularities.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements of the Group's risk management and internal control system that have been established to facilitate the proper conduct of the Group's businesses are described below:

1. RISK MANAGEMENT SYSTEM

The Board maintains an ongoing commitment to strengthen the Group's risk management framework. The Board delegate oversight of risk management to Risk Management Committee. The overall risk management practice of the Group involves an ongoing process designed to identify the principal risks to the achievement of the Group's policies, goals and objectives; to evaluate the nature and extent of those risks; and proactively manage these risks efficiently, effectively and economically. To this end, the Board has engaged external consultants to assist in the development of a formal risk management framework and to facilitate the identification and assessment of the Group's principal risks.

The Board had embedded in the Group a monitoring and reporting process to continuously identify, assess and manage the principal risks in a formal manner, which would entail establishing procedures for reporting and monitoring of risk and controls. These initiatives would ensure that the Group has in place an ongoing process for identifying, evaluating, monitoring and managing the principal risks that affects the achievement of its business objectives.

Risk identification, evaluation and managing process:-

The risks are identified through day-to-day operations by the key personnel and management of the Group, which is then incorporated into Risk Management Report that includes details on the nature of the risk as well as the severity and probability of an occurrence.

The risk identification process includes consideration of both internal and external environmental factors. External environmental factors include political, economic, social technological, legal and environment changes. Internal factors include changes in key personnel, introduction of new or revision of existing policies and procedures.

Next, the risks identified are evaluated by examining the potential impact on the Group if a risk was to crystallise, as well as the likelihood of occurrence. The impact is rated on a scale of 1 to 3, 1 to indicate the lowest impact and 3 to indicate the highest impact. The likelihood of a risk crystallising is rated on a scale of 1 to 3, 1 to indicate lowest probability and 3 indicate the highest probability. The risk level shall be rated low, moderate, significant or high and be determined according to the Risk Analysis Matrix.

Statement on Risk Management and Internal Control

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

1. RISK MANAGEMENT SYSTEM (Cont'd)

The identified risks can be categorized into below according to their potential impact on the Group:

- Financial Risks
  These risks relate to the financial structure of the business, including transactions with third parties as well as other finance-related arrangements or issues.

- Operational Risks
  These risks concern the execution of day-to-day activities or functions of the company, which may include the risk of loss arising from the failures of the internal systems or the people who operate these functions.

- Reputational Risks
  This is a risk of loss resulting from damages to the company's reputation, lost of revenue; increased operating, capital or regulatory costs; or destruction of shareholders' value and the company's assets, consequent to an adverse or potentially criminal event even if the company is not found guilty.

- Strategic Risks
  These risks may arise from the formulation of strategy, the implementation of business decisions or potential uncertainties concerning the objectives of the Group.

All risks identified are documented in the Risk Management Report, and submitted for notation by the Board and Risk Management Committee. The Risk Management Report serves as a tool for heads of departments or business units to manage key risks applicable to their areas of business activities on a continual basis.

All key risks are reviewed and monitored by the Management team. Through these mechanisms, key risks identified in the Risk Management Report are assessed in a timely manner and control procedures or mitigating factors are re-evaluated accordingly in order to ensure that the key risks are mitigated to an acceptable level.

During the financial year, assessment process on risk management was conducted and attended by Executive Directors and key management personnel. Key business risks were categorised to highlight the source of the risk, its scoring to reflect the impact of the risk and the likelihood of its occurrence. The assessment process took into account all aspects of the businesses and its internal control framework, including risk assessment, the control environment and control activities, information and communication and monitoring procedures. Yearly reviews were conducted to determine existence of new risk and whether the risks previously identified remained relevant. Necessary action will be taken to remedy any significant failings or weaknesses identified from the assessment.

2. INTERNAL CONTROL SYSTEM

- Board of Director and Audit Committee
  The Board and Audit Committee meet at least four times during the financial year to ensure that the Directors maintain effective control on all significant and operational issues.

- Organisation Structure & Authorisation Procedures
  The Group maintains a formal organizational structure that includes clear delegation of responsibilities and accountability. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures to enhance the internal control system of the Group's various business units. The procedures include the establishment of authority limit for all aspects of the business, which is subject to periodic review throughout the year as to their implementation and for their continuing suitability.

- Periodical and/or Annual Budget
  An annual budget is prepared by Management and tabled to the Board for approval. Periodic monitoring is carried out to measure the actual performance against budget to identify significant variances and devise remedial action plans.

- Group Policies and Procedures
  Documented policies and procedures are in place and are regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the Group's business activities at all times as the Group continues to grow.

- Human Resource Policy
  Comprehensive guidelines on employment and retention of employees are in place to ensure that the Group has a team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

2. INTERNAL CONTROL SYSTEM (Cont'd)

- Information and Communication
  Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

- Monitoring and Review
  Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. Monthly management accounts containing key financial results, operational performance and comparison of actual performance against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board for their review, consideration and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.

  The Group has also exercised its significant influence over its associated company by obtaining, monitoring and reviewing the management accounts of its associated company, which contains key financial results, operational performances and comparison of actual performances against budgets on a monthly basis.

3. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional services firm, to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 December 2018, an internal audit review was carried out in accordance with the risk-based internal audit plan approved by the Audit Committee. Risk- based Internal Audit methodology was adopted, which entails focusing on the inherent risk involved in the activities or system and providing assurance that the risk is being managed by the Management within the defined risk appetite level.

The results of the internal audit reviews, recommendations for improvements, and corrective measures implemented or planned were deliberated during the Audit Committee meetings. Minutes of the Audit Committee meetings that recorded the deliberations were then presented to the Board.

The total cost incurred for the internal audit function of the Group in respect of the financial year ended 31 December 2018 amounted to RM16,000.

In addition, follow up review was conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

REVIEW OF STATEMENT BY EXTERNAL AUDITOR

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement on Risk Management & Internal Control for inclusion in the Annual Report of the Group for the year ended 31 December 2018. Their review was performed in accordance with recommended AAPG 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants and reported to the Board that nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

CONCLUSION

The Board is of the view that the Group's system of internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control and risk management framework.

The Board is satisfied on the adequacy and effectiveness of the Group's on-going process for identifying, evaluating, controlling and managing the risks of business, including the scope and frequency of reports on both risk management and internal control that are received and reviewed during the year by the Audit Committee and Risk Management Committee and the Board, important risk and control matters discussed and associated actions taken by the Management.

The statement does not extend to its associate companies.

This statement was approved by the Board of Directors on 8 April 2019.

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") of Turbo-Mech Berhad ("Turbo" or "the Company") is pleased to present the report on the Audit Committee for the financial year ended 31 December 2018.

1. COMPOSITION AND ATTENDANCE

The Audit Committee met 4 times during the financial year on 26 February 2018, 21 May 2018, 20 August 2018 and 19 November 2018. During the financial year, the Audit Committee comprises the following members:-

Members	Designation	No. of Meetings Attended
Tam Juat Hong *(Chairman of Audit Committee)*	Independent Non-Executive Director	4/4
Chan Bee Eie	Non-Independent Non-Executive Director	4/4
Azhar Bin Mohamad	Senior Independent Non-Executive Director	4/4

The Audit Committee comprises all non-executive directors and majority of its members are independent directors. Mr Tam Juat Hong is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. The Audit Committee therefore meets the requirements of Paragraph 15.09(1)(b) and (c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

2. ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board in fulfilling its statutory and fiduciary responsibilities of monitoring the Turbo Group's management of its financial risk processes, accounting and financial reporting practices, ensuring the efficacy of the Group's system of internal control and in maintaining oversight of both the internal and external audit functions.

A detailed terms of reference of the Audit Committee has been drawn up and approved by the Board and this is available on the Company's website at www.turbomech.com.my. The terms of reference of the Audit Committee is reviewed regularly. Any revision or amendment shall form part of terms of reference and shall be considered duly revised or amended. The terms of reference of the Audit Committee was last reviewed on 29 March 2018.

3. REVIEW OF THE PERFORMANCE OF THE AUDIT COMMITTEE

The Board through its Nomination Committee had performed an annual review and assessment of the term of office and performance of Audit Committee to assess the Audit Committee's effectiveness in carrying out its duties as set out in the terms of reference. The Board was satisfied that the Audit Committee has effectively discharged its duties in accordance with the terms of reference for the financial year under review.

4. RETIREMENT AND RESIGNATION

In the event of any vacancy in the Audit Committee resulting in the non-compliance with requirements on composition of the Audit Committee and the election of an independent chairman of the Audit Committee, the vacancy must be filled within 3 months of that event.

5. SUMMARY OF WORK DURING THE FINANCIAL YEAR

During the financial year ended 31 December 2018, the Audit Committee has met its responsibilities in discharging its duties and functions. The major work undertaken by the Audit Committes are summarised broadly as follows:-

i. Internal Audit

The Group has outsourced its internal audit function to a professional internal audit services company. The primary responsibility of this internal audit function is to assist the Board and the Audit Committee in reviewing and assessing whether the management systems of internal control procedures are effective and provide recommendations to strengthen these internal control procedures so as to foster a satisfactory management control environment within the context and resources of the Group.

5. SUMMARY OF WORK DURING THE FINANCIAL YEAR (CONT'D)

i. Internal Audit (Cont'd)

The Internal Auditors had organised their work in accordance with the principles of the internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns.

Before the commencement of the internal audit reviews, an internal audit plan was prepared and presented to the Audit Committee for approval. Upon approval by the Audit Committee, internal audit reviews were carried in accordance with the approved internal audit plan. Thereafter, during the quarterly meetings following the presentation of the Internal Audit Report, the Audit Committee reviewed with the Internal Auditors, the progress and coverage of the Internal Audit Plan to ensure that the audit direction remains relevant and was in line with the Audit Committee's expectations. After considering the changes in the operating environment in the Group, the Internal Audit Plan was developed in consideration of the Group's risk profile and the Board and Management concerns.

Prior to the presentation of reports and findings to the Audit Committee, comments from the Management were obtained and incorporated into the internal audit findings and reports. The Internal Audit Reports also covered the follow-up by the Management on the implementation of recommendations in their earlier reports.

The Internal Auditors met Audit Committee once during the financial year. The functional areas and operating processes reviewed by the Internal Auditors were as follows: -

- Follow-up Review; and
- Procurement and Payment Process.

The total cost incurred for the internal audit function of the Group during the financial year was RM16,000 (2017: RM16,000).

ii. Financial Reporting

During the financial year, in overseeing and discharging its responsibilities in respect of financial reporting by the Group, the Audit Committee:-

a. Reviewed the financial positions, quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for their consideration and approval. The First, Second, Third and Fourth Quarter Interim Financial Reports were tabled at the Audit Committee meetings held on 21 May 2018, 20 August 2018, 19 November 2018 and 25 February 2019 respectively. The quarterly interim financial reports were prepared in accordance with MFRS 134 and Paragraph 9.22 of the MMLR;
b. Reviewed the Audit Planning Memorandum for the financial year ended 31 December 2018 which was prepared by External Auditors of the Company;
c. Reviewed the Audited Financial Statements ("AFS") of the Company and the External Auditors' findings and recommendations for the financial year ended 31 December 2017 at the Audit Committee meeting held on 26 February 2018. The AFS of the Company were prepared in compliance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016;
d. Conducted independent meeting sessions with the External Auditors without the presence of the Executive Board Members and Management of the Company on 26 February 2018 and 19 November 2018;
e. Assessed the performance of External Auditors, reviewed the independence of External Auditors and recommended to the Board for re-appointment;
f. To ensure the integrity of the financial information, received assurance from the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company, that:-
    - Appropriate accounting policies had been adopted and applied consistently;
    - Going concern basis applied in the Annual Consolidated Financial Statements was appropriate;
    - Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRS;
    - Adequate controls and processes were in place for effective and efficient financial reporting and relevant disclosures under MFRS and MMLR; and
    - Annual Consolidated Financial Statements and the Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position.

5. **SUMMARY OF WORK DURING THE FINANCIAL YEAR (CONT'D)**

ii. Financial Reporting (Cont'd)

g. Reviewed the Statement of Risk Management and Internal Control together with the Internal Auditors and External Auditors and received assurance from the CEO and CFO of the Company that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects before recommending the said Statement to the Board for their approval;

h. Reviewed the terms of related party transactions and recurrent related party transactions, if any, entered into by the Group;

i. Reviewed and recommended to the Board the Audit Committee Report and Corporate Governance Overview Statement for approval and inclusion in the Company's Annual Report; and

j. Reviewed and recommended to the Board the revised terms of reference of the Audit Committee for approval.

iii. External Audit

Upon the re-appointment of Messrs Ernst & Young as External Auditors of the Company for the financial year, the engagement partner, attended the Audit Committee meeting of the Company held on 19 November 2018 and during their presentation on Audit Planning Memorandum for the financial year ended 31 December 2018, had declared and confirmed that they were independent and would be independent through their audit engagement.

Subsequent to the financial year ended 31 December 2018, the Audit Committee met with the External Auditors in the absence of Management on 1 occasion on 25 February 2019. The Audit Committee had the opportunity to assess the co-operation extended by Management to the External Auditors, their attitude and readiness to provide documentation and explanations, as well as the adequacy of resources in the Group's finance department.

There were no areas of major concerns raised by the External Auditors that warranted escalation to the Board. The External Auditors were also informed by the Audit Committee that should there be any significant incidents or matters detected in the course of their audits or reviews which warrant their knowledge or intervention, it shall be reported to the Audit Committee accordingly.

At the same time, the External Auditors had the opportunity to obtain feedback from the Audit Committee on their perspectives on the areas of major concerns, which they would like the External Auditors to look into.

The Audit Committee carried out an assessment of the performance and suitability of the External Auditors based on the quality of services, sufficiency of resources, adequacy of resources and trained professional staff assigned to the audit. The Audit Committee was generally satisfied with the independence, performance and suitability of the External Auditors based on the assessment and recommended to the Board and subsequently proposed to shareholders for approval for the re-appointment of Messrs Ernst & Young as External Auditors of the Company for the financial year ending 31 December 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Corporate information is disclosed in Note 1 to the financial statements.

The principal activities and other information relating to the subsidiaries, associates and joint venture are disclosed in Note 6, Note 7 and Note 8 respectively to the financial statements.

FINANCIAL RESULTS

	Group RM	Company RM
Profit attributable to:		
Owners of the company	6,546,255	1,775,540
Non-controlling interests	883	-
	6,547,138	1,775,540

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

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

DIVIDENDS

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

	RM
In respect of the financial year ended 31 December 2017 as reported in the Directors' report of that year:	
Final single tier dividend of 1.0 sen on 108,000,000 ordinary shares, declared on 19 April 2018 and paid on 27 June 2018.	1,080,000

At the forthcoming Annual General Meeting, a final single-tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2018, on 108,000,000 ordinary shares, amounting to a dividend payable of RM2,160,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

DIRECTORS

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

Gan Kok Ten *
Nasaruddin bin Mohamed Ali
Omar bin Mohamed Said
Chan Bee Eie
Tam Juat Hong
Azhar Bin Mohamad

* The Director is also Director of the Company's subsidiaries.

DIRECTORS (CONT'D)

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 (not including those Directors listed above) are:

Tay Hwee Leck
Arnel Lattore Pulla
Gilbert M. Untalan
Roberto J. Consunji
Agus Kusnadi
Lai Yew Fong
Pranee Yimchalam

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no 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 2018 RM	Company 2018 RM
Director of the Company		
Executive:		
Salaries and other emoluments	233,257	-
Fees - current year	20,000	20,000
Bonus	34,988	-
Defined contribution plan	45,537	-
Insurance effected to indemnify directors	3,537	3,537
Total Executive Directors' remuneration	337,319	23,537
Non-Executive:		
Fees - current year	72,000	72,000
Other emoluments	35,000	35,000
Insurance effected to indemnify directors	7,073	7,073
Total Non-Executive Directors' remuneration	114,073	114,073
	451,392	137,610
Director of the Subsidiaries		
Executive:		
Salaries and other emoluments	476,865	-
Bonus	50,768	-
Defined contribution plan	49,557	-
	577,190	-
Total Directors' remuneration	1,028,582	137,610
Executive Directors' remuneration	914,509	23,537
Non-Executive Directors' remuneration	114,073	114,073

The Company maintains a liability insurance for the Directors of the Group and the total amount of premium paid during the financial year amounting to RM10,610.

Directors' Report

DIRECTORS' INTERESTS

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

The Company	1 January 2018	Number of Ordinary Shares Bought	Sold	31 December 2018
Direct Interest				
Gan Kok Ten	19,497,632	-	-	19,497,632
Nasaruddin bin Mohamed Ali	940,876	-	-	940,876
Indirect Interest				
Gan Kok Ten (1)	41,030,698	-	-	41,030,698
Chan Bee Eie (2)	100,000	-	-	100,000

(1) Deemed interested by virtue of the shareholdings of his late father, brother and Mosgan Holdings Sdn. Bhd. pursuant to Section 8(4)(c) of the Companies Act 2016.

(2) Deemed interested in the direct shareholding of her spouse, Gan Kok Tin, a substantial shareholder of the Company pursuant to Section 59(11)(c) of the Companies Act 2016.

By virtue of their interests in the shares of the Company, Gan Kok Ten is also deemed to have an interest in the shares of all the subsidiaries of the Company to the extent the Company has an interest.

ISSUE OF SHARES AND DEBENTURES

There were no issues of shares or debentures during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position and statements of income 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

    (ii) to ensure that any current assets which were unlikely to realise their values 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) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

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

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

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

OTHER STATUTORY INFORMATION (CONT'D)

(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.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group 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.

AUDITORS

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

Auditors' remuneration is as follows:

	Group 2018 RM	Company 2018 RM
Ernst & Young		
- Malaysia	75,000	75,000
- Member firms of Ernst & Young Global	165,224	-
Other auditors	33,447	-
	273,671	75,000

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, 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 for the financial year ended 31 December 2018.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 April 2019.

Gan Kok Ten
Director

Nasaruddin bin Mohamed Ali
Director

STATEMENT BY DIRECTORS

Pursuant to section 251(2) of the Companies Act 2016

We, Gan Kok Ten and Nasaruddin bin Mohamed Ali, being two of the Directors of Turbo-Mech Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 48 to 109 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 April 2019.

Gan Kok Ten
Director

Nasaruddin bin Mohamed Ali
Director

STATUTORY DECLARATION

Pursuant to section 251(1)(b) of the Companies Act 2016

I, Gan Kok Ten, being the Director primarily responsible for the financial management of Turbo-Mech Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 48 to 109 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Gan Kok Ten at Kuala Lumpur in the Federal Territory on 8 April 2019.

Gan Kok Ten

Before me,
YM Tengku Fariddudin bin Tengku Sulaiman (W533)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the members of TURBO-MECH BERHAD (863263-D)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Turbo-Mech Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 110.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the 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 Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

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

<u>Revenue Recognition</u>

Revenue for the year ended 31 December 2018 amounted to RM40,935,379.

<u>Sale of goods</u>

The Group's revenue recognition policy is to recognise the revenue upon the transfer of control of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. The timing of the transfer of the risks and rewards of the goods to the buyers is defined by the specific delivery terms agreed upon with the customers.

As the Group arranged shipment under various shipping terms across its operating markets, any lapse or delay in the monitoring of the shipment status will affect the timing of revenue recognition, resulting in misstatement of revenue recorded in the financial statements. Accordingly, as there is a risk that revenue could be misstated resulting from cut off issue, we have identified this matter as a key audit matter.

<u>Rendering of services</u>

Revenue from services rendered are recognised upon services performed. The Group recognises its revenue in accordance with MFRS 15 Revenue from Contract with Customers, where it is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

As the Group recognised revenue based on work done, any delay in the monitoring of service report status will affect the timing of revenue recognition, resulting in misstatement of revenue recorded in the financial statements. Accordingly, as there is a risk that revenue could be misstated resulting from cut off issue, we have identified this matter as a key audit matter.

Independent Auditors' Report

To the members of TURBO-MECH BERHAD (863263-D)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Rendering of services (Cont'd)

As part of our audit procedures, we evaluated the appropriateness of the Group's revenue recognition accounting policies. We obtained an understanding of management's internal controls over the revenue recognition process and placed specific attention on the timing of the revenue recognition. We tested on a sample basis, sales transactions taking place near to or after the reporting date by evaluating the agreed delivery terms or service report provided by the customer and the timing of revenue recognition, to assess whether the sales transactions were recognised in the appropriate financial year. We have also obtained external confirmations from trade receivables with significant balances outstanding as at year end. For material credit notes issued after the reporting date, if any, we performevd procedures to assess whether sales transactions were recognised in the correct financial year. In addition, we have also performed trend analysis over products by comparing against prior year, and assessed if the variances are reasonable.

Information regarding the Group's revenue is disclosed in Notes 22 and 37 to the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information included in the Annual Report that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information included in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statement

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.

Independent Auditors' Report
To the members of TURBO-MECH BERHAD (863263-D)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statement (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 skepticism 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 of the Company's internal control.

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

- Conclude on the appropriateness of 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 and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

Other Matters

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

Ernst & Young
AF: 0039
Chartered Accountants

H'ng Boon Keng
No. 03112/08/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
8 April 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	3	28,317,532	30,229,568	1,406	2,326
Investment properties	4	1,421,345	1,609,816	-	-
Land use rights	5	2,945,948	3,028,462	-	-
Investment in subsidiaries	6	-	-	44,628,995	44,628,995
Investment in associates	7	17,943,895	18,416,517	8,639,755	8,639,755
Investment in joint ventures	8	439,972	196,550	-	-
Other non-current assets	9	23,051	30,731	-	-
Deferred tax assets	10	-	6,218	-	-
		51,091,743	53,517,862	53,270,156	53,271,076
CURRENT ASSETS					
Inventories	11	1,855,033	1,494,575	-	-
Trade and other receivables	12	12,245,835	14,489,262	7,605	42,569
Contract assets	13	1,967,307	1,062,355	-	-
Dividend receivables		2,550,000	-	2,550,000	1,900,080
Prepayments		112,152	82,394	-	-
Tax recoverable		9,581	4,342	9,581	4,342
Cash and bank balances	14	42,746,805	39,904,863	555,480	540,943
		61,486,713	57,037,791	3,122,666	2,487,934
TOTAL ASSETS		112,578,456	110,555,653	56,392,822	55,759,010
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENTS					
Share capital	15	54,000,000	54,000,000	54,000,000	54,000,000
Retained earnings	16	32,160,467	26,634,745	2,233,938	1,538,398
Capital reserve	16	4,763,400	4,763,400	-	-
Retirement benefit obligation reserve	16	12,584	(6,309)	-	-
Statutory reserve	16	108,500	108,500	-	-
Foreign currency translation reserve	17	15,072,667	15,036,397	-	-
		106,117,618	100,536,733	56,233,938	55,538,398
Non-controlling interests		31,175	3,696,570	-	-
TOTAL EQUITY		106,148,793	104,233,303	56,233,938	55,538,398
NON-CURRENT LIABILITIES					
Loans and borrowings	20	22,416	45,236	-	-
Deferred tax liabilities	10	78,391	116,331	-	-
Retirement benefit obligation	21	200,360	117,126	-	-
TOTAL NON-CURRENT LIABILITIES		301,167	278,693	-	-
CURRENT LIABILITIES					
Trade and other payables	18	4,862,052	5,056,461	158,884	220,612
Contract liabilities	19	261,045	244,243	-	-
Loans and borrowings	20	22,881	21,145	-	-
Income tax payable		982,518	721,808	-	-
TOTAL CURRENT LIABILITIES		6,128,496	6,043,657	158,884	220,612
TOTAL LIABILITIES		6,429,663	6,322,350	158,884	220,612
TOTAL EQUITY AND LIABILITIES		112,578,456	110,555,653	56,392,822	55,759,010

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

STATEMENTS OF INCOME

For the financial year ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	22	40,935,379	45,160,549	2,550,000	1,900,080
Cost of sales	23	(25,487,628)	(29,940,310)	-	-
Gross profit		15,447,751	15,220,239	2,550,000	1,900,080
Interest income	24	292,676	309,420	5,560	8,319
Other income	25	1,288,731	1,675,696	-	109,552
Depreciation and amortisation expenses		(2,725,676)	(2,537,088)	(920)	(920)
Employee benefits expense	26	(5,701,460)	(5,858,135)	(259,238)	(254,199)
Other expenses		(3,601,402)	(5,695,436)	(519,102)	(310,287)
Operating profit		5,000,620	3,114,696	1,776,300	1,452,545
Finance cost	28	(4,158)	(344,181)	-	-
Share of results of associates	7	2,078,371	1,192,747	-	-
Share of results of joint ventures	8	240,563	60,710	-	-
Profit before taxation	29	7,315,396	4,023,972	1,776,300	1,452,545
Income tax expense	30	(768,258)	(901,894)	(760)	(1,022)
Profit for the financial year		6,547,138	3,122,078	1,775,540	1,451,523
Profit attributable to:					
Owners of the parent		6,546,255	3,095,829	1,775,540	1,451,523
Non-controlling interests		883	26,249	-	-
		6,547,138	3,122,078	1,775,540	1,451,523
Earnings per share attributable to owners of the parent (sen per share)					
- Basic	31	6	3		
- Diluted	31	6*	3*		

* Diluted earnings per share of the Company for the financial year ended 31 December 2018 and 31 December 2017 is equivalent to the basic earnings per share as the Company has no dilutive potential ordinary shares in issue at the end of the reporting date.

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Profit for the financial year		6,547,138	3,122,078	1,775,540	1,451,523
Other comprehensive income to be reclassified to profit or loss in subsequent period:					
Foreign currency translation	17	36,989	(2,069,971)	-	-
Other comprehensive income will not be reclassified to profit or loss in subsequent period:					
Remeasurement of defined benefit obligation	16	18,893	(6,309)	-	-
		55,882	(2,076,280)	-	-
Total comprehensive income for the financial year		6,603,020	1,045,798	1,775,540	1,451,523
Total comprehensive income for the financial year attributable to:					
Owners of the parent		6,601,418	1,046,673	1,775,540	1,451,523
Non-controlling interests		1,602	(875)	-	-
		6,603,020	1,045,798	1,775,540	1,451,523

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Distributable		Non-distributable						
	Share Capital (Note 15) RM	Retained Earnings (Note 16) RM	Capital Reserve (Note 16) RM	Retirement Benefit Obligation Reserve (Note 16) RM	Statutory Reserve (Note 16) RM	Foreign Currency Translation Reserve (Note 17) RM	Equity Attributable to Owners of the Parent RM	Non-controlling Interests RM	Total Equity RM
Group									
At 1 January 2017	54,000,000	23,538,916	4,763,400	-	108,500	17,079,244	99,490,060	3,697,445	103,187,505
Profit for the financial year	-	3,095,829	-	-	-	-	3,095,829	26,249	3,122,078
Other comprehensive income during the year	-	-	-	(6,309)	-	(2,042,847)	(2,049,156)	(27,124)	(2,076,280)
Total comprehensive income for the financial year	-	3,095,829	-	(6,309)	-	(2,042,847)	1,046,673	(875)	1,045,798
At 31 December 2017	54,000,000	26,634,745	4,763,400	(6,309)	108,500	15,036,397	100,536,733	3,696,570	104,233,303
At 1 January 2018	54,000,000	26,634,745	4,763,400	(6,309)	108,500	15,036,397	100,536,733	3,696,570	104,233,303
Profit for the financial year	-	6,546,255	-	-	-	-	6,546,255	883	6,547,138
Other comprehensive income during the year	-	-	-	18,893	-	36,270	55,163	719	55,882
Total comprehensive income for the financial year	-	6,546,255	-	18,893	-	36,270	6,601,418	1,602	6,603,020
Dividends (Note 38)	-	(1,080,000)	-	-	-	-	(1,080,000)	-	(1,080,000)
Arising from the acquisition of additional shares in a subsidiary (Note 6)	-	59,467	-	-	-	-	59,467	(3,666,997)	(3,607,530)
At 31 December 2018	54,000,000	32,160,467	4,763,400	12,584	108,500	15,072,667	106,117,618	31,175	106,148,793

Statements of Changes in Equity

For the financial year ended 31 December 2018

	Share Capital (Note 15) RM	Distributable Retained Earnings (Note 16) RM	Total Equity RM
Company			
At 1 January 2017	54,000,000	86,875	54,086,875
Profit for the financial year	-	1,451,523	1,451,523
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	1,451,523	1,451,523
At 31 December 2017	54,000,000	1,538,398	55,538,398
Profit for the financial year	-	1,775,540	1,775,540
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	1,775,540	1,775,540
Dividends (Note 38)	-	(1,080,000)	(1,080,000)
At 31 December 2018	54,000,000	2,233,938	56,233,938

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	7,315,396	4,023,972	1,776,300	1,452,545
Adjustments for:				
Amortisation of land use rights	74,509	77,576	-	-
Depreciation of property, plant and equipment	2,537,341	2,331,104	920	920
Depreciation of investment properties	113,826	128,408	-	-
Dividend income	-	-	(2,550,000)	(1,900,080)
Gain on disposal of property, plant and equipment	(46,328)	-	-	-
Impairment of investment in club membership	-	6,283	-	-
Amortisation of investment in club membership	7,680	7,680	-	-
Interest income	(292,676)	(309,420)	(5,560)	(8,319)
Allowance for impairment loss on				
- trade receivables	151,592	241,964	-	-
- contratct assets	9,495	-	-	-
Interest expense	4,158	344,181	-	-
Inventories written down	101,968	105,506	-	-
Reversal of inventories written down	(114,411)	-	-	-
Share of results of associates	(2,078,371)	(1,192,747)	-	-
Share of results of joint venture	(240,563)	(60,710)	-	-
Retirement benefit obligation	102,862	110,817	-	-
Unrealised (gain)/loss on foreign currency translations	(355,771)	1,293,559	-	-
Operating profit/(loss) before changes in working capital	7,290,707	7,108,173	(778,340)	(454,934)
Changes in working capital:				
Inventories	(348,015)	1,079,219	-	-
Trade and other receivables and contract assets	1,290,816	(3,181,394)	34,964	(38,024)
Prepayments	(29,758)	56,123	-	-
Trade and other payables and contract liabilities	(206,976)	(334,550)	(61,728)	(1,969,043)
Other current liabilities	-	(691,589)	-	-
Cash generated from/(used in) operation	7,996,773	4,035,982	(805,104)	(2,462,001)
Interest paid	(4,158)	(344,181)	-	-
Income taxes paid	(545,596)	(449,520)	(5,999)	(5,150)
Net cash generated from/(used in) operating activities	7,447,019	3,242,281	(811,103)	(2,467,151)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	47,492	41,314	-	-
Purchase of property, plant and equipment	(741,690)	(1,459,822)	-	-
Withdrawal of fixed deposit with licensed bank	(2,338,826)	6,153,974	-	-
Net cash outflow from acquisition of additional shares in a subsidiary (Note 6(b))	(3,607,530)	-	-	-
Interest income received	292,676	309,420	5,560	8,319
Dividend received from a subsidiary	-	-	-	1,860,960
Dividend received from an associate	-	-	1,900,080	-
Net cash flows (used in)/generated from investing activities	(6,347,878)	5,044,886	1,905,640	1,869,279
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(1,080,000)	-	(1,080,000)	-
Repayment of term loan	-	(11,222,593)	-	-
Repayment of finance lease obligations	(21,084)	(24,291)	-	-
Net cash flows used in financing activities	(1,101,084)	(11,246,884)	(1,080,000)	-
NET CHANGES IN CASH AND CASH EQUIVALENTS	(1,943)	(2,959,717)	14,537	(597,872)
Effect of exchange rate changes on cash and cash equivalents	505,059	(2,464,008)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	34,356,110	39,779,835	540,943	1,138,815
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (NOTE 14)	34,859,226	34,356,110	555,480	540,943

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

NOTES TO THE FINANCIAL STATEMENTS
-31 December 2018

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Bursa Malaysia Securities Berhad.

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

The principal place of business is located at 39-5, Jalan PJU 1/41, Block D1, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is investment holding.

The principal activities and other information relating to the subsidiaries and associates are disclosed in Note 6 and Note 7 respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 8 April 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. At the beginning of the current financial year, the Company adopted new and revised MFRS which are mandatory for financial periods beginning on or after 1 January 2018 as fully described in Note 2.3.

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

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

2.2 Summary of Significant Accounting Policies

(a) Basis of Consolidation and Business Combinations

(i) 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 for 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 (such as 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(a) Basis of Consolidation and Business Combinations (Cont'd)

(i) 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) Contractual arrangement with the other vote holders of the investee;

(iv) Rights arising from other contractual arrangements; and

(v) 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 interests 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 interests 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.

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 earnings. 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.

(ii) Business Combinations

(a) Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss in accordance with MFRS 9. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(a) Basis of Consolidation and Business Combinations (Cont'd)

(ii) Business Combinations (Cont'd)

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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their respective carrying amounts and reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the Group to the extent that the laws and statues do not prohibit the use of such reserves. The statement of comprehensive income reflects the result of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

At the reporting date, the merger deficit is Nil (2017: Nil) as the carrying amount of merger deficit had been adjusted against the Group's retained earnings in previous financial years.

(b) Transactions with Non-controlling Interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

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

(c) Foreign Currency

(i) Foreign Currency Translation

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 end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(c) Foreign Currency (Cont'd)

(i) Foreign Currency Translation (Cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period 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 statement of income for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

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

	2018 RM	2017 RM
Singapore Dollar	3.0322	3.0392
United States Dollar	4.1385	4.0620
Thailand Baht	0.1270	0.1243
100 Japanese Yen	3.7475	3.6020
100 Philippines Peso	7.8739	8.1280
100 Indonesian Rupiah	0.0286	0.0300
Euro Dollars	4.7340	4.8510

(ii) Foreign Operations

For consolidation purpose, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(d) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(d) Property, Plant and Equipment (Cont'd)

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold buildings	Over the lease period of 16 - 57 years
Land improvements	20 years
Air conditioner	5 years
Computers	3 - 5 years
Furniture and fittings	2 - 10 years
Motor vehicles	7 - 10 years
Office equipment	2 - 10 years
Plant, machinery and instruments	5 years
Renovation	5 years

Construction work in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

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

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

(e) Investment Properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being contructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation of investment property is provided for on a straight-line basis to write off the cost of investment properties to its residual value over the estimated useful life at the following annual rate:

- Leasehold land and Building — Over the lease period of 17 - 20 years

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying cost at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.2(d) up to the date of change in use.

(f) Land Use Rights

Land use rights represent land leases granted by the state authorities and are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease terms.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(g) Club Membership

Club membership which was acquired separately is carried at cost less accumulated impairment loss. The Group assesses at each reporting date whether there is an indication that the club membership may be impaired in accordance with the accounting policy set out in Note 2.2(i).

(h) Other Investment

Other investment which was acquired separately is carried at cost less accumulated impairment loss. The Group assesses at each reporting date whether there is an indication that the other investment may be impaired in accordance with the accounting policy set out in Note 2.2(i).

(i) Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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.

For assets excluding goodwill, 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. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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.

(j) Subsidiaries

A subsidiary is an investee that is controlled by the Group as further discussed in Note 2(a)(i). The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

Notes to the Financial Statements
-31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(k) Associates and Joint Venture

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate or joint venture's profit or loss for the period in which the investment is acquired.

An associate and joint venture are equity accounted for from the date on which the investee becomes an associate and joint venture.

Under the equity method, on initial recognition the investment in an associate or joint venture are recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates or joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determine whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

In the Company's separate financial statements, investments in associates or joint venture 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.

(l) Financial Assets

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition and Measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group and the Company initially measures 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(l) Financial Assets (Cont'd)

Initial Recognition and Measurement (Cont'd)

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

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

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

Subsequent Measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group and the Company have no financial assets carried at fair value through OCI, for both debt and equity instruments and financial assets at fair value through profit or loss.

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

Financial Assets at Amortised Cost ("Debt Instruments")

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired: or
- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(l) Financial Assets (Cont'd)

De-recognition (Cont'd)

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

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

(m) Impairment of Financial Assets

The Group and the Company recognise an allowance 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, 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 recognises 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. The Group and the Company consider forward-looking factors do not have significant impact to their credit risk given the nature of their industry and the amount of ECLs is insensitive to changes to forecast economic conditions.

The Group and the Company consider a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(n) Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents consist of cash in hand, bank balances, demand deposits and short term highly liquid investments with a maturity of three months or less from the date of placement that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Trading goods: purchase costs on a first-in-first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in-first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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

(p) Provisions

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

Provisions are reviewed at the end of each reporting period 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.

(q) Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Subsequent Measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities

The Group and the Company have no financial liabilities at fair value through profit or loss.

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

Other Financial Liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(q) Financial Liabilities (Cont'd)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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.

Offsetting of Financial Instruments

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

(r) 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.

(ii) Defined Contribution Plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Malaysian companies in the Group make contributions to the Employees Provident Fund 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.

(iii) Defined Benefit Plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(r) Employee Benefits (Cont'd)

(iii) Defined Benefit Plan (Cont'd)

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

(iv) Employee Leave Entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

(s) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) Finance Lease

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

(ii) Operating Lease

(i) As Lessee

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

(ii) As Lessor

Leases where the Group retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.2(t)(vi).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(t) Revenue

Revenue is measured based on the consideration to which the Group and the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group and the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(i) Sale of Goods

The Group and the Company is in the business of sales of rotating equipment and spare parts.

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the estimated transaction price which comprise the contractual price.

Before adoption of MFRS 15, revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Rendering of Services

The Group and the Company is in the business of maintenance and overhaul service of of rotating equipment and spare parts.

Revenue is recognised based when the services are rendered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the estimated transaction price which comprise the contractual price.

(iii) Commission income

The Group acts as an agent to provide a service of arranging for another party to transfer goods to a customer. The Group recognises a commission fee, being the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

(iv) Interest Income

Interest income is recognised using the effective interest method.

(v) Dividend Income

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

(vi) Rental Income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(t) Revenue

Contract Balances

(i) Contract Assets

Contract assets primarily relate to the Group's right to consideration for work complete but not yet billed at reporting date for sale of goods and services. Contract assets are transferred to receivables when the rights become unconditional.

(ii) Trade Receivables

A receivable represents the Group'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) in accordance with the accounting policy set out in Note 2.2(l).

(iii) Contract Liabilities

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for sale of goods and services.

(u) Taxes

(i) Current Income Tax

Current income tax assets and liabilities for the current and prior periods 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 end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income 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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period 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 an asset or liability in a transaction and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(u) Taxes (Cont'd)

(ii) Deferred Tax (Cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 end of each reporting period.

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 income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Goods and Services Tax ("GST")

Revenues, expenses and assets in Singapore, Thailand, Philippines, Indonesia and Malaysia (up to 31 May 2018) are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(iv) Sales and Service Tax ("SST")

When SST is incurred, SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

Whereas, revenue is recognised net of the amount of SST billed as it is payable to the taxation authority. SST payable to the taxation authority is included as part of payables in the statement of financial position.

(v) Share Capital and Share Issuance Expenses

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

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(w) Segment Reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(x) Current Versus Non-current Classification

The Group 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 date,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 Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(y) 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:

(i) In the principal market for the asset or liability; or

(ii) 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.

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 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.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

2.2 Summary of Significant Accounting Policies (Cont'd)

(y) Fair Value Measurement (Cont'd)

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:

(i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
(ii) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement if directly or indirectly observable
(iii) 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 Group 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.

2.3 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards and interpretations as follows:

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

Effective for financial periods beginning on or after 1 January 2018

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards
(Annual Improvements to MFRSs 2014–2016 Cycle)
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 128: Investments in Associates and Joint Ventures
(Annual Improvements to MFRSs 2014–2016 Cycle)
Amendments to MFRS 140: Transfers of Investment Property
MFRS 9: Financial Instruments (IFRS issued by IASB in July 2014)
MFRS 15: Revenue from Contracts with Customers
MFRS 15: Clarification of Revenue from Contracts with Customers
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

Adoption of the above standards and interpretation did not have any effect on the financial performance or position of the Group and of the Company as discussed below:

<u>MFRS 9 Financial Instruments</u>

There is no material impact arising from MFRS 9 adoption at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of MFRS 139 - Financial Instruments: Recognition and Measurement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies (Cont'd)

Classification and Measurement

MFRS 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognied before 1 January 2018.

The Group's and the Company's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under MFRS 9. There is no significant impact arising from measurement of these instruments under MFRS 9.

Upon the adoption of MFRS 9, the Group and the Company did not have any required or elected reclassification.

The Group and the Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

Impairment

MFRS 9 requires the Group and the Company to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group and the Company previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of MFRS 9, the Group and the Company did not recognised any additonal impairment on the Group's and Company's trade receivables as the Group's and Company's historical credit loss and expected credit loss are insignificant as of 1 January 2018.

MFRS 15 Revenue from Contracts with Customers

The Group and the Company adopted MFRS 15 which is effective for annual periods beginning on or after 1 January 2018. MFRS 15 supersedes MFRS 118 Revenue and related Interpretations.

The Group and the Company applied MFRS 15 retrospectively and has elected to apply the following practical expedients in accordance with the transition provisions in MFRS 15:

- For completed contracts, the Group and the Company has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017. Had the Group and the Company elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been lower;

- For completed contracts that have variable consideration, the Group and the Company has used the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year ended 31 December 2017. Had the Group and the Company elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been lower;

- For the comparative year ended 31 December 2017, the Group and the Company has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

The Group and the Company is in the business of sales of rotating equipment and spare parts and provision of maintenance and overhaul services whereby the sales and services contracts normally involves single performance obligation and has no variable consideration. There is no material impact arising from MFRS 15 adoption at the date of initial applications on 1 January 2018. The comparative information was prepared in accordance with the requirements of MFRS 118 - Revenue.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Malaysian Financial Reporting Standards Issued but Not 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 and interpretations, if applicable when they become effective.

Effective for financial periods beginning on or after 1 January 2019

Amendments to MFRS 3: Business Combinations (Annual improvements to MFRSs 2015–2017 Cycle)
Amendments to MFRS 9: Prepayment Features with Negative Compensation
Amendments to MFRS 11: Joint Arrangements (Annual improvements to MFRSs 2015–2017 Cycle)
Amendments to MFRS 112: Income Taxes (Annual improvements to MFRSs 2015–2017 Cycle)
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123: Borrowing Costs (Annual improvements to MFRSs 2015–2017 Cycle)
MFRS 16: Leases
MFRS 128: Long-term interests in Associates and Joint Ventures
IC Interpretation 23: Uncertainty over Income Tax Treatments

Effective for financial periods beginning on or after 1 January 2020

Amendment to MFRS 3: Definition of a Business
Amendment to MFRS 101: Definition of Material
Amendment to MFRS 108: Definition of Material

Effective for financial periods beginning on or after 1 January 2021
MFRS 17: Insurance Contracts

Effective for financial periods to be announced
Amendment 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 will have no material impact on the financial statements in the period of initial application except as discussed below:

<u>MFRS 16 Leases</u>

MFRS 16 requires lessees to recognise most leases on statement of financial position to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short term leases. MFRS 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group and the Company plans to adopt MFRS 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of MFRS 16, the Group and the Company expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if MFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group and the Company plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply MFRS 16 to all contracts that were previously identified as leases

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Malaysian Financial Reporting Standards Issued but Not Effective (Cont'd)

MFRS 16 Leases (Cont'd)

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

On the adoption of MFRS 16, the Group expects to recognise right-of-use assets of approximately RM2,630,000 and approximately lease liabilities of RM2,630,000 for its leases previously classified as operating leases, with a corresponding decrease in the opening retained earnings of RM136,000 and its related tax impact as of 1 January 2019. In addition, the Group will present land use rights of RM2,945,948 as right-of-use assets as of 1 January 2019.

The Group and the Company has performed an impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis on the completeness of other non-cancellable operating lease until the Group adopts MFRS 16.

2.5 Significant Accounting Judgements and Estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. 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 periods.

(a) Critical Judgements Made in Applying Accounting Policies

There are no critical judgements made by management in the process of applying the Group's and the Company's accounting policies which may have significant effect on the amounts recognised in the financial statements.

(b) 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 period are discussed below:

(i) Provision for Expected Credit Losses of Trade Receivables and Contract Asset

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecase economic conditions and ECLs is a significant estimate. The amount of EXLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 12 and Note 13 respectively.

The carrying amount of trade receivables and contract assets as at 31 December 2018 are RM11,645,353 and RM1,967,307 respectively (31 December 2017 : RM14,120,400 and RM1,062,355).

Notes to the Financial Statements
-31 December 2018

3. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Buildings RM	Land Improve-ment RM	Air Conditioner RM	Computers RM	Furniture and Fittings RM	Motor Vehicles RM	Office Equipment RM	Plant, Machinery and Instruments RM	Renovation RM	Construct-ion work in progress RM	Total RM
Group											
At 31 December 2018											
Cost											
At 1 January 2018	29,346,383	60,247	116,965	436,278	725,666	1,037,159	428,641	5,524,432	2,885,016	-	40,560,787
Additions	-	-	2,400	16,118	12,770	209,708	11,302	471,129	18,263	-	741,690
Disposals	-	-	-	-	-	(147,236)	(3,021)	(244,669)	-	-	(394,926)
Exchange differences	(79,903)	(1,888)	(236)	1,379	1,957	(3,748)	1,852	(94,433)	(10,512)	-	(185,532)
At 31 December 2018	29,266,480	58,359	119,129	453,775	740,393	1,095,883	438,774	5,656,459	2,892,767	-	40,722,019
Accumulated Depreciation											
At 1 January 2018	3,480,735	51,056	61,032	378,593	428,663	911,293	280,592	3,535,581	1,203,674	-	10,331,219
Depreciation charge for the year	1,217,273	2,886	19,425	38,393	93,811	79,383	46,298	607,633	432,239	-	2,537,341
Disposals	-	-	-	-	-	(147,236)	(1,863)	(244,663)	-	-	(393,762)
Exchange differences	(1,371)	(1,518)	127	1,747	3,759	(4,750)	1,903	(69,497)	(711)	-	(70,311)
At 31 December 2018	4,696,637	52,424	80,584	418,733	526,233	838,690	326,930	3,829,054	1,635,202	-	12,404,487
Net Carrying Amount	24,569,843	5,935	38,545	35,042	214,160	257,193	111,844	1,827,405	1,257,565	-	28,317,532
At 31 December 2017											
Cost											
At 1 January 2017	29,988,393	67,091	119,366	433,786	641,854	1,162,146	407,627	4,572,959	1,795,562	1,336,790	40,525,574
Additions	-	-	-	34,393	115,491	1,407	81,571	79,703	1,162,173	-	1,474,738
Reclassification	-	-	-	-	-	-	-	1,336,790	-	(1,336,790)	-
Disposals	-	-	-	(22,795)	(16,847)	(83,247)	(52,018)	(132,006)	-	-	(306,913)
Exchange differences	(642,010)	(6,844)	(2,401)	(9,106)	(14,832)	(43,147)	(8,539)	(333,014)	(72,719)	-	(1,132,612)
At 31 December 2017	29,346,383	60,247	116,965	436,278	725,666	1,037,159	428,641	5,524,432	2,885,016	-	40,560,787
Accumulated Depreciation											
At 1 January 2017	2,313,923	52,555	42,473	358,832	362,074	970,066	267,887	3,399,235	941,508	-	8,708,553
Depreciation charge for the year	1,274,867	4,037	19,892	42,123	81,687	62,094	47,372	502,787	296,245	-	2,331,104
Disposals	-	-	-	(14,563)	(6,458)	(83,247)	(29,325)	(132,006)	-	-	(265,599)
Exchange differences	(108,055)	(5,536)	(1,333)	(7,799)	(8,640)	(37,620)	(5,342)	(234,435)	(34,079)	-	(442,839)
At 31 December 2017	3,480,735	51,056	61,032	378,593	428,663	911,293	280,592	3,535,581	1,203,674	-	10,331,219
Net Carrying Amount	25,865,648	9,191	55,933	57,685	297,003	125,866	148,049	1,988,851	1,681,342	-	30,229,568

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

Company

	Computer RM	Office Equipment RM	Total RM
At 31 December 2018			
Cost			
At 1 January 2018/31 December 2018	6,146	2,700	8,846
Accumulated Depreciation			
At 1 January 2018/31 December 2018	4,630	1,890	6,520
Depreciation charge for the year	650	270	920
At 31 December 2018	5,280	2,160	7,440
Net Carrying Amount	866	540	1,406
At 31 December 2017			
Cost			
At 1 January 2017/31 December 2017	6,146	2,700	8,846
Accumulated Depreciation			
At 1 January 2017/31 December 2017	3,980	1,620	5,600
Depreciation charge for the year	650	270	920
At 31 December 2017	4,630	1,890	6,520
Net Carrying Amount	1,516	810	2,326

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM741,690 (2017: RM1,474,738) of which RM Nil (2017: RM14,916) were acquired by means of finance lease arrangements.

Included in the property, plant and equipment of the Group are the following cost of fully depreciated assets which are still in use:

	Group 2018 RM	Group 2017 RM
Air conditioner	55,577	55,813
Computers	263,768	256,264
Furniture and fittings	266,579	260,947
Motor vehicles	936,261	729,913
Office equipment	318,978	321,999
Plant, machinery and instruments	1,809,649	2,024,226
Renovation	746,363	739,717
	4,397,175	4,388,879

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

The carrying amount of property, plant and equipment held under finance lease arrangement at the reporting date are as follows:

	Group	
	2018	2017
	RM	RM
Office equipment	32,891	53,733

Assets pledged as security

The Group's leasehold building in prior financial year with a carrying amount of RM2,477,829 was pledged to secure the Group's trade banking facilities for letter of credit and bank guarantee which were not utilised at the reporting date.

The Group's leasehold building in prior financial year with a carrying amount of RM23,323,447 was pledged to secure the Group's term loan which was fully repaid in prior financial year. The Group managed to get the said asset discharged in the current financial year.

4. INVESTMENT PROPERTIES

	Group	
	2018	2017
Leasehold Land and Building	RM	RM
Cost		
At 1 January	2,341,097	2,606,955
Exchange differences	(106,996)	(265,858)
At 31 December	2,234,101	2,341,097
Accumulated depreciation		
At 1 January	731,281	680,254
Depreciation charge for the year	113,826	128,408
Exchange differences	(32,351)	(77,381)
At 31 December	812,756	731,281
Net carrying amount	1,421,345	1,609,816
Fair value as at 31 December	3,121,846	2,218,614

The investment property as at 31 December 2018 was valued by independent professional valuers firm based on comparable approaches.

The fair value of investment properties as at 31 December 2017 has been arrived at based on valuation carried out by Directors using Directors' best estimate on comparable approaches taking into account the prevailing market conditions.

(a) The Group has land use rights represent land lease over two plots of state-owned land in the Republic of Indonesia where the subsidiary's office and workshop reside. The land use rights are transferable and have a remaining tenure of 13 years (2017: 14 years) and 9 years (2017: 10 years) respectively.

5. LAND USE RIGHTS

	Group 2018 RM	Group 2017 RM
Cost		
At 1 January	4,315,554	4,404,158
Exchange currency translation differences	(9,941)	(88,604)
At 31 December	4,305,613	4,315,554
Accumulated Amortisation		
At 1 January	1,287,092	1,236,253
Amortisation for the financial year	74,509	77,576
Exchange currency translation differences	(1,936)	(26,737)
At 31 December	1,359,665	1,287,092
Net Carrying Amount	2,945,948	3,028,462

(a) The Group has land use rights represent land lease over one plot of state-owned land in the Republic of Singapore where the subsidiary's office and storage facilities reside. The land use rights are not transferable and have a remaining tenure of 40 years (2017: 41 years).

(b) Assets pledged as security

The Group's land use rights with a carrying amount of RM2,945,948 (2017: RM3,028,462) are pledged to secure the Group's trade banking facilities for letter of credit which were not utilised at the reporting date.

6. INVESTMENT IN SUBSIDIARIES

	Company 2018 RM	Company 2017 RM
Unquoted shares outside Malaysia, at cost	44,628,995	44,628,995

(a) Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest held by Group 2018 (%)	Proportion of Ownership Interest held by Group 2017 (%)	Proportion of Ownership Interest held by non-controlling interests 2018 (%)	Proportion of Ownership Interest held by non-controlling interests 2017 (%)
Held by the Company:						
Turbo-Mech Asia Pte. Ltd. [1]	Singapore	Sales of rotating equipment and spare parts and provision of maintenance and overhaul services	100	100	-	-

Notes to the Financial Statements
-31 December 2018

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Details of the subsidiaries are as follows (cont'd):

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest held by Group 2018 (%)	2017 (%)	Proportion of Ownership Interest held by non-controlling interests 2018 (%)	2017 (%)
Held through Turbo-Mech Asia Pte. Ltd.:						
Scallop (S) Pte. Ltd. [1]	Singapore	Dormant	75	75	25	25
Rotodyne Phils. Inc. [1]	Philippines	Sales of rotating equipment and spare parts and provision of maintenance and overhaul services	100	100	-	-
PT Turbo-Mech Indonesia [2][3]	Indonesia	Sales of rotating equipment and spare parts	100	100	-	-
Turbo-Mech (Thailand) Co. Ltd. [2]	Thailand	Sales of rotating equipment and spare parts	99.8	75	0.2	25

(1) Audited by member firms of Ernst & Young Global in the respective countries
(2) Audited by firms of auditors other than Ernst & Young
(3) 0.58% (2017: 0.58%) of the Group's investment in PT Turbo-Mech Indonesia is registered in the name of a Director, held in trust for the Group

(b) Acquisition of additional 24.8% Equity Interest in Turbo-Mech (Thailand) Company Limited

On 1 January 2018, the Group's subsidiary company, Turbo-Mech Asia Pte. Ltd. ("TMA"), acquired an additional 24.8% equity interest in Turbo-Mech (Thailand) Co. Ltd. ("TMT") from its non-controlling interests for a cash consideration of RM3,607,530. As a result of this acquisition, TMT become a 99.8% owned subsidiary of TMA. The carrying value of the net assets of TMT at 1 January 2018 was RM14,786,276 and the carrying value of the additional interest acquired was RM3,666,997. The difference of RM59,466 between the consideration and the carrying value of the additional interest acquired has been recognised as "Bargain Purchase on Acquisition of Non-Controlling Interests" within equity.

The following summarises the effect of the change in the Group's ownership interest in TMT on the equity attributable to owners of the Company:

	RM
Consideration paid for acquisition of non-controlling interests	3,607,530
Decrease in equity attributable to non-controlling interests	(3,666,997)
Bargain purchase on acquisition of non-controlling interests	(59,467)

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Summarised financial information of TMT which have non-controlling interests in financial year 2017 that was material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

There are no financial information presented for the financial year 2018 as non-controlling interest is not material to the Group.

(i) Summarised statement of financial position

Turbo-Mech (Thailand) Co. Ltd.

	2017 RM
Non-current assets	63,837
Current assets	16,188,924
Total assets	16,252,761
Current liabilities	1,458,089
Non-current liabilities	8,393
Total liabilities	1,466,482
Net assets	14,786,279
Equity attributable to owners of the Company	11,089,709
Non controlling interests	3,696,570
	14,786,279

(ii) Summarised statement of comprehensive income

Turbo-Mech (Thailand) Co. Ltd.

	2017 RM
Revenue	3,296,545
Profit for the year	104,997
Profit attributable to owners of the Company	78,748
Profit attributable to the non-controlling interests	26,249
	104,997

(iii) Summarised cash flows

Turbo-Mech (Thailand) Co. Ltd.

	2017 RM
Net cash generated from operating activities	789,925
Net cash used in investing activities	(148,260)
Net cash used in financing activities	(3,114)
Net increase in cash and cash equivalents	638,551
Cash and cash equivalents at beginning of the year	1,314,731
Effect on exchange rate changes on cash and cash equivalents	(74,283)
Cash and cash equivalents at end of financial year	1,878,999

7. INVESTMENT IN ASSOCIATES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Unquoted equity shares, at cost	8,765,513	8,765,513	8,639,755	8,639,755
Share of post-acquisition profits	9,179,375	9,606,578	-	-
Exchange currency translation differences	(993)	44,426	-	-
	17,943,895	18,416,517	8,639,755	8,639,755

(a) Details of the associates are as follows:

Name of Associates	Country of Incorporation	Principal Activities	Porportion of Ownership Interest 2018 (%)	Porportion of Ownership Interest 2017 (%)	Accounting Model Applied	Financial Year End
Bayu Purnama Sdn. Bhd. [1]	Malaysia	Sales of rotating equipment and spare parts and provision of maintenance and overhaul services	42.5	42.5	Equity method	31 December
Held through Bayu Purnama Sdn. Bhd.						
Bayu Manufacturing Sdn. Bhd. [1]	Malaysia	Manufacturing of skid mounted pumps sets, chemical injection packages and other related equipment for oil and gas industry	100	100	Equity method	31 December
Bayu SME Sdn. Bhd. [1] (Member voluntary liquidation)	Malaysia	Dormant	-	100	Equity method	31 December
Held through Turbo-Mech Asia Pte. Ltd.:						
Rotodyne Sendirian Berhad [2]	Negara Brunei Darussalam	Sales of rotating equipment and spare parts	30	30	Equity method	31 December

[1] Audited by Ernst & Young, Malaysia

[2] Audited by member firms of Ernst & Young Global in the respective countries

During the financial year, Bayu SME Sdn Bhd was placed under member voluntary liquidation on 20 December 2018.

7. INVESTMENT IN ASSOCIATES (CONT'D)

(b) Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information represents the amounts in the MFRS financial statements of the associates and not the Group's share of those amounts.

(i) Summarised statements of financial position

Bayu Purnama Sdn. Bhd.

	2018 RM	2017 RM
Non-current assets	1,837,306	2,561,658
Current assets	49,907,948	46,360,405
Total assets	51,745,254	48,922,063
Current liabilities	9,306,679	5,604,036
Net assets	42,438,575	43,318,027

(ii) Summarised statements of comprehensive income

	2018 RM	2017 RM
Revenue	38,210,815	33,157,836
Profit before tax from continuing operations	5,929,894	4,465,752
Profit for the year from continuing operations	5,120,548	3,016,291
Other comprehensive income	-	-
Total comprehensive income	5,120,548	3,016,291
Dividend received from the associate during the year	2,550,000	-

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in its material associates

	2018 RM	2017 RM
Net assets at 1 January	43,318,027	40,301,736
Profit for the year	5,120,548	3,016,291
Other comprehensive income	-	-
Less: Dividend paid	(6,000,000)	-
Net assets at 31 December	42,438,575	43,318,027
Interest in associates	42.5%	42.5%
Carrying value of Group's interest in associate	18,036,394	18,410,161

(c) Aggregate information of associates that are not individually material

	2018 RM	2017 RM
The Group's share of loss before tax from continuing operations	(97,860)	(28,154)
The Group's share of loss after tax from continuing operations	(97,860)	(52,498)
The Group's share of other comprehensive income	-	-
The Group's share of total comprehensive loss	(97,860)	(52,498)

The associate had no contingent liabilities or capital commitments as at 31 December 2018 and 31 December 2017.

8. INVESTMENT IN JOINT VENTURE

	Group 2018 RM	Group 2017 RM
Unquoted shares, at cost	155,080	155,080
Share of post-acquisition profit	282,033	45,730
Exchange currency translation differences	2,859	(4,260)
	439,972	196,550

(a) Details of the joint venture are as follows:

Name of Joint venture	Country of Incorporation	Principal Activities	Proportion of Ownership Interest held by Group 2018 (%)	Proportion of Ownership Interest held by Group 2017 (%)	Proportion of Ownership Interest held by joint venture party 2018 (%)	Proportion of Ownership Interest held by joint venture party 2017 (%)
Held through Turbo-Mech Asia Pte. Ltd.:						
TM-Elflow Pte. Ltd. [1]	Singapore	Sales of air-cooled heat exchangers and products and services	50	50	50	50

The financial year end of the joint venture is at 31 December.

[1] Audited by member firms of Ernst & Young Global in the respective countries

(b) Summarised financial information in respect of each of the Group's joint venture is set out below. The summarised financial information represents the amounts in the MFRS financial statements of the joint venture and not the Group's share of those amounts.

(i) Summarised statements of financial position

	2018 RM	2017 RM
Non-current assets	134,303	178,333
Current assets	785,615	250,126
Total assets	919,918	428,459
Current liabilities	(39,937)	(35,322)
Irredeemable, non-convertible preference shares	(37)	(37)
Net assets	879,944	393,100

(ii) Summarised statements of comprehensive income

	2018 RM	2017 RM
Revenue	580,969	225,632
Income before tax from continuing operations	465,798	125,375
Income after tax from continuing operations	481,126	121,420
Other comprehensive loss	-	-
Total comprehensive income	481,126	121,420
Dividend received from the joint venture during the year	-	-

8. INVESTMENT IN JOINT VENTURE (CONT'D)

(b) Summarised financial information in respect of each of the Group's joint venture is set out below. The summarised financial information represents the amounts in the MFRS financial statements of the joint venture and not the Group's share of those amounts. (Cont'd)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in its joint venture

	2018 RM	2017 RM
Net assets at beginning of the year	393,100	280,200
Income for the year	481,126	121,420
Exchange currency translation differences	5,718	(8,520)
Less: Dividend paid	-	-
Net assets at 31 December	879,944	393,100
Interest in joint venture	50.0%	50.0%
Carrying value of Group's interest in joint venture	439,972	196,550

The joint venture had no contingent liabilities or capital commitments as at 31 December 2018 and 31 December 2017.

9. OTHER NON-CURRENT ASSETS

	Group	
	2018 RM	2017 RM
Club memberships, at cost	61,441	61,441
Less: Impairment of club memberships	(23,042)	(23,042)
Less: Amortisation of club memberships	(15,360)	(7,680)
Net book value of club memberships	23,039	30,719
Irredeemable, non-convertible preference shares, at cost	12	12
	23,051	30,731

The non-current assets are stated at costs, less impairment and amortisation which approximate their market values.

10. DEFERRED TAX

	Group	
	2018 RM	2017 RM
At 1 January	110,113	7,141
Recognised in the statements of income	(32,809)	103,402
Exchange currency translation differences	1,087	(430)
At 31 December	78,391	110,113

Presented after offsetting as follows:

Deferred tax assets	-	(6,218)
Deferred tax liabilities	78,391	116,331
	78,391	110,113

10. DEFERRED TAX (CONT'D)

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

Deferred Tax Liabilities of the Group:

	Property, plant and equipment RM
At 1 January 2017	7,906
Recognised in the statements of income	101,636
Exchange currency translation differences	6,789
At 31 December 2017	116,331
Recognised in the statements of income	(38,689)
Exchange currency translation differences	749
At 31 December 2018	78,391

Deferred Tax Assets of the Group:

	Other deductible temporary differences RM
At 1 January 2017	765
Recognised in the statements of income	(1,766)
Exchange currency translation differences	7,219
At 31 December 2017	6,218
Recognised in the statements of income	(5,880)
Exchange currency translation differences	(338)
At 31 December 2018	-

11. INVENTORIES

	Group	
	2018 RM	**2017 RM**
Trading goods, at cost	1,855,033	1,494,575

(a) During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM20,923,284 (2017: RM25,081,152).

(b) Inventories amounting to RM101,968 (2017: RM105,506) were written off against profit and loss.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade Receivables				
Third parties	11,644,437	13,743,971	-	-
Amount due from related company	-	376,429	-	-
Amount due from associates	916	-	-	-
	11,645,353	14,120,400	-	-
Less: Allowance for expected credit loss	(362,604)	(236,147)	-	-
	11,282,749	13,884,253	-	-
Other Receivables				
Amount due from a subsidiary	-	-	-	36,169
Amount due from related company	35,365	170,398	-	-
Amount due from a joint venture	1,965	795	-	795
Staff advances	26,599	61,666	-	-
Refundable deposits	197,493	205,290	7,605	5,605
Interest receivables	90,614	87,751	-	-
Advance to suppliers	312,367	-	-	-
Other receivables	308,178	79,109	-	-
	972,581	605,009	7,605	42,569
Total trade and other receivables	12,255,330	14,489,262	7,605	42,569
Add: Dividend receivables	2,550,000	-	2,550,000	1,900,080
Add: Cash and bank balances	42,746,805	39,904,863	555,480	540,943
Total financial assets carried at amortised cost	57,552,135	54,394,125	3,113,085	2,483,592

(a) Trade Receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2017: 30 to 120 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	7,750	10,082	7,605	42,569
Singapore Dollars	2,751,330	3,321,649	-	-
United States Dollars	3,991,231	6,092,674	-	-
Japanese Yen	878,385	820,165	-	-
Philippines Peso	818,284	214,236	-	-
Indonesian Rupiah	2,553,449	2,132,007	-	-
Thailand Baht	771,499	1,531,381	-	-
Euro	483,402	367,068	-	-
	12,255,330	14,489,262	7,605	42,569

12. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade Receivables (Cont'd)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Gross Carrying Amount RM	Expected Credit Loss RM	Total RM
At 31 December 2018			
Current	4,740,139	(38,458)	4,701,681
1 to 30 days past due	1,798,304	(14,825)	1,783,479
31 to 60 days past due	1,181,508	(7,992)	1,173,516
60 to 90 days past due	777,336	(5,423)	771,913
More than 91 days past due	3,148,066	(295,906)	2,852,160
	11,645,353	(362,604)	11,282,749
At 31 December 2017			
Current	5,272,842	-	5,272,842
1 to 30 days past due	2,425,114	-	2,425,114
31 to 60 days past due	1,887,980	-	1,887,980
60 to 90 days past due	267,682	-	267,682
More than 91 days past due	4,266,782	(236,147)	4,030,635
	14,120,400	(236,147)	13,884,253

Receivables that are neither past due nor impaired

Trade receivables that are not impaired are creditworthy debtors with good payment records with the Group. There has been no significant changes in credit quality of the receivables. More than 80% (2017: 80%) of the Group's trade receivables arise from customers with more than five (5) years of experience with the Group and losses have occurred infrequently.

None of the Group's trade receivables have been renegotiated during the financial year.

Concentration of credit risk exists when changes in economic conditions affecting the counterparties ability to meet their obligation and whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

As at reporting date, the Group has a significant concentration of credit risk in the form of outstanding balances due from 7 (2017: 6) debtors represent 70% (2017: 80%) of total trade receivables.

Expected Credit Losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group	
	2018 RM	2017 RM
Movement in expected credit loss allowance accounts		
As at 1 January	236,147	26,158
Charge for the financial year (Note 29)	151,592	241,964
Written off	(29,442)	(26,158)
Exchange currency translation differences	4,307	(5,817)
As at 31 December	362,604	236,147

(b) Amounts due from A Subsidiary, An Associate, A Joint Venture and Related Companies

The amounts due from a subsidiary, an associate, a joint venture and related companies are unsecured, non-interest bearing and receivable on demand.

13. CONTRACT ASSET

	Group 2018 RM	Group 2017 RM
Contract assets	1,967,307	1,062,355
Less: Allowance for impairment	(9,495)	-
	1,957,812	1,062,355

Contract assets primarily relate to the Group's right to consideration for work complete but not yet billed at reporting date for sale of goods and services. Contract assets are transferred to receivables when the rights become unconditional.

Movement in contract assets are explained as follows:

	Group 2018 RM	Group 2017 RM
As at 1 January	1,062,355	-
Unbilled portion for revenue earned	1,967,307	1,062,355
Allowance for expected credit loss	(9,495)	-
Contract asset reclassified to trade receivables	(1,062,355)	-
As at 31 December	1,957,812	1,062,355

Contract assets are denominated in the following currencies:

	Group 2018 RM	Group 2017 RM
Singapore Dollars	1,102,756	1,062,355
Thailand Baht	855,056	-
	1,957,812	1,062,355

Expected Credit Losses

The movement in allowance for expected credit losses of contract assets computed based on lifetime ECL are as follows:

	Group 2018 RM	Group 2017 RM
Movement in expected credit loss allowance accounts		
As at 1 January	-	-
Charge for the financial year (Note 29)	9,495	-
As at 31 December	9,495	-

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	Group 2018 RM	Group 2017 RM
Within one year	329,201	137,515

14. CASH AND BANK BALANCES AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash at banks and in hand	18,382,346	16,431,088	155,480	540,943
Fixed deposits with licensed banks	24,364,459	23,473,775	400,000	-
Cash and bank balances	42,746,805	39,904,863	555,480	540,943
Less: Long term fixed deposits with licensed bank	(7,887,579)	(5,548,753)	-	-
Cash and cash equivalents	34,859,226	34,356,110	555,480	540,943

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits with licensed bank are made for varying periods of between one day and three months (2017: one day and three months) depending on the immediate cash requirements of the Group and of the Company. The Group and the Company deposits with licensed bank earns interest ranging from 0.25% to 2.50% (2017: 0.10% to 1.25%) and 2.50% (2017: Nil) per annum respectively during the year.

The weighted average effective rates of deposits of the Group and the Company were 1.34% (2017: 1.36%) and 2.50% (2017: Nil) per annum respectively.

The weighted average maturities of deposits of the Group in the current year were 230 (2017: 166) days.

Fixed deposits with licensed banks of the Group amounting to RM11,807,122 (2017: RM12,964,019) are pledged to secure the Group's banking facilities for letter of credit and bank guarantee.

As at the reporting date, the Group have not utilised any of the above banking facilities.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	555,480	540,943	555,480	540,943
Singapore Dollars	18,072,505	17,628,085	-	-
United States Dollars	10,621,245	11,716,879	-	-
Japanese Yen	1,642,779	1,447,950	-	-
Philippines Peso	223,324	21,663	-	-
Indonesian Rupiah	1,798,303	1,222,365	-	-
Euro Dollars	558,985	132,167	-	-
Thailand Baht	9,232,561	7,154,660	-	-
Others	41,623	40,151	-	-
	42,746,805	39,904,863	555,480	540,943

15. SHARE CAPITAL

	Number of Ordinary Shares		Amount	
	2018	2017	2018 RM	2017 RM
Issued and fully paid:				
At 1 January / 31 December	108,000,000	108,000,000	54,000,000	54,000,000

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.

16. RETAINED EARNINGS AND RESERVES

(a) Retained Earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2018 and 31 December 2017 under the single tier system.

(b) Capital Reserve

This reserve arose from a subsidiary's bonus issue by way of capitalisation of its retained earnings.

(c) Retirement Benefit Obligation Reserve

The reserve arose from remeasurement of the net defined benefit liability arising from actuarial gains and losses from increases or decreases in the present value of the defined benefit obligation.

(d) Statutory Reserve

The statutory reserve relates to the appropriation of reserves from the net profits of a subsidiary company established in Thailand. In accordance with the Thailand local laws, before dividends for a particular year are declared, companies are required to appropriate 5% of their profit before taxation reported in the statutory accounts for that year to a statutory reserve. The maximum balance of the reserve is capped at 10% of the registered capital. This reserve can only be distributed to the shareholders upon liquidation of the company or utilised in the event of a reduction in share capital.

17. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trade Payables				
Third parties	1,991,973	2,986,661	-	-
Other Payables				
Amount due to a joint venture	591,520	5,950	-	-
Amount due to related party	41,180	14,011	-	-
Accruals	1,626,387	1,432,409	158,884	220,612
Net GST payables	129,867	316,186	-	-
Other payables	481,125	301,244	-	-
	2,870,079	2,069,800	158,884	220,612
Total trade and other payables	4,862,052	5,056,461	158,884	220,612
Add: Loans and borrowings (Note 20)	45,297	66,381	-	-
Less: Net GST payables	(129,867)	(316,186)	-	-
Total financial liabilities carried at amortised cost	4,777,482	4,806,656	158,884	220,612

18. TRADE AND OTHER PAYABLES (CONT'D)

(a) Trade Payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 days (2017: 30 to 60 days) terms.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	174,636	220,612	158,884	220,612
Singapore Dollars	2,283,200	1,954,636	-	-
United States Dollars	1,159,677	1,310,209	-	-
Japanese Yen	189,619	105,977	-	-
Philippines Peso	219,929	98,726	-	-
Indonesian Rupiah	243,417	184,179	-	-
Thailand Baht	554,835	1,116,448	-	-
Euro Dollars	36,739	65,674	-	-
	4,862,052	5,056,461	158,884	220,612

(b) Other Payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of 90 days (2017: 90 days).

(c) Amount due to A Joint Venture and Related Party

The amount due to a joint venture and related party are unsecured, non-interest bearing and are repayable on demand.

19. CONTRACT LIABILITIES

	Group	
	2018 RM	2017 RM
Contract liabilities	261,045	244,243

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for sale of goods and services.

Contract liabilities are recognised as revenue as the Group performs under the contract.

Movement in contract liabilities are explained as follows:

	Group	
	2018 RM	2017 RM
As at 1 January	244,243	261,134
Advances received from customers	(806,080)	(385,362)
Recognised as revenue during the year	822,882	368,471
As at 31 December	261,045	244,243

Contract liabilities are denominated in the following currencies:

	Group	
	2018 RM	2017 RM
Singapore Dollars	261,045	244,243

19. CONTRACT LIABILITIES (CONT'D)

The remaining performance obligations expected to be recognised (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	Group	
	2018	2017
	RM	RM
Within one year	261,045	244,243

20. LOANS AND BORROWINGS

		Group	
		2018	2017
	Maturity	RM	RM
Current			
Secured:			
Obligations under finance lease	2019	22,881	21,145
Non-current			
Secured:			
Obligations under finance lease	2020-2021	22,416	45,236
Total		45,297	66,381

Obligations under finance lease

The Company has finance lease for certain of its office equipment (Note 3). This lease does not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	2018	2017
	RM	RM
Future minimum lease payments:		
On demand or within one (1) year	25,408	25,342
More than one (1) year and less than two (2) years	19,374	25,342
More than two (2) years and less than five (5) years	4,027	23,457
Total minimum future lease payments	48,809	74,141
Less: Future finance charges	(3,512)	(7,760)
Present value of finance lease liabilities	45,297	66,381
Analysis of present value of finance lease liabilities:		
On demand or within one (1) year	22,810	21,145
More than one (1) year and less than two (2) years	18,473	22,760
More than two (2) years and less than five (5) years	3,943	22,476
	45,226	66,381
Less: Amount due within 12 months	(22,810)	(21,145)
Amount due after 12 months	22,416	45,236

The finance lease bears interest at the reporting date ranging from 5.69% to 12.68% (2017: 5.69% to 12.68%) per annum.

21. RETIREMENT BENEFIT OBLIGATION

	Group 2018 RM	Group 2017 RM
Defined benefit obligations	200,360	117,126

Defined benefit plans

The Group operates a defined benefit plans covering all regular full-time employees in a subsidiary, Rotodyne Phil. Inc. It is unfunded but accrues the estimated cost of post-employment benefits, actuarially determined.

The amount included in the Group's statement of financial position arising from the Group's obligations in respect of its defined benefit plans is as follows:

	Group 2018 RM	Group 2017 RM
Present value of defined benefit obligations representing net defined benefit liabilities	200,360	117,126

Changes in present value of the defined benefit obligations are as follows:

	Group 2018 RM	Group 2017 RM
At 1 January	110,817	-
At date of implementation	72,774	81,616
Benefit paid	-	-
Current service costs	20,790	18,937
Interest costs	9,298	10,264
Exchange differences	(735)	-
	102,127	110,817
At 31 December	212,944	110,817
Remeasurement (loss)/gain on defined benefit plans		
Actuarial (loss)/gain arising from:		
- changes in financial assumptions	(15,794)	5,283
- changes in demographic assumptions	-	-
- experience adjustments	3,210	1,026
	(12,584)	6,309
At 31 December 2018	200,360	117,126
Analysed as:		
Current	-	-
Non-current		
Later than one (1) year but not later than two (2) years	-	-
Later than two (2) years but not later than five (5) years	4,294	-
Later than five (5) years	196,066	117,126
	200,360	117,126
	200,360	117,126

These amounts are recognised in "Employee benefits expense" line item in the statement of income.

21. RETIREMENT BENEFIT OBLIGATION (CONT'D)

The components of amounts recognised in profit or loss and in other comprehensive income in respect of the defined benefit plans are as follows:

Reported in statement of income

	Group	
	2018	2017
	RM	RM
At date of implementation	72,774	81,616
Current service costs	20,790	18,937
Interest costs	9,298	10,264
Exchange difference	(735)	-
	102,127	110,817

Reported in other comprehensive income

Actuarial (loss)/gain arising from:		
- Changes in financial assumptions	(15,794)	5,283
- Experience adjustments	3,210	1,026
	(12,584)	6,309

The cost of defined benefit plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the obligations for the defined benefit plans are shown below:

	Group	
	2018	2017
Discount rates	2.92%-8.09%	5.8%
Expected rate of future salary increases	2%-10%	2.0%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		Group	
		2018	2017
		RM	RM
		Profit for the year	Profit for the year
Discount rates	- Increase 1% (2017: 1%)	(17,695)	(11,206)
	- Decrease 1% (2017: 0.5%)	19,818	12,662
Expected rate of future salary increases	- Increase 1% (2017: 0.75%)	19,533	11,765
	- Decrease 1% (2017: 1.25%)	(17,752)	(10,662)

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22. REVENUE

(a) Disaggregation of Revenue

Segments	Group					
	Sales of Goods		Service Income		Total Revenue	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Primary geographical market						
Malaysia	377,449	4,269,229	-	-	377,449	4,269,229
Singapore	15,394,484	17,554,953	6,752,767	7,657,877	22,147,251	25,212,830
Indonesia	6,598,945	6,575,621	-	-	6,598,945	6,575,621
Philippines	1,828,666	3,164,474	1,437,382	354,833	3,266,048	3,519,307
Thailand	4,001,402	3,381,439	-	-	4,001,402	3,381,439
Others	4,544,284	2,202,123	-	-	4,544,284	2,202,123
	32,745,230	37,147,839	8,190,149	8,012,710	40,935,379	45,160,549
Major product or service lines						
Rotating equipment and spare parts	32,712,175	37,059,143	-	-	32,712,175	37,059,143
Maintenance and overhaul services	-	-	8,190,149	8,012,710	8,190,149	8,012,710
Commission on sales of rotating equipment	33,055	88,696	-	-	33,055	88,696
	32,745,230	37,147,839	8,190,149	8,012,710	40,935,379	45,160,549
Timing of transfer of goods or services						
At a point in time	32,745,230	37,147,839	-	-	32,745,230	37,147,839
Over time	-	-	8,190,149	8,012,710	8,190,149	8,012,710
	32,745,230	37,147,839	8,190,149	8,012,710	40,935,379	45,160,549

	Company	
	2018 RM	2017 RM
Dividend income	2,550,000	1,900,080

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

	Group			
	2018		2017	
	Sales of Goods		Service Income	
	RM	RM	RM	RM
Revenue	32,745,230	37,147,839	8,190,149	8,012,710
Inter-segment	1,032,738	1,458,997	-	-
	33,777,968	38,606,836	8,190,149	8,012,710
Inter-segment adjustments and elimination	(1,032,738)	(1,458,997)	-	-
Total revenue from contracts with customers	32,745,230	37,147,839	8,190,149	8,012,710

22. REVENUE (CONT'D)

(b) Contract Balances

Information about trade receivables, contract assets and contract liabilities from contracts with customers are disclosed in Note 12, Note 13 and Note 19 respectively.

The Group has recognised expected credit losses on trade receivables and contract asset arising from contracts with customers as disclosed in Note 12 and Note 13 respectively.

(c) Performance Obligation

Information about the Group's performance obligations are summarised below:

(i) Sales of Goods

The performance obligation is satisfied upon delivery of the rotating equipment and spare parts and payment is generally due within 30 to 120 days from delivery.

(ii) Service Income

The performance obligation is satisfied over-time and payment is generally due upon completion of maintenance and overhaul services and acceptance of the customer.

23. COST OF SALES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cost of inventories sold	20,923,284	25,081,152	-	-
Cost of services	4,564,344	4,859,158	-	-
	25,487,628	29,940,310	-	-

24. INTEREST INCOME

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest income from fixed deposits with licensed banks	292,676	309,420	5,560	8,319

25. OTHER INCOME

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Net realised gain on foreign currency translations	-	41,760	-	41,760
Net unrealised gain on foreign currency translations	355,771	-	-	-
Rental income	578,397	1,414,501	-	-
Gain on disposal of property plant and equipment	46,328	-	-	-
Reversal of write-down of inventories	114,411	-	-	-
Others	193,824	219,435	-	67,792
	1,288,731	1,675,696	-	109,552

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26. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Salaries, bonuses and other emoluments	4,214,025	4,409,994	149,805	145,232
Director fees	92,000	92,000	92,000	92,000
Contributions to defined contribution plan	581,160	594,821	16,763	16,093
Increase in liability for defined benefit plan	83,234	110,817	-	-
Other benefits	731,041	650,503	670	874
	5,701,460	5,858,135	259,238	254,199

Included in employee benefits expense of the Group and of the Company are Directors' remuneration amounting to RM1,028,582 (2017: RM1,027,106) and RM137,610 (2017: RM127,000) respectively.

27. DIRECTORS' REMUNERATION

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Director of the Company				
Executive:				
Salaries and other emoluments	233,257	234,452	-	-
Fees - current year	20,000	20,000	20,000	20,000
Bonus	34,988	35,027	-	-
Defined contribution plan	45,537	47,567	-	-
Insurance effected to indemnify directors	3,537	-	3,537	-
Total Executive Directors' remuneration	337,319	337,046	23,537	20,000
Non-Executive:				
Fees - current year	72,000	72,000	72,000	72,000
Other emoluments	35,000	35,000	35,000	35,000
Insurance effected to indemnify directors	7,073	-	7,073	-
Total Non-Executive Directors' remuneration	114,073	107,000	114,073	107,000
	451,392	444,046	137,610	127,000
Director of the Subsidiaries				
Executive:				
Salaries and other emoluments	476,865	480,560	-	-
Bonus	50,768	50,828	-	-
Defined contribution plan	49,557	51,672	-	-
	577,190	583,060	-	-
Non-Executive:				
Fees	-	-	-	-
Total Directors' remuneration	1,028,582	1,027,106	137,610	127,000
Executive Directors' remuneration	914,509	920,106	23,537	20,000
Non-Executive Directors' remuneration	114,073	107,000	114,073	107,000

27. DIRECTORS' REMUNERATION (CONT'D)

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

	Number of Directors			
	Group		Company	
	Non-Executive Directors	Executive Directors	Executive Directors	Non-Executive Directors
At 31 December 2018				
RM0 - RM50,000	1	4	2	4
RM300,001 – RM350,000	1	-	-	-
At 31 December 2017				
RM0 - RM50,000	1	4	2	4
RM300,001 – RM350,000	1	-	-	-

28. FINANCE COST

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expense on obligations under finance lease	4,158	6,011	-	-
Interest expense on term loans	-	338,170	-	-
	4,158	344,181	-	-

29. PROFIT BEFORE TAXATION

The following amounts have been included in arriving at profit before taxation:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Auditors' remuneration:				
- statutory audits				
- current year	303,580	331,177	75,000	70,000
- overprovision in prior year	(29,909)	-	-	-
- non-statutory audits	10,000	10,000	10,000	10,000
Amortisation of land use rights	74,509	77,576	-	-
Depreciation of property, plant and equipment	2,537,341	2,331,104	920	920
Depreciation of investment property	113,826	128,408	-	-
Non-Executive Directors'remuneration	114,073	107,000	114,073	107,000
Impairment on investment in club membership	-	6,283	-	-
Amortisation on investment in club membership	7,680	7,680	-	-
Allowance for impairment loss on financial assets:				
- trade receivables	151,592	241,964	-	-
- contract assets	9,495	-	-	-
Inventories written-down	101,968	105,506	-	-
Unrealised loss on foreign currency translations	-	1,293,559	-	-
Realised loss on foreign currency translations	218,895	188,945	-	-
Retirement benefit obligations	102,862	110,817	-	-
Operating lease:				
Rental on land	184,524	198,292	-	-
Rental on properties	128,910	139,606	-	-
Rental on office equipment	3,888	6,851	-	-

30. INCOME TAX EXPENSE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current income tax:				
- Malaysian income tax	908	1,658	908	1,658
- Foreign income tax	979,984	826,079	-	-
- Over provision in respect of previous financial years	(179,825)	(29,245)	(148)	(636)
	801,067	798,492	760	1,022
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	(32,809)	103,402	-	-
	768,258	901,894	760	1,022

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year. The corporate tax rate applicable to the Singapore subsidiaries of the Group was 17% (2017: 17%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before taxation	7,315,396	4,023,972	1,776,300	1,452,545
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	1,755,695	965,753	426,312	348,611
Different tax rates in other countries	(501,349)	(380,926)	-	-
Adjustments:				
Non-deductible expenses	363,365	759,348	186,596	109,066
Income not subject to taxation	(21,256)	-	(612,000)	(456,019)
Effect of partial exemption and tax relief	(107,448)	(111,874)	-	-
Share of results of associates	(500,028)	(290,841)	-	-
Share of results of joint venture	(40,896)	(10,321)	-	-
Over provision of income tax expense in prior financial year	(179,825)	(29,245)	(148)	(636)
Income tax expense recognised in the statements of income	768,258	901,894	760	1,022

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

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

	Group	
	2018 RM	2017 RM
Foreign		
Unutilised business losses	96,326	96,326
Potential foreign deferred tax benefits at 17% (2017: 17%)	16,375	16,375

Deferred tax assets have not been recognised in respect of the above items as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. The use of these tax losses are subject to agreement of tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

31. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the financial year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018 RM	2017 RM
Profit net of tax attributable to owners of the parent used in the computation of basic and diluted earnings per share	6,546,255	3,095,829

	Number of shares	
	2018	2017
Weighted average number of ordinary shares for basic and diluted earnings per share computation	108,000,000	108,000,000

	Sen per share	
	2018	2017
Basic and diluted earnings per share for profit for the financial year (sen per share)	6	3

The Group has no potential ordinary shares in issue as at 31 December 2018 and 31 December 2017 and therefore the diluted earnings per share are the same.

32. RELATED PARTY TRANSACTIONS

(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 and conditions mutually agreed between the parties during the financial year:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Dividend income received from:				
- subsidiary	-	-	-	1,900,080
- associate	-	-	2,550,000	-
Rental income received from:				
- related party	-	435,974	-	-
Sale of goods and services to:				
- associates	296,024	386,282	-	-
- related party	8,219	353,785	-	-
Expenses reimbursed to related party	34,883	73,234	-	-
Expenses reimbursed by associate	(70,250)	(39,292)	-	-

Information regarding outstanding balances arising from related party transactions as at 31 December 2018 and 31 December 2017 are disclosed in Notes 12 and 18.

(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 entity, directly or indirectly.

The key management personnel of the Group and Company are the Directors and the directors of its subsidiaries and their remuneration are as disclosed in Note 27.

33. COMMITMENTS

(a) Capital Commitments

Capital expenditure as at the reporting date is as follows:

	Group 2018 RM	Group 2017 RM
Capital expenditure		
Approved and contracted for:		
Renovation work	50,031	50,147

(b) Operating Lease Commitments - Lessee

In addition to the land use rights disclosed in Note 5, the Group has entered into commercial lease on certain leases on office equipment and certain properties. These leases have an average tenure of between one (1) to twenty two (22) years with no renewal option or contingent rent provision included in the contracts. There are no restrictions place upon the Group by entering into the leases.

Minimum lease payments, including amortisation of land use rights recognised in statements of income for the financial year ended 31 December 2018 amounted to RM391,831 (2017: RM422,325).

Future minimum rentals payable under non-cancellable operating leases (excluding land use rights) at the reporting date but not recognised as liabilities are as follows:

	Group 2018 RM	Group 2017 RM
Not later than one (1) year	307,259	261,760
Later than one (1) year but not later than five (5) years	1,011,739	833,567
More than five (5) years	2,602,137	3,076,275
	3,921,135	4,171,602

(c) Operating Lease Commitments - Lessor

The Group has entered into commercial property leases on one of its properties. This non-cancellable lease has remaining lease term of two years with no renewal option included in the contract.

Future minimum rentals receivables under non-cancellable operating leases at the reporting date are as follows:

	Group 2018 RM	Group 2017 RM
Not later than one (1) year	614,542	609,329
Later than one (1) year but not later than five (5) years	528,052	18,280
	1,142,594	627,609

34. 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 credit risk, liquidity risk and foreign currency risk. The Group does not hold or issue derivative financial instruments for trading purposes.

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) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The carrying amounts of trade and other receivables, fixed deposits and cash and bank balances represent the Group's maximum exposure to credit risk.

Deposits with licensed banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Trade Receivables and Contract Assets

An impairment analysis is performed at each reporting date using the simplified approach to measure expected credit losses. The provision is based on reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 12 and Note 13 respectively.

Information about the credit risk exposure and expected credit loss movement on the Group's trade receivables and contract assets are disclosed in Note 12 and Note 13 respectively.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables and contract assets on an ongoing basis. The credit risk concentration profile of the Group's trade receivables and contract assets at the reporting date are as follows:

Trade Receivables

	Group			
	2018		2017	
	RM	% of total	RM	% of total
By Country:				
Malaysia	916	0%	1,196,518	8%
Singapore	3,762,535	28%	5,620,183	38%
Philippines	1,244,369	9%	668,138	5%
Indonesia	4,138,086	31%	4,845,470	32%
Brunei	543,300	4%	2,893	0%
Thailand	605,537	5%	1,482,279	10%
Vietnam	988,006	8%	-	0%
Others	-	0%	68,772	0%
	11,282,749	85%	13,884,253	93%
Contract Assets				
Singapore	1,102,756	8%	1,062,355	7%
Thailand	855,056	7%	-	0%
	1,957,812	15%	1,062,355	7%
Total trade receivables and contract assets	13,240,561	100%	14,946,608	100%

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to mitigate the effects of fluctuations in cash flows.

Analysis of Financial Instruments by Remaining Contractual Maturities

The table below summarises the maturity profile of the Group's and of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one (1) year RM	One (1) to five (5) years RM	More than (5) years RM	Total RM
At 31 December 2018				
Group				
Financial Assets:				
Trade and other receivables	12,255,330	-	-	12,255,330
Dividend receivables	2,550,000	-	-	2,550,000
Cash and bank balances	42,746,805	-	-	42,746,805
Total undiscounted assets	57,552,135	-	-	57,552,135
Financial Liabilities:				
Trade and other payables	4,732,185	-	-	4,732,185
Obligations under finance leases	25,408	23,401	-	48,809
Retirement benefit obligation	-	-	200,360	200,360
Total undiscounted liabilities	4,757,593	23,401	200,360	4,981,354
Total net undiscounted financial assets/(liabilities)	52,794,542	(23,401)	(200,360)	52,570,781
Company				
Financial Assets:				
Trade and other receivables	7,605	-	-	7,605
Dividend receivables	2,550,000	-	-	2,550,000
Cash and bank balances	555,480	-	-	555,480
Total undiscounted assets	3,113,085	-	-	3,113,085
Financial Liabilities:				
Trade and other payables	158,884	-	-	158,884
Total undiscounted liabilities	158,884	-	-	158,884
Total net undiscounted financial assets	2,954,201	-	-	2,954,201

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity Risk (Cont'd)

Analysis of Financial Instruments by Remaining Contractual Maturities (Cont'd)

	On demand or within one (1) year RM	One (1) to five (5) years RM	More than (5) years RM	Total RM
At 31 December 2017				
Group				
Financial Assets:				
Trade and other receivables	14,489,262	-	-	14,489,262
Cash and bank balances	39,904,863	-	-	39,904,863
Total undiscounted assets	54,394,125	-	-	54,394,125
Financial Liabilities:				
Trade and other payables	4,740,275	-	-	4,740,275
Obligations under finance leases	25,342	48,799	-	74,141
Retirement benefit obligation	-	-	117,126	117,126
Total undiscounted liabilities	4,765,617	48,799	117,126	4,931,542
Total net undiscounted financial assets/(liabilities)	49,628,508	(48,799)	(117,126)	49,462,583
Company				
Financial Assets:				
Trade and other receivables	42,569	-	-	42,569
Dividend receivables	1,900,080	-	-	1,900,080
Cash and bank balances	540,943	-	-	540,943
Total undiscounted assets	2,483,592	-	-	2,483,592
Financial Liabilities:				
Trade and other payables	220,612	-	-	220,612
Total undiscounted liabilities	220,612	-	-	220,612
Total net undiscounted financial assets	2,262,980	-	-	2,262,980

Group

Changes in liabilities arising from financing activities	1 January 2018	Cashflow	New lease	Other	31 December 2018
Current obligations under finance leases	21,145	(21,084)	-	22,820	22,881
Non-current obligations under finance leases	45,236	-	-	(22,820)	22,416
Total liabilities from financing activities	66,381	(21,084)	-	-	45,297

Changes in liabilities arising from financing activities	1 January 2017	Cashflow	New lease	Other	31 December 2017
Current interest-bearing loans and borrowings (excluding items listed below)	1,124,246	(1,124,246)	-	-	-
Current obligations under finance leases	17,785	(24,291)	3,729	23,922	21,145
Non-current interest-bearing loans and borrowings (excluding items listed below)	10,098,347	(10,098,347)	-	-	-
Non-current obligations under finance leases	57,971	-	11,187	(23,922)	45,236
Total liabilities from financing activities	11,298,349	(11,246,884)	14,916	-	66,381

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity Risk (Cont'd)

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including obligations under finance leases to current due to the passage of time. The Group classifies interest paid as cash flows from operating activities.

(c) Interest Rate Risk

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

The Group's exposure to interest rate risk arises primarily from their borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit for the financial year would have been RM Nil (2017: RM12,070) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) 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 has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily United States Dollar ("USD"), Japanese Yen ("JPY") and EURO Dollar ("EURO").

During the financial year, the Group's entire sales (2017: entire sales) are denominated in foreign currencies whilst the entire costs (2017: entire costs) are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes as disclosed in Note 14.

In addition to transactional exposure, the Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investments in foreign subsidiaries are not hedged as currency positions are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit for the year to a reasonably possible change in the USD, JPY and EURO exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2018 RM Profit for the year	2017 RM Profit for the year
USD/RM	- strengthened 5% (2017: 5%)	672,640	824,967
	- weakened 5% (2017: 5%)	(672,640)	(824,967)
JPY/RM	- strengthened 5% (2017: 5%)	116,577	108,107
	- weakened 5% (2017: 5%)	(116,577)	(108,107)
EURO/RM	- strengthened 5% (2017: 5%)	50,282	21,678
	- weakened 5% (2017: 5%)	(50,282)	(21,678)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign Currency Risk (Cont'd)

The net unhedged financial assets and liabilities of the Group as at 31 December 2018 that are transacted in their functional currencies other than RM, SGD, PHP, THB and IDR are as follows:

	Cash and Bank Balances RM	Receivables RM	Payables RM	Total RM
Group				
At 31 December 2018				
United States Dollars	10,621,245	3,991,231	(1,159,677)	13,452,799
Japanese Yen	1,642,779	878,385	(189,619)	2,331,545
Euro Dollars	558,985	483,402	(36,739)	1,005,648
	12,823,009	5,353,018	(1,386,035)	16,789,992
At 31 December 2017				
United States Dollars	11,716,879	6,092,674	(1,310,209)	16,499,344
Japanese Yen	1,447,950	820,165	(105,977)	2,162,138
Euro Dollars	132,167	367,068	(65,674)	433,561
	13,296,996	7,279,907	(1,481,860)	19,095,043

35. FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The Group do not have financial assets and liabilities that are measured at fair value on a non-recurring basis in the statement of financial position after initial recognition.

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Company does not have any financial instruments classified as Level 1 to Level 3 as at 31 December 2018 and 31 December 2017.

Financial Instruments whose Carrying Amounts Approximate Fair Value

Management has determined that the carrying amounts of cash and short term deposits, receivables and payables, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Instruments not Measured at Fair Value, for which Fair Value is Disclosed

	Group	
	Carrying amount RM	Fair value RM
At 31 December 2018		
Financial liability		
Finance lease payable	45,297	44,153
At 31 December 2017		
Financial liability		
Finance lease payable	66,381	63,829

The fair value of finance lease liabilities and interest-bearing loans and borrowings with fixed interest rates are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangement at the end of the reporting period.

36. CAPITAL MANAGEMENT

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

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

The Group's capital management is dependent on capital requirements of the business or investments. Management would evaluate various options taking into consideration market conditions, nature of investment and the Group's structure.

The Group is not subjected to any externally imposed capital requirement except as disclosed in Note 16(d).

The Group monitor its capital by minimising external borrowing and funds its operation mainly through internally generated funds.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. The Group's policy is to keep the gearing ratio at a manageable level. The Group includes finance lease and borrowings within debt. Capital includes equity attributable to the owners of the parent.

	Note	Group	
		2018 RM	2017 RM
Finance lease payable	20	45,297	66,381
Borrowings	20	-	-
		45,297	66,381
Equity attributable to the owners of the parent		106,148,793	100,536,733
Gearing ratio		0.04%	0.07%

37. SEGMENT INFORMATION

For management purposes, the Group is organised into geographical segments. The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its geographical segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(a) Primary Reporting Segmental - Geographical Segments

The Group operates its business in four principal geographical areas of the world and is principally involved in sales of rotating equipment and spare parts and provision of maintenance and overhaul services.

(b) Secondary Reporting Segmental - Business Segments

As the Group is principally involved in sales of rotating equipment and spare parts and provision of maintenance and overhaul services, segment reporting by business segment is not prepared.

Adjustments and Eliminations

(a) Inter-segment revenues are eliminated upon consolidation and reflected in the 'Consolidation Adjustments' column.

(b) Tax payables, tax recoverable and deferred taxes assets and liabilities are not allocated to those segments as they are managed on a group basis.

(c) Capital expenditure consists of additions of property, plant and equipment and investment properties.

	Malaysia RM	Singapore RM	Indonesia RM	Philippines RM	Thailand RM	Consolidation adjustments RM	Group RM
At 31 December 2018							
Revenue							
External sales	-	33,158,017	1,229,161	1,751,789	4,796,412	-	40,935,379
Inter-segment sales	-	1,032,738	-	-	-	(1,032,738)	-
Total revenue	-	34,190,755	1,229,161	1,751,789	4,796,412	(1,032,738)	40,935,379
Results							
Profit/(loss) from operations	(768,700)	4,005,826	430,636	(220,669)	568,226	985,301	5,000,620
Finance costs	-	(170,337)	-	-	(1,313)	167,492	(4,158)
Share of profit of associates						2,078,371	2,078,371
Share of loss of joint venture						240,563	240,563
Profit before taxation							7,315,396
Taxation							(768,258)
Profit for the financial year							6,547,138
Profit attributable to:							
Owners of the parent							6,546,255
Non-controlling interests							883
							6,547,138

37. SEGMENT INFORMATION (CONT'D)

	Malaysia RM	Singapore RM	Indonesia RM	Philippines RM	Thailand RM	Consolidation adjustments RM	Group RM
At 31 December 2018 (Cont'd)							
Assets							
Segment assets	56,373,660	89,384,905	6,292,344	1,244,953	17,208,918	(57,935,905)	112,568,875
Unallocated assets	9,581	-	-	-	-	-	9,581
Total assets							112,578,456
Liabilities							
Segment liabilities	153,885	9,642,954	484,815	1,565,351	1,510,872	(7,989,123)	5,368,754
Unallocated liabilities	-	907,754	42,890	-	110,265	-	1,060,909
Total liabilities							6,429,663
Other information							
Capital expenditure	-	480,716	-	98,435	162,539	-	741,690
Depreciation of property, plant and equipment	920	2,313,354	157,693	37,630	27,744	-	2,537,341
Depreciation of investment properties	-	-	113,826	-	-	-	113,826
Amortisation of land use rights	-	74,509	-	-	-	-	74,509
Other non-cash expenses	-	(258,634)	27,256	70,972	17,493	-	(142,913)
At 31 December 2017							
Revenue							
External sales	-	41,184,066	328,877	351,087	3,296,519	-	45,160,549
Inter-segment sales	-	1,458,997	-	-	-	(1,458,997)	-
Total revenue	-	42,643,063	328,877	351,087	3,296,519	(1,458,997)	45,160,549
Results							
Profit/(loss) from operations	(447,533)	3,211,914	588,447	(547,529)	135,211	174,186	3,114,696
Finance costs	-	(342,431)	-	-	(1,750)	-	(344,181)
Share of profit of associates						1,192,747	1,192,747
Share of loss of joint venture						60,710	60,710
Profit before taxation							4,023,972
Taxation							(901,894)
Profit for the financial year							3,122,078
Profit attributable to:							
Owners of the parent							3,095,829
Non-controlling interests							26,249
							3,122,078

37. SEGMENT INFORMATION (CONT'D)

	Malaysia RM	Singapore RM	Indonesia RM	Philippines RM	Thailand RM	Consolidation adjustments RM	Group RM
At 31 December 2017 (Cont'd)							
Assets							
Segment assets	55,754,668	88,687,245	5,814,602	399,565	16,252,762	(56,363,749)	110,545,093
Unallocated assets	4,342	-	6,218	-	-	-	10,560
Total assets							110,555,653
Liabilities							
Segment liabilities	220,612	11,660,415	187,309	481,882	1,449,602	(8,515,609)	5,484,211
Unallocated liabilities	-	783,269	14,200	23,787	16,883	-	838,139
Total liabilities							6,322,350
Other information							
Capital expenditure	-	1,429,011	-	1,744	43,983	-	1,474,738
Depreciation of property, plant and equipment	920	2,102,440	177,892	42,581	7,271	-	2,331,104
Depreciation of investment properties	-	-	128,408	-	-	-	128,408
Amortisation of land use rights	-	77,576	-	-	-	-	77,576
Other non-cash expenses	46,201	1,361,356	10,993	347,259	-	-	1,765,809

38. DIVIDENDS

	Dividend in respect of year 2018 RM	Dividend in respect of year 2017 RM	Dividend recognised in year 2018 RM	Dividend recognised in year 2017 RM
Group and Company				
Recognised during the financial year				
In respect of financial year ended 31 December 2017				
- Final single-tier dividend (1 sen) on 108,000,000 ordinary shares paid on 27 June 2018	-	1,080,000	1,080,000	-
	-	1,080,000	1,080,000	-

	Group and Company 2018 RM	Group and Company 2017 RM
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final single-tier dividend for 2017: 1 sen per ordinary share	-	1,080,000
- Final single-tier dividend for 2018: 2 sen per ordinary share	2,160,000	-

At the forthcoming Annual General Meeting, a final single-tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2018, on 108,000,000 ordinary shares, amounting to a dividend payable of RM2,160,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

PARTICULAR OF PROPERTIES

As at 31 December 2018

No	Location	Description and Existing Use	Tenure	Land Area/ Built-up	Approximate Age of Buildings (years)	Net Book Valued as at 31.12.18 (RM)
1	**Turbo-Mech Asia Pte. Ltd** 61, Ubi Crecent, Ubi Techpark Singapore 408598	4 Storey landed terrace Head Office and Warehouse	Leasehold for 60 years expiring on 4 July 2057	4,524 sq. ft/ 11,312 sq. ft	21	5,356,266
2	**Turbo-Mech Asia Pte. Ltd** 22, Joo Koon Circle, Singapore 629054	2 Storey landed Office and Factory/ Warehouse	Leasehold for 30 years expiring on 30 April 2038	39,505 sq. ft/ 24,973 sq. ft	39	22,118,237
3	**PT Turbo Mech Indonesia** Komplex CBD BSD Ruko Bidex, Blok 1-05 Jl. Pahlawan seribu BSD City, Serpong-Tangerang 15322 Indonesia	2 Storey landed Shop house	Leasehold for 25 years expiring on 1 August 2031	807 sq. ft/ 2,421 sq. ft.	12	355,400
4	**PT Turbo Mech Indonesia** Jabeka Techno Park SFB Blok A8F Jl. Techno 5, Desa Pasir Gombong Kecamatan Cikarang utara Jababeka Bekasi 17834 Indonesia	2 storey landed Workshop	Leasehold for 25 years expiring on 29 September 2027	10,167 sq ft/ 22,270 sq. ft	16	1,065,945

ANALYSIS OF SHAREHOLDINGS

As at 22 March 2019

Total Number of Issued Shares	:	108,000,000
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share
Number of Shareholders	:	700

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	10	1.43	152	0.00
100 - 1,000	89	12.72	69,424	0.06
1,001 - 10,000	358	51.14	2,028,500	1.88
10,001 - 100,000	194	27.71	6,381,200	5.91
100,001 - 5,399,999 (*)	46	6.57	38,345,980	35.51
5,400,000 and above (**)	3	0.43	61,174,744	56.64
Total	700	100.00	108,000,000	100.00

Notes:

* Less than 5% of issued shares

** 5% and above of issued shares

LIST OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 22 MARCH 2019

Names	Direct shareholdings No. of Shares	%	Indirect shareholdings No. of Shares	%
Mosgan Holdings Sdn Bhd	38,651,124	35.79	21,877,206 (1)	20.26
Gan Ching Lai (Deceased)	2,279,574	2.11	58,248,756 (2)	53.93
Gan Kok Ten	19,497,632	18.05	41,030,698 (3)	37.99
Gan Kok Tin	100,000	0.09	60,428,330 (3)	55.95
Leong Khai Cheong	3,020,000	2.80	5,631,770 (4)	5.21
Lai Siew Yoong	5,631,770	5.21	3,020,000 (5)	2.80

Notes:

(1) Deemed interested by virtue of the late Gan Ching Lai's, Gan Kok Ten's and Gan Kok Tin's shareholdings in the Company pursuant to Section 8(4)(c) of the Companies Act 2016.

(2) Deemed interested by virtue of his shareholdings in Mosgan Holdings Sdn Bhd and the shareholdings of his sons pursuant to Section 8(4)(c) of the Companies Act 2016.

(3) Deemed interested by virtue of the shareholdings of his late father, brother and Mosgan Holdings Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016.

(4) Deemed interested by virtue of the shareholding of his spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

(5) Deemed interested by virtue of the shareholding of her spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

Analysis of Shareholdings
As at 22 March 2019

LIST OF DIRECTORS' SHAREHOLDINGS
AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 22 MARCH 2019

	Direct shareholdings		Indirect shareholdings	
Names	**No. of Shares**	**%**	**No. of Shares**	**%**
Gan Kok Ten	19,497,632	18.05	41,030,698 (1)	37.99
Nasaruddin Bin Mohamed Ali	940,876	0.87	-	-
Omar Bin Mohamed Said	-	-	-	-
Chan Bee Eie	-	-	100,000 (2)	0.09
Tam Juat Hong	-	-	-	-
Azhar Bin Mohamad	-	-	-	-

Notes:

(1) Deemed interested by virtue of the shareholdings of his late father, brother and Mosgan Holdings Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016.

(2) Deemed interested in the direct shareholding of her spouse, Gan Kok Tin, a substantial shareholder of the Company pursuant to Section 59(11)(c) of the Companies Act 2016.

LIST OF 30 LARGEST SHAREHOLDERS
AS AT 22 MARCH 2019

No.	Names	Shareholdings	%
1	Mosgan Holdings Sdn Bhd	38,651,124	35.79
2	Gan Kok Ten	16,891,850	15.64
3	Lai Siew Yoong	5,631,770	5.21
4	Boo Lee Kiang	4,499,454	4.17
5	Lai Yew Fong	4,011,355	3.71
6	Salmiah Binti Jantan	2,827,564	2.62
7	Gan Kok Ten	2,605,782	2.41
8	Loo Kien Seng	2,510,020	2.32
9	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Leong Khai Cheong	2,500,000	2.31
10	Lim Yoke Sim	2,307,200	2.14
11	Gan Ching Lai (Deceased)	2,279,574	2.11
12	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tay Eng Tong	2,250,000	2.08
13	Tay Hwee Leck	1,126,524	1.04
14	Leong Choong Wah	911,329	0.84

LIST OF 30 LARGEST SHAREHOLDERS (CONT'D)

AS AT 22 MARCH 2019

No.	Names	Shareholdings	%
15	Nasaruddin Bin Mohamed Ali	840,876	0.78
16	Loke Kah Kheon	753,800	0.70
17	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chee Sai Mun	608,300	0.56
18	Ong Chiow Hock	600,000	0.56
19	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chee Sai Mun	521,100	0.48
20	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Leong Khai Cheong	500,000	0.46
21	Kok Choi Wah	500,000	0.46
22	Yap Kim Loong	443,100	0.41
23	Mohd Radzuan Bin AB Halim	421,100	0.39
24	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Khor Shen Chieh	363,300	0.34
25	Ong Beng Kee	330,000	0.31
26	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chang Joon	322,700	0.30
27	Wong Siew Ting	300,002	0.28
28	Teh Bee Gaik	290,700	0.27
29	Chau Mooi Fei	253,800	0.24
30	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Keng Hoe	242,000	0.22

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PROXY FORM

No. of Shares Held	CDS Account No.

TURBO-MECH BERHAD

(Company No. 863263-D)
(Incorporated in Malaysia)

*I/We, ______________________________ (NRIC No. /Company No. ______________)
of ______________________________
being a member of **TURBO-MECH BERHAD** (Company No. 863263-D), hereby appoint ______________________________
(NRIC No.________________) of ______________________________
or failing him/her, ______________________________ (NRIC No. ______________)
of ______________________________
or #the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Tenth Annual General Meeting of Turbo-Mech Berhad ("the Company") to be held at Tiara Rini Ballroom, The Royale Chulan The Curve Hotel, 6 Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 27 May 2019 at 2:30 p.m. or at any adjournment thereof, on the following resolutions referred to in the Notice of the Tenth Annual General Meeting.

My/Our proxy is to vote as indicated below:-

	RESOLUTION	FOR	AGAINST
Ordinary Resolution 1	To approve a final single-tier dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2018.		
Ordinary Resolution 2	To re-elect Mr Gan Kok Ten as Director.		
Ordinary Resolution 3	To re-elect Mr Tam Juat Hong as Director.		
Ordinary Resolution 4	To approve the Directors' fees and benefits payable of up to RM160,000 to the Directors for the period from 28 May 2019 and up to date of the next Annual General Meeting.		
Ordinary Resolution 5	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 6	Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
Ordinary Resolution 7	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.		

(Mark either box if you wish to direct the proxy how to vote. If you do not do so, the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently, this should be specified.)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

 # If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "the Chairman of the Meeting" and insert the name(s) of the person(s) desired.
** Delete if not applicable*

Dated this __________ day of ________________, 2019.

____
Signature of Shareholder or Common Seal
Contact No.:

NOTES:

1. A member entitled to attend and vote is entitled to appoint not more than two (2) proxies. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.

2. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

4. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or notarially certified copy of that power or authority shall be deposited at the Company's Share Registrar's office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or at any adjournment thereof at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. Any termination of a person's authority to act as a proxy shall be notified in writing and received by the Company at the Registered Office before the commencement of this Meeting.

5. In respect of deposited securities, only members whose names appear on the Record of Depositors on **17 May 2019** (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on his behalf.

6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the Tenth Annual General Meeting will be put to vote by way of poll.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms pursuant to Personal Data Protection Act, 2010.

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STAMP

Turbo-Mech Berhad

c/o Boardroom Share Registrars Sdn. Bhd.
(formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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Turbo-Mech Berhad (863263-D)
39-5, Jalan PJU 1/41, Block D1, Dataran Prima,
47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
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