ELECTRONIC DISCLAIMER

STRICTLY PRIVATE AND CONFIDENTIAL

NOT FOR DISTRIBUTION TO PERSONS THAT DO NOT FALL WITHIN THE RELEVANT CATEGORIES OF PERSONS SPECIFIED IN SECTION 2(6) OF THE COMPANIES ACT 2016, AS AMENDED FROM TIME TO TIME ("**COMPANIES ACT**") AND PERSONS TO WHOM AN OFFER OR INVITATION TO SUBSCRIBE THE SUKUK *WAKALAH* MAY BE MADE AND TO WHOM THE SUKUK *WAKALAH* ARE ISSUED WOULD NOT FALL WITHIN PART 1 OF SCHEDULE 6 OF THE CAPITAL MARKETS AND SERVICES ACT 2007, AS AMENDED FROM TIME TO TIME ("**CMSA**"), OR PART 1 OF SCHEDULE 7 OF THE CMSA READ TOGETHER WITH SCHEDULE 9 (OR SECTION 257(3)) OF THE CMSA AT ISSUANCE; THEREAFTER, NOT FOR DISTRIBUTION TO PERSONS THAT DO NOT FALL WITHIN THE RELEVANT CATEGORIES OF PERSONS SPECIFIED IN SECTION 2(6) OF THE COMPANIES ACT OR PERSONS TO WHOM AN OFFER OR INVITATION TO PURCHASE THE SUKUK *WAKALAH* THAT WOULD NOT FALL WITHIN PART 1 OF SCHEDULE 6 (OR SECTION 229(1)(b)) OF THE CMSA READ TOGETHER WITH SCHEDULE 9 (OR SECTION 257(3)) OF THE CMSA AFTER THE ISSUANCE OF THE SUKUK *WAKALAH*.

IMPORTANT:
YOU MUST READ THE FOLLOWING DISCLAIMER BEFORE CONTINUING

Please find attached an electronic copy of the information memorandum dated 15 July 2019 ("**Information Memorandum**"), in relation to the proposed issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase of the Islamic medium term notes ("**Sukuk *Wakalah***") pursuant to the Islamic medium term notes programme under the Shariah principles of *Wakalah Bi Al-Istithmar* (agency) and *Murabahah* (via *Tawarruq* arrangement) of up to RM1.0 billion in nominal value ("**Proposed Sukuk *Wakalah* Programme**") by Konsortium KAJV Sdn Bhd (Company No. 1182372-P) ("**Issuer**").

The following disclaimer applies to the attached Information Memorandum. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Information Memorandum. By accepting this e-mail and accessing the attached Information Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: The Information Memorandum is not a prospectus and has not been registered nor will it be registered as a prospectus under the CMSA. In order to be eligible to view the attached Information Memorandum or make an investment decision in respect of the Sukuk *Wakalah*, you must be a person falling within the relevant category of persons specified in Section 2(6) of the Companies Act, and persons to whom an offer or invitation to subscribe the Sukuk *Wakalah* may be made and to whom the Sukuk *Wakalah* are issued would fall within Part 1 of Schedule 6 of the CMSA or Part 1 of Schedule 7 of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA; thereafter, a person falling within the relevant category of persons specified in Section 2(6) of the Companies Act, and persons to whom an offer or invitation to purchase the Sukuk *Wakalah* would fall within Part 1 of Schedule 6 (or Section 229(1)(b)) of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA ("**Selling Restrictions**").

By accepting the e-mail and accessing the attached Information Memorandum, you shall be deemed to have represented to us (1) that you are a person falling within the Selling Restrictions; and (2) that you consent to the delivery of the attached Information Memorandum and any amendments or supplements thereto by electronic transmission.

You are reminded that documents transmitted via this medium may be subject to interruptions, transmission blackout, delayed transmission due to internet traffic, data corruption, interception, unauthorised amendment, tampering, viruses or other technical, mechanical or systemic risks associated with internet transmissions. Affin Hwang Investment Bank Berhad (Company No. 14389-U) as the principal adviser ("**Principal Adviser**") and Affin Hwang Investment Bank Berhad (Company No. 14389-U) jointly with HSBC Amanah Malaysia Berhad (Company No. 807705-X) as the joint lead arrangers ("**Joint Lead Arrangers**") and joint lead managers ("**Joint Lead Managers**") of the Proposed Sukuk *Wakalah* Programme or any person who controls any of them nor any of their respective directors, officers, employees, representatives or affiliates have not accepted and will not accept any liability and/or responsibility for any such interruptions, transmission blackout, delayed transmission due to internet traffic, data corruption, interception, unauthorised amendment, tampering, viruses or other technical, mechanical or systemic risks associated with internet transmissions or any consequence thereof.

RESTRICTIONS

The Information Memorandum is strictly confidential and does not constitute an issue, offer or sale of, or an invitation to subscribe or purchase the Sukuk *Wakalah* or any other securities of any kind by any party in any jurisdiction in which such offer or sale of, or an invitation to subscribe or purchase the Sukuk *Wakalah* would be unlawful prior to qualification under the securities laws of such jurisdictions.

The Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any Foreign Jurisdiction and it does not constitute an issue, offer or sale of, or an invitation to subscribe or purchase the Sukuk *Wakalah* or any other securities of any kind by any party in any Foreign Jurisdiction.

You are reminded that you have access to the Information Memorandum on the basis that you are a person into whose possession of the Information Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Sukuk *Wakalah* described therein.**

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail, and you may not purchase any Sukuk *Wakalah* by doing so. Any reply via e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED INFORMATION MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH INFORMATION MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION, REPRODUCTION OR ALTERATION OF ANY OF THE CONTENTS OF THIS DOCUMENT AND THE ATTACHED INFORMATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. BY OPENING AND ACCEPTING THE ATTACHED INFORMATION MEMORANDUM YOU AGREE TO THE FOREGOING.

THE FOREGOING IS IN ADDITION TO AND WITHOUT PREJUDICE TO ALL OTHER DISCLAIMERS AND AGREEMENTS WHICH A RECIPIENT OF THE INFORMATION MEMORANDUM SHALL BE DEEMED TO HAVE AGREED TO OR BE BOUND BY AS SET OUT IN THE INFORMATION MEMORANDUM.

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KONSORTIUM KAJV SDN BHD
(Company No. 1182372-P)

INFORMATION MEMORANDUM

ISLAMIC MEDIUM TERM NOTES PROGRAMME UNDER THE SHARIAH PRINCIPLES OF *WAKALAH BI AL-ISTITHMAR* (AGENCY) AND *MURABAHAH* (VIA A *TAWARRUQ* ARRANGEMENT) OF UP TO RM1.0 BILLION IN NOMINAL VALUE

PRINCIPAL ADVISER

AFFIN HWANG INVESTMENT BANK BERHAD
(Company No. 14389-U)

JOINT LEAD ARRANGERS AND JOINT LEAD MANAGERS

AFFIN HWANG INVESTMENT BANK BERHAD
(Company No. 14389-U)

HSBC AMANAH MALAYSIA BERHAD
(Company No. 807705-X)

FINANCIAL ADVISER

FCA CAPITAL SDN BHD
(Company No. 820202-U)

This Information Memorandum is dated 15 July 2019

RESPONSIBILITY STATEMENT

This information memorandum ("**Information Memorandum**") has been approved by the directors of Konsortium KAJV Sdn Bhd (Company No. 1182372-P) ("**Issuer**" or "**KAJV**") and they collectively and individually accept full responsibility for the accuracy of the information contained in this Information Memorandum. The board of directors ("**Board**") of the Issuer, after having made all reasonable enquiries and to the best of their knowledge, information and belief, confirms that all information contained in this Information Memorandum is true and correct in all respects. The Board of the Issuer further confirms that there is no omission of a material fact, necessary to make the information contained in this Information Memorandum, in light of the circumstances under which it is provided, not misleading, and that the opinions and intentions expressed in the information contained in this Information Memorandum are honestly held. Enquiries have been made by the Board of the Issuer to ascertain that all material facts have been disclosed and to verify the accuracy of all such information and statements. In this context, the Board of the Issuer accepts full responsibility for such information contained in this Information Memorandum.

IMPORTANT NOTICE AND GENERAL STATEMENTS OF DISCLAIMER

This Information Memorandum is being furnished on a private and confidential basis solely for the purpose of enabling prospective investors to consider the purchase or subscription of the Islamic medium term notes ("**Sukuk *Wakalah***") pursuant to the Islamic medium term notes programme under the Shariah principles of Wakalah Bi Al-Istithmar (agency) and *Murabahah* (via *Tawarruq* arrangement) of up to RM1.0 billion in nominal value ("**Proposed Sukuk *Wakalah* Programme**") by the Issuer.

This Information Memorandum may not be reproduced, in whole or in part, or used for any other purpose, or shown, given, copied to or filed, in whole or in part, with any other person including, without limitation, any government or regulatory authority except with the prior consent of the Issuer or as required under Malaysian laws, regulations or guidelines.

None of the information or data contained in this Information Memorandum has been independently verified by Affin Hwang Investment Bank Berhad ("**Affin Hwang IB**") as the principal adviser ("**Principal Adviser**") and Affin Hwang IB jointly with HSBC Amanah Malaysia Berhad (Company No. 807705-X) ("**HSBC Amanah**") as the joint lead arrangers ("**Joint Lead Arrangers**") and joint lead managers ("**Joint Lead Managers**") in relation to the Proposed Sukuk Wakalah Programme. Accordingly, the Principal Adviser, the Joint Lead Arrangers and the Joint Lead Managers do not make any representation, warranty or undertaking, neither expressed or implied, nor accept any responsibility, with respect to the accuracy or completeness of any of the information contained in this Information Memorandum.

To the extent permitted by law, the Principal Adviser, the Joint Lead Arrangers and the Joint Lead Managers have not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the Sukuk *Wakalah* and to the extent permitted by law, shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum.

The information in this Information Memorandum supersedes all other information and material previously supplied (if any) to the recipients. By taking possession of this Information Memorandum, the recipients are acknowledging and agreeing and are deemed to have acknowledged and agreed that they will not rely on any previous information supplied.

No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the Principal Adviser, the Joint Lead Arrangers, the Joint Lead Managers or any other person. Further, in the event that any investor obtains information which is not expressly contained in this Information Memorandum whether from the Issuer or from any other source, such information shall not constitute part of this Information Memorandum in any way whatsoever and the investor relies on such information solely at its own risk.

This Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any Foreign Jurisdiction and it does not constitute an issue, offer or sale of, or an invitation to subscribe for or purchase the Sukuk *Wakalah* or any other securities of any kind by any party in any Foreign Jurisdiction.

Recipients of this Information Memorandum shall not reissue, circulate or distribute this Information Memorandum or any part thereof in any manner whatsoever. The distribution or possession of this Information Memorandum in or from certain jurisdictions may be restricted or prohibited by law. Each recipient is required to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer nor the Principal Adviser, the Joint Lead Arrangers and the Joint Lead Managers accepts any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in or from any Foreign Jurisdiction.

This Information Memorandum is not and is not intended to be a prospectus. Unless otherwise specified in this Information Memorandum, the information contained in this Information Memorandum is current as at the date hereof.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that:

(i) it will keep confidential all of such information and data;
(ii) it is lawful for the recipient to subscribe for or purchase the Sukuk *Wakalah* under all jurisdictions to which the recipient is subject;
(iii) it has complied with all applicable laws in connection with such subscription or purchase of the Sukuk *Wakalah*;
(iv) the Issuer, the Principal Adviser, the Joint Lead Arrangers, the Joint Lead Managers and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Sukuk *Wakalah*, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Sukuk *Wakalah* is or shall become unlawful, unenforceable, voidable or void;
(v) it is aware that the Sukuk *Wakalah* can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws;
(vi) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Sukuk *Wakalah*, and is able and is prepared to bear the economic and financial risks of investing in or holding the Sukuk *Wakalah*;
(vii) it is subscribing or accepting the Sukuk *Wakalah* for its own account; and

(viii) it is a person falling within one of the categories of persons to whom an offer or invitation to subscribe the Sukuk *Wakalah* may be made and to whom the Sukuk *Wakalah* are issued would fall within the relevant category of persons specified in Section 2(6) of the Companies Act 2016, as amended from time to time ("**Companies Act**"), and persons to whom an offer or invitation to subscribe the Sukuk *Wakalah* may be made and to whom the Sukuk *Wakalah* are issued would fall within Part 1 of Schedule 6 of the Capital Markets and Services Act 2007, as amended from time to time ("**CMSA**") or Part 1 of Schedule 7 of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA; thereafter, a person falling within the relevant category of persons specified in Section 2(6) of the Companies Act, and persons to whom an offer or invitation to purchase the Sukuk *Wakalah* would fall within Part 1 of Schedule 6 (or Section 229(1)(b)) of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA ("**Selling Restrictions**").

Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject. For the avoidance of doubt, this Information Memorandum shall not constitute an offer or invitation to subscribe or purchase the Sukuk *Wakalah* in relation to any recipient who does not fall within the categories of persons specified in item (viii) above.

This Information Memorandum or any document delivered under or in relation to the issue, offer and sale of the Sukuk *Wakalah* is not, and should not be construed as, a recommendation by the Issuer, the Principal Adviser, the Joint Lead Arrangers and/or the Joint Lead Managers to subscribe for or purchase the Sukuk *Wakalah*. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive. All information and statements herein are subject to the detailed provisions of the respective agreements referred to herein and are qualified in their entirety by reference to such documents. The Proposed Sukuk *Wakalah* Programme will carry risks and each recipient should perform and is deemed to have made its own independent investigation and analysis of the Issuer, the issuance of the Sukuk *Wakalah* and all other relevant matters, and each recipient should consult its own professional advisers.

Neither the distribution or delivery of this Information Memorandum nor the offering, sale or delivery of any Sukuk *Wakalah* shall in any circumstance imply that the information contained herein is correct at any time subsequent to the date stated hereof or if no dates have been specifically stated, subsequent to the date of this Information Memorandum or that any other information supplied in connection with the Sukuk *Wakalah* is correct as of any time subsequent to the date indicated in the document containing the same. The Principal Adviser, the Joint Lead Arrangers and the Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Sukuk *Wakalah* or to advise any investor of the Sukuk *Wakalah* ("**Sukukholder**") of any information coming to their respective attention unless required by law. The recipient of this Information Memorandum or the potential Sukukholders should review, *inter alia*, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to purchase any Sukuk *Wakalah*.

This Information Memorandum includes certain historical information, estimates, or reports thereon derived from sources mentioned in this Information Memorandum and other parties with respect to the Malaysian economy, the material businesses which the Issuer operates and certain other matters. Such information, estimates, or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimate and or report thereon derived from such and other third party sources.

This Information Memorandum includes “forward-looking statements” and reflects projections of future events which may or may not prove to be correct. These statements include, among other things, discussions of each of the Issuer’s business strategy and expectation concerning its position in the Malaysian economy, future operations, profitability, liquidity, capital resources and financial position. All these statements are based on estimates and assumptions made by the Issuer that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of the Issuer to be materially different from that expected or indicated by such statements and estimates and no assurance can be given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Information Memorandum should not be regarded as a representation or warranty by the Issuer, its advisers or any other person that the future plans and objectives as anticipated by the Issuer will be achieved. Any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer.

All discrepancies (if any) in the tables included in this Information Memorandum between the listed amounts and totals thereof are due to, and certain numbers appearing in this Information Memorandum are shown, after rounding.

HSBC Amanah, as the Shariah adviser (“**Shariah Adviser**”), has reviewed and approved the structure and mechanism of the Sukuk *Wakalah* and their compliance with the applicable Shariah principles. However, the approval will only be an expression of the view of the Shariah Adviser based on his experience in the subject. There can be no assurance as to the Shariah permissibility of the structure of the Sukuk *Wakalah* and neither the Issuer, the Principal Adviser, the Joint Lead Arrangers, the Joint Lead Managers nor any other person makes any representation as to the same. Investors are reminded that, as with any Shariah views, differences in opinion are possible. Investors are advised to obtain their own independent Shariah advice as to whether the structure meets their individual standards of compliance and make their own determination as to the future tradability of the Sukuk *Wakalah* on any secondary market.

ACKNOWLEDGEMENT

The Issuer hereby acknowledges and authorises the Joint Lead Arrangers/Joint Lead Managers and/or their affiliates to circulate or distribute this Information Memorandum on their behalf in respect of or in connection with the proposed offer or invitation to subscribe for and issue of the Sukuk *Wakalah* to prospective investors who fall within the ambit of the Selling Restrictions and that no further evidence of authorisation is required.

STATEMENTS OF DISCLAIMER – SECURITIES COMMISSION MALAYSIA

This Information Memorandum is not a prospectus and is not intended to be a prospectus and will not be lodged as a prospectus with the Securities Commission Malaysia (“**SC**”). However, a copy of this Information Memorandum will be lodged as an Information Memorandum for the purpose of Sections 229 and/or 230 of the CMSA with the SC, which takes no responsibility for its contents.

The proposed issue, offer or invitation in relation to the Sukuk *Wakalah* in this Information Memorandum or otherwise are subject to the fulfilment of various conditions precedent including without limitation the lodgement of information and documents in relation to the Proposed Sukuk *Wakalah* Programme to the SC in accordance with the SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (issued on 9 March 2015 and effective 15 June 2015 and revised on 11 October 2018) (as may be amended from time to time).

Such information and documents have been lodged and acknowledged by the SC on 20 December 2018, re-lodged and acknowledged by the SC on 21 March 2019 and further re-lodged and acknowledged by the SC on 18 June 2019.

The structure of the Proposed Sukuk *Wakalah* Programme has been endorsed by the Shariah Advisory Council of the SC. Each recipient of this Information Memorandum acknowledges and agrees that the lodgement of the Proposed Sukuk *Wakalah* Programme to the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Sukuk *Wakalah*.

The SC, who takes no responsibility for the contents of this Information Memorandum, shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Information Memorandum.

EACH SUKUK *WAKALAH* WILL CARRY DIFFERENT RISKS AND ALL PROSPECTIVE INVESTORS SHOULD EVALUATE EACH SUKUK *WAKALAH* ISSUE ON ITS OWN MERITS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO NOTE THAT THIS SUKUK *WAKALAH* IS TRANSFERABLE AND TRADABLE. IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE SUBSCRIBING OR PURCHASING THE SUKUK *WAKALAH*.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

(a) the most recently published annual audited financial statements and, if published later, the most recently published interim consolidated and non-consolidated financial statements (if any) of the Issuer; and

(b) all supplements or amendments to this Information Memorandum circulated by the Issuer, if any,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

The Issuer will provide, without charge, to each person, falling within the Selling Restrictions, to whom a copy of this Information Memorandum has been properly delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer through any of the Joint Lead Arrangers/Joint Lead Managers at their offices set out at the end of this Information Memorandum.

CONFIDENTIALITY

This Information Memorandum and its contents are strictly confidential and the information herein contained is given to the recipient strictly on the basis that the recipient shall ensure the same remains confidential. Accordingly, this Information Memorandum and its contents, or any information, which is made available to the recipient in connection with any further enquiries, must be held in complete confidence.

This Information Memorandum is submitted to prospective investors specifically in reference to the Sukuk *Wakalah* and may not be reproduced or used, in whole or in part, for any purpose, nor furnished to any person other than those to whom copies have been sent by the Joint Lead Arrangers/Joint Lead Managers.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer or the Joint Lead Arrangers/Joint Lead Managers may, at its discretion, apply for any remedy available whether at law or in equity, including without limitation, injunctions. The Issuer and the Joint Lead Arrangers/Joint Lead Managers are entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered, in this regard on a full indemnity basis. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's professional advisers, directors, employees and any other persons who may receive this Information Memorandum (or any part of it) from the recipient.

The Principal Adviser and the Joint Lead Arrangers/Joint Lead Managers may at any time request any recipient to return this Information Memorandum and all reproductions whether in whole or in part any other information in connection therewith and where such a request is made, the recipient must return this Information Memorandum and all reproductions whether in whole or in part and any other information in connection therewith to the Principal Adviser and the Joint Lead Arrangers/Joint Lead Managers as soon as reasonably practicable after the said request from the Principal Adviser and the Joint Lead Arrangers/Joint Lead Managers.

PRIVACY NOTICE

Affin Hwang IB and HSBC Amanah are committed to comply with the Personal Data Protection Act 2010 which came into force on 15 November 2013.

Affin Hwang IB is required to issue Privacy Notice to any person for the use and processing of personal information of such person. The Privacy Notice is available at Affin Hwang IB's website: www.affinhwang.com.

HSBC Amanah is required to issue Privacy Notice to any person for the use and processing of personal information of such person. The Privacy Notice is available at HSBC Amanah's website: https://www.hsbcamanah.com.my/privacy-statement/.

In respect of a person which is a body corporate, the consent and authority of their directors, shareholders, authorised signatories and officers are deemed to have been duly obtained to provide the personal data (as defined under the Personal Data Protection Act 2010) as required by Affin Hwang IB or HSBC Amanah.

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DEFINITIONS AND ABBREVIATIONS

In this Information Memorandum, unless the subject of context otherwise requires, the following words and expressions shall have the following meanings:

"**Affin Hwang IB**"	Affin Hwang Investment Bank Berhad (Company No. 14389-U)
"**ASEAN**"	Association of Southeast Asian Nations
"**BNM**"	Bank Negara Malaysia
"**Board**"	board of directors
"**CA**"	the collection account opened or to be opened in relation to the Proposed Sukuk *Wakalah* Programme (as detailed in item 20(iv) in the Details of the Proposed Sukuk *Wakalah* Programme in Section 2 of this Information Memorandum)
"**CMSA**"	Capital Markets and Services Act 2007
"**Companies Act**"	Companies Act 2016 (as amended from time to time)
"**CPI**"	Consumer Price Index
"**CPO**"	crude palm oil
"**Contract Sum**"	the sum stipulated in Section 7.3 of this Information Memorandum
"**Contractor's Proposals**"	the proposals submitted by the Contractor for carrying out the Works, including all drawings which comprises of preliminary design and specifications as appended to the Design and Build Contract and detailed design and specifications as submitted by the Contractor from time to time
"**Construction Period**"	the period to complete the whole of the Works which is forty eight (48) months from the Date of Possession or such extended period as may be approved by the State Government or the relevant authority(ies)
"**DA**"	the disbursement account opened or to be opened in relation to the Proposed Sukuk *Wakalah* Programme and the Interim Facilities (as detailed in item 20(iii) in the Details of the Proposed Sukuk *Wakalah* Programme in Section 2 of this Information Memorandum)
"**Date of Possession**"	the date of possession as stated in Section 7.2 of this Information Memorandum
"Defects Liability Period"	means the defects liability period as provided under Section 7.12 of this Information Memorandum

"**Design and Build Contract**"	the design and build contract made between KAJV and the State Government on 13 December 2016 (as amended by the Addendum dated 28 December 2017 and the supplemental agreement dated 28 January 2019, both made between KAJV and the State Government) in relation to the Project, which expression shall include any other amendment(s), variation(s) thereof and addition(s) thereto, and any other instrument(s) executed or hereafter executed supplemental thereto or in substitution thereof
"**EMDEs**"	emerging markets and developing economies
"**Facility Agent**"	facility agent for the Proposed Sukuk *Wakalah* Programme, namely Affin Hwang IB
"**Facility Payment Certificate**"	the irrevocable and unconditional facility payment certificates duly endorsed, approved and signed by the State Government
"**FASK Holding**"	FASK Holding Sdn Bhd (Company No. 820617-W)
"**FSRA**"	the finance service reserve account to be opened in relation to the Proposed Sukuk *Wakalah* Programme (as detailed in item 20(i) in the Details of the Proposed Sukuk *Wakalah* Programme in Section 2 of this Information Memorandum)
"**GDP**"	gross domestic product
"**GNI**"	gross national income
"**Government's Requirement**"	the need statements given by the State Government to the Contractor which contain information relating to the criteria, performance specification and outcome expected of the Works in order for the Contractor to prepare its proposals
"**GST**"	goods and services tax
"**HSBC Amanah**"	HSBC Amanah Malaysia Berhad (Company No. 807705-X)
"**Information Memorandum**"	This Information Memorandum dated 15 July 2019 in respect of the Proposed Sukuk *Wakalah* Programme
"**Interim Facilities**"	syndicated interim facilities to be provided by Affin Islamic Bank Berhad, Affin Hwang IB and HSBC Amanah comprising of: (i) short term revolving credit facility under the Shariah principle of Commodities *Murabahah* via a *Tawarruq* arrangement of up to Ringgit Malaysia Two Hundred and Sixty Five Million (RM265,000,000.00) ("**STRC-*i* Facility**") with a sub-limit of letter of credit facility under the Shariah principle of *Wakalah* or *Kafalah* of up to Ringgit Malaysia Two Hundred and Fifty Million (RM250,000,000.00) ("**STRC/LC-*i* Facility**"); (ii) conventional short term revolving credit facility of up to Ringgit Malaysia Thirty Five Million (RM35,000,000.00) ("**STRC Facility**"); and

	(iii) conventional performance bond facility of up to Ringgit Malaysia Forty Million (RM40,000,000.00) ("**PB Facility**")
"**Interim Payment Certificate**"	a certificate issued by the P.D. to the Contractor in accordance with Section 7.25 of this Information Memorandum indicating that the value of works which has been practically completed and delivered by the Contractor to the Government and other relevant costs incurred as at the date of the certificate, which is entitled and payable to the Contractor under Section 7.25 of this Information Memorandum
"**Issuer**" or "**KAJV**" or "**Contractor**"	Konsortium KAJV Sdn Bhd (Company No. 1182372-P)
"**Joint Lead Arrangers**"	joint lead arrangers for the Proposed Sukuk *Wakalah* Programme, namely Affin Hwang IB and HSBC Amanah
"**Joint Lead Managers**"	joint lead managers for the Proposed Sukuk *Wakalah* Programme, namely Affin Hwang IB, HSBC Amanah and/or such other financial institution(s) to be appointed, if any.
"**Main Works**"	the works for the design and build of 120 MLD conventional water treatment plant and 28 MLD membrane water treatment plants, the Retrofitting Works that has design and build component and the associated works for the proposed water supply scheme referred to in the Government's Requirement and shall include both permanent and temporary works
"**MARC**"	Malaysian Rating Corporation Berhad (Company No. 364803-V)
"**Mirmas Holding**"	Mirmas Holding Sdn Bhd (Company No. 812207-T)
"**MLD**"	million litre per day
"**OEM**"	original equipment manufacturer
"**On-cost Charges**"	the cost and expense reasonably incurred by the State Government to perform the Contractor's obligations which the Contractor failed to perform and is calculated by applying the percentage for on-cost charges as stated in Appendix 1 of the Design and Build Contract to the amount incurred
"**P.D**" or "**Project Director**"	Setiausaha Kerajaan Negeri Terengganu and his successors in office
"**Principal Adviser**"	principal adviser for the Proposed Sukuk *Wakalah* Programme, namely Affin Hwang IB
"**Project**"	design and build of 120 MLD water treatment plant and 28 MLD membrane water treatment plants, intakes, service tanks, installation of raw and treated water pipe, retrofitting and other associated works for the proposed water supply scheme for Kuala Terengganu Utara, Kuala Terengganu in accordance with the Design and Build Contract

"**Proposed Sukuk *Wakalah* Programme**"	Islamic Medium Term Notes programme under the Shariah principles of *Wakalah* Bi Al-Istithmar (agency) and *Murabahah* (via a *Tawarruq* arrangement) of up to RM1.0 billion in nominal value
"**PSA**"	the profit service account to be opened in relation to the Proposed Sukuk *Wakalah* Programme (as detailed in item 20(ii) in the Details of the Proposed Sukuk *Wakalah* Programme in Section 2 of this Information Memorandum)
"**Retrofitting Works**"	the retrofitting works referred to in the Government's Requirement and Contractor's Proposals and shall include both permanent and temporary works
"**RM**"	Ringgit Malaysia
"**SC**"	Securities Commission Malaysia
"**Security Trustee**"	security trustee for the Proposed Sukuk *Wakalah* Programme, namely Malaysian Trustees Berhad (Company No. 21666-V)
"**Serba Dinamik**"	Serba Dinamik Sdn Bhd (Company No. 266724-K)
"**Shareholders**"	the shareholders of the Issuer, namely Serba Dinamik, FASK Holding and Mirmas Holding
"**Sukuk Trustee**"	sukuk trustee for the Proposed Sukuk *Wakalah* Programme, namely Malaysian Trustees Berhad (Company No. 21666-V)
"**Shariah Adviser**"	Shariah adviser for the Proposed Sukuk *Wakalah* Programme, namely HSBC Amanah
"**Site**"	the land and other places on, above, under, in or through which the Works are to be executed and any other lands or places provided or approved by the State Government for working space or any other purpose as may be specifically designated under the Design and Build Contract or subsequently agreed by the P.D as forming part of the Site
"**Solicitors**"	Zul Rafique and partners
"**State Government**"	the State Government of Terengganu
"**State Government's Requirements**"	the need statements given by the State Government to the Contractor which contain information relating to the criteria, performance specification and outcome expected of the Works in order for the Contractor to prepare its proposals
"**Sukukholders**"	the holders of the Sukuk *Wakalah*
"**Sukuk *Wakalah***"	Islamic Medium Term Notes issued or to be issued pursuant to the Proposed Sukuk *Wakalah* Programme
"**USD**"	United States Dollar

"**Works**"	the works for the proposed water supply scheme for Kuala Terengganu Utara comprising Main Works and Retrofitting Works
"**WTP**"	water treatment plant

(a) All, where applicable, include the plural and vice versa; (b) one gender only shall include the other gender; and (c) a person includes any individual, company, unincorporated association, government, state agency, international organisation or other entity.

Unless otherwise indicated, any reference in this Information Memorandum to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation), rules, statute or statutory provision shall be construed as a reference to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any such modification or re-enactment.

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SECTION 1
EXECUTIVE SUMMARY

This summary below aims to provide an overview of the information contained in this Information Memorandum and must be read in conjunction with the detailed information and statements appearing elsewhere in this Information Memorandum. Each investor should read this entire Information Memorandum carefully, including the appendices.

1.1 INTRODUCTION

The Issuer proposes to issue Sukuk *Wakalah* of up to RM1.0 billion in nominal value under the Shariah principles of *Wakalah Bi Al-Istithmar* (agency) and *Murabahah* (via *Tawarruq* arrangement) under the Proposed Sukuk *Wakalah* Programme.

1.2 THE ISSUER

The Issuer was incorporated in Malaysia on 5 April 2016 under the laws of Malaysia as a private company limited by shares under the name of Konsortium Amanie JV Sdn Bhd. The Issuer subsequently changed its name to Konsortium KAJV Sdn Bhd on 6 September 2017. The Issuer is a special purpose company established to undertake the Project in Kuala Terengganu.

The principal activities of the Issuer are as follows:

(a) Business of investment company to acquire land, buildings, shares, stocks, debentures, bonds, notes and other securities.

(b) Business of builders, construction, renovations, demolition and other types of builders works; and

(c) All types of hydraulic and water supply related engineering and technology works and services, including supply of water, water treatment, testing of water quality, waste water utility management, maintenance of water mains, testing and certification of water standard and all kinds of other water related projects.

As at 15 May 2019, the shareholders of the Issuer are Serba Dinamik, FASK Holding and Mirmas Holding:

Name	No. of shares held	% of shareholding
Serba Dinamik	400,000	40%
FASK Holding	350,000	35%
Mirmas Holding	250,000	25%

Further information on the Issuer and the Shareholders are set out in Section 3 and Section 4, respectively of this Information Memorandum.

1.3 PROJECT OVERVIEW

The project involves the design, construction, equipping and maintenance of the proposed design and build of 120 MLD conventional water treatment plant and 28 MLD membrane water treatment plants, intakes, service tanks, installation of raw and treated water pipes, retrofitting and other associated works for the proposed water supply scheme for Kuala Terengganu Utara, Kuala Terengganu.

By a letter of acceptance dated 28 April 2016, the State Government had accepted the proposal from the Contractor to carry out the said project and on 13 December 2016, the State Government and the Contractor had entered into the Design and Build Contract which was later amended by the Addendum dated 28 December 2017. The total Contract Sum and agreed financing cost is Ringgit Malaysia One Billion Three Hundred Five Million Eight Hundred Ninety One Thousand Five Hundred Fifteen and Sen Seven (RM1,305,891,515.07). The State Government and the Contractor subsequently executed a supplemental agreement to the Design and Build Contract dated 28 January 2019 which provided for, among others, a revised Deferred Payment Schedule on an annual basis as set out in Appendix 6 to this Information Memorandum.

A summary of the salient terms of the Design and Build Contract is set out in Section 7 of this Information Memorandum.

1.4 DESCRIPTION OF THE STRUCTURE OF THE PROPOSED SUKUK *WAKALAH* PROGRAMME

The Proposed Sukuk *Wakalah* Programme shall comprise issuance(s) of Sukuk *Wakalah* of up to RM1.0 billion in nominal value, from time to time, under the Shariah principles of *Wakalah Bi Al-Istithmar* (agency) and *Murabahah* (via a *Tawarruq* arrangement).

The Proposed Sukuk *Wakalah* Programme shall have a tenure of up to fourteen (14) years from the date of the first issuance of the Sukuk *Wakalah* subject to the first issuance to be effected within sixty (60) business days from the date of lodgement with the SC. Subject to compliance with conditions precedent, the Sukuk *Wakalah* Programme is available for issuance for a period of fifty four (54) months from the commencement date of the Project being 15 May 2016.

The Sukuk *Wakalah* is a rated instrument and shall constitute direct, unconditional, unsubordinated and secured obligations of the Issuer.

For full detailed terms of the Sukuk *Wakalah*, please refer to the Details of the Proposed Sukuk *Wakalah* Programme in Section 2 of this Information Memorandum.

1.5 UTILISATION OF PROCEEDS

The proceeds raised from the issuance of the Sukuk *Wakalah* shall be utilised for the following Shariah compliant purposes:

(i) to pay all fees and expenses in relation to the Proposed Sukuk *Wakalah* Programme;

(ii) to pre-fund the relevant periodic distribution payments required under the FSRA and PSA from each issuance of Sukuk *Wakalah*;

(iii) To pre-fund up to RM50.0 million into the reserve account under the Interim Facilities;

(iv) to pay the principal sum under the Interim Facilities of up to RM300.0 million* which was utilised to fund part of the construction of the Project and all other financial obligations under the relevant Interim Facilities; and

* For avoidance of doubt, during the subsistence of the STRC-i Facility and the STRC Facility, proceeds from each Sukuk *Wakalah* issuance, will be utilised to directly pay the principal sums under the STRC-i Facility and the STRC Facility, including any subsequent drawdowns / redrawings/ rollover / reutilisation of the STRC-i Facility and the STRC Facility on pari passu basis.

(v) to fund the construction of the Project whereby payments shall be paid directly to the Issuer as the contractor pursuant to the Design and Build Contract.

1.6 SECURITY

The Sukuk *Wakalah* shall be secured by the following security:

(i) A second debenture comprising a fixed and floating charge over all present and future assets of the Issuer (other than the FSRA, PSA, payment account under the Interim Facilities ("**PA**"), reserve account under the Interim Facilities ("**RA**"), sinking fund account under the Interim Facilities ("**SFA**"), Affin Hwang IB interim account under the Interim Facilities, Affin Islamic interim account under the Interim Facilities and HSBC Amanah interim account under the Interim Facilities);

(ii) A legal assignment over the Design and Build Contract, including the rights and benefits of the Facility Payment Certificates for payment of construction works done on the Project on a deferred payment basis ("**Assignment of Design and Build Contract**"), supplemented by a supplemental agreement to the Assignment of Design and Build Contract;

(iii) A legal assignment over all contract proceeds in relation to the Project (other than contract proceeds in relation to the Design and Build Contract) ("**Assignment of Contract Proceeds**"), supplemented by a supplemental agreement to the Assignment of Contract Proceeds;

(iv) A legal assignment over all assignable takaful contracts/insurance policies taken in relation to the Project ("**Assignment of Insurances**"), supplemented by a supplemental agreement to the Assignment of Insurances;

(v) A legal assignment over all assignable performance bond/guarantee issued by the contractors/subcontractors in relation to the Project and all proceeds arising therefrom ("**Assignment of Performance Bonds/Guarantee**"), supplemented by a supplemental agreement to the Assignment of Performance Bonds/Guarantee;

(vi) An assignment and charge over the DA and the CA ("**Assignment and Charge of DA and CA**") and all monies standing to the credit of the DA and the CA, supplemented by a supplemental agreement to the Assignment and Charge of DA and CA;

(vii) Assignment and Charge over the FSRA and the PSA;

(viii) Assignment over all proceeds arising from claims or compensation received by Serba Dinamik pursuant to an engineering, procurement, construction and commissioning contract to be entered into between Serba Dinamik and Cekap Air Sdn Bhd ("**EPCC Contract**") including all assignable performance bond/guarantee issued (if any) pursuant to the EPCC Contract and all proceeds arising therefrom ("**Assignment of Proceeds and Performance Bond/Guarantee by Serba Dinamik**"), supplemented by a supplemental agreement to the Assignment of Proceeds and Performance Bond/Guarantee by Serba Dinamik; and

(ix) Any other security as may be required by the credit rating agency in respect of the Sukuk *Wakalah* to achieve the credit rating as stated in Section 1.7 of this Information Memorandum or as advised by the solicitors and to be mutually agreed between the Principal Adviser, Joint Lead Arrangers and the Issuer.

1.7 RATING

The Proposed Sukuk *Wakalah* Programme has been assigned a final rating of $AA\text{-}_{IS}$ by MARC vide its letter dated 9 July 2019.

1.8 SELLING RESTRICTIONS

Selling Restrictions at Issuance

The Sukuk *Wakalah* may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to persons falling within the relevant category of persons specified in Section 2(6) of the Companies Act and persons to whom an offer or invitation to subscribe the Sukuk *Wakalah* may be made and to whom the Sukuk *Wakalah* are issued would fall within:

(i) Part 1 of Schedule 6 of the CMSA; and
(ii) Part 1 of Schedule 7 of the CMSA,

read together with Schedule 9 or Section 257(3) of the CMSA.

Selling Restrictions after Issuance

The Sukuk *Wakalah* may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to persons falling within the relevant category of persons specified in Section 2(6) of the Companies Act and persons to whom an offer or invitation to purchase the Sukuk *Wakalah* would fall within Part 1 of Schedule 6 or Section 229(1)(b) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA.

Tradability and transferability

The Sukuk *Wakalah* are tradable and transferrable subject to the selling restrictions described above.

1.9 LODGEMENT TO SC

Information and documents in relation to the Proposed Sukuk *Wakalah* Programme in accordance with the SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (issued on 9 March 2015 and effective 15 June 2015 and revised on 11 October 2018) (as may be amended from time to time) has been lodged and acknowledged by the SC on 20 December 2018, re-lodged and acknowledged by the SC on 21 March 2019 and further re-lodged and acknowledged by the SC on 18 June 2019.

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SECTION 2
DETAILS OF THE PROPOSED SUKUK *WAKALAH* PROGRAMME

The details of the Sukuk *Wakalah* Programme are as set out in this Section 2.

Words and expressions used and defined in this Section 2 shall, in the event of an inconsistency with the definitions section of this Information Memorandum, only be applicable for this Section 2.

(1)	**Name of facility**	:	Islamic Medium Term Notes ("**Sukuk *Wakalah***") programme of up to RM1.0 billion in nominal value under the Shariah principle of *Wakalah Bi Al Istithmar* (agency) and *Murabahah* (via *Tawarruq* arrangement) ("**Sukuk *Wakalah* Programme**")
(2)	**One time issue or programme**	:	Programme.
(3)	**Shariah principles**	:	1. *Wakalah Bi Al-Istithmar* (agency); and 2. *Murabahah* (via *Tawarruq* arrangement)
(4)	**Facility description**	:	Sukuk *Wakalah* Programme based on the Shariah principle of *Wakalah Bi Al-Istithmar* and *Murabahah* (via *Tawarruq* arrangement). <u>Underlying Transaction</u> The issuance of each tranche of the Sukuk *Wakalah* from time to time under the Sukuk *Wakalah* Programme shall be effected as follows: <u>Step 1</u> Pursuant to a *wakalah* agreement ("***Wakalah* Agreement**") entered into between the Sukuk Trustee (acting on behalf of the holders of the Sukuk *Wakalah* ("**Sukukholders**")) and KAJV, the Sukuk Trustee shall appoint KAJV to act as its agent ("**Investment Wakeel**") to perform services which include investing the issue proceeds ("**Sukuk Proceeds**") in the *Wakalah* Investments (as defined below). <u>Step 2</u> KAJV, in its capacity as the Investment Wakeel, shall declare a trust over the Sukuk Proceeds and over the *Wakalah* Investments acquired using the Sukuk Proceeds. The Sukuk *Wakalah* shall represent the Sukukholders' undivided and proportionate beneficial interest in the Trust Assets. The "**Trust Assets**" shall comprise of (i) the Sukuk Proceeds, (ii) the *Wakalah* Investments and (iii) the rights, title, interest, entitlement and benefit in, to and under the Transaction Documents (as defined in the section entitled "*Other terms and conditions*").

KAJV (as the Issuer) shall issue the Sukuk *Wakalah* and the Sukukholders shall subscribe to the Sukuk *Wakalah* by paying the Sukuk Proceeds. The Investment Wakeel shall invest the Sukuk Proceeds received from the Sukukholders into the relevant investment portfolio which shall comprise of:

(a) KAJV Shariah-compliant general business ("**Shariah-compliant Business**"); and

(b) Commodities (as defined in the section entitled "*Other terms and conditions*") purchased and sold under the Shariah principle of *Murabahah* (via a *Tawarruq* arrangement) ("**Commodity *Murabahah* Investment**").

The investments described in (a) and (b) above shall collectively be referred to as the "***Wakalah* Investments**". For the avoidance of doubt, each *Wakalah* Investment shall comprise both the Shariah-compliant Business and the Commodity *Murabahah* Investment.

<u>Step 3</u>

The Investment Wakeel shall invest part of the Sukuk Proceeds into the Shariah-compliant Business of KAJV. The value of the *Wakalah* Investments in respect of the Shariah-compliant Business should be at least 33% of the *Wakalah* Investments. For the avoidance of doubt, the above ratio of at least 33% of the value of the *Wakalah* Investments is only applicable at the point of initial investment for each tranche of the respective Sukuk *Wakalah*, subject to the valuation principles set out in the *Wakalah* Agreement, which is equal to (i) net tangible assets of the Shariah-compliant Business based on the Issuer's latest available audited accounts, or (ii) other acceptable valuation principles to be agreed by the Issuer and the Shariah Adviser and does not need to be maintained throughout the tenure of the Sukuk *Wakalah*. However, the Investment Wakeel shall ensure that the Shariah-compliant Business shall at all times be a component of the *Wakalah* Investments.

<u>Step 4</u>

The remaining balance of the Sukuk Proceeds shall be invested into the Commodity *Murabahah* Investment. Pursuant to the Commodity *Murabahah* Investment Agreement, the Commodity *Murabahah* Investment shall be effected as follows:

(a) KAJV as the buyer ("**Buyer**") shall issue a purchase order ("**Purchase Order**") to the Investment Wakeel and the Sukuk Trustee (both acting on behalf of the Sukukholders) with an undertaking to purchase the Commodities from the Investment Wakeel (acting on behalf of the Sukukholders) at the Deferred Sale Price (as defined below);

(b) Pursuant to the Purchase Order, the Investment Wakeel (on behalf of the Sukukholders), via its agent, will purchase the Commodities on a spot basis from the commodity supplier(s) at Bursa Suq Al-Sila' and/or a commodity broker ("**Commodity Broker A**") ("**Commodity Supplier**") at a purchase price equivalent to the remaining balance of the Sukuk Proceeds ("**Commodity Purchase Price**"). The Commodity Purchase Price shall be in line with the asset pricing requirements stipulated under the SC's LOLA Guidelines (as defined in the section entitled "*Other terms and conditions*");

(c) Upon acquiring the Commodities, the Investment Wakeel (on behalf of the Sukukholders), via its agent, will thereafter sell those Commodities to the Buyer for a price equivalent to the Commodity Purchase Price plus the aggregate profit margin and shall be payable on a deferred payment basis ("**Deferred Sale Price**"). For the avoidance of doubt, the Deferred Sale Price shall be equal to the aggregate of the Expected Periodic Distribution Amount (as defined in the section entitled "*Other terms and conditions*"), if any, and the nominal value of the Sukuk *Wakalah*.

(d) Upon the purchase of the Commodities, the Buyer, via its agent, will immediately sell the Commodities to Bursa Malaysia Islamic Services Sdn Bhd and/or a commodity broker other than Commodity Broker A ("**Commodity Broker B**") ("**Commodity Buyer**") on a spot basis for cash, at a selling price equivalent to the Commodity Purchase Price ("**Selling Price**").

The parties to the Commodity *Murabahah* Investment Agreement are as follows:

(i) Malaysian Trustees Berhad as the Sukuk Trustee;
(ii) KAJV as the Investment Wakeel;
(iii) KAJV as the Buyer;
(iv) Affin Hwang Investment Bank Berhad as the Agent

Step 5

Returns generated from the *Wakalah* Investments up to the Expected Periodic Distribution Amount shall be distributed periodically in the form of periodic distributions ("**Periodic Distributions**", and each a "**Periodic Distribution**").

On i) each Periodic Distribution date; ii) the maturity date of the relevant Sukuk *Wakalah* ("**Scheduled Dissolution Date**"); or iii) the Dissolution Declaration Date (as defined in the section entitled "*Other terms and conditions*"), as the case may be, any returns from the *Wakalah* Investments in excess of the Expected Periodic Distribution Amount distributable and/or the Dissolution Distribution Amount (as defined in the section entitled "*Other terms and conditions*") due and payable under the Sukuk *Wakalah* shall be retained by the Investment Wakeel as an incentive fee for its services as the Investment Wakeel in managing the *Wakalah* Investments under the *Wakalah* Agreement.

Step 6

KAJV as the obligor ("**Obligor**") shall grant a purchase undertaking ("**Purchase Undertaking**") to the Sukuk Trustee (for the benefit of the Sukukholders), whereby on a Scheduled Dissolution Date or the Dissolution Declaration Date whichever is the earlier, the Obligor shall purchase the Sukukholders' undivided and proportionate beneficial interest in the Shariah-compliant Business at the Exercise Price (as defined in the section entitled "*Other terms and conditions*") by entering into a sale agreement.

The Sukuk Trustee (acting on behalf of the Sukukholders) shall issue a sale undertaking ("**Sale Undertaking**") in favour of the Issuer under which the Sukuk Trustee shall sell the Shariah-compliant Business to the Issuer at the Exercise Price by entering into a sale agreement upon early redemption.

Step 7

Proceeds of the *Wakalah* Investments including the Exercise Price, the Deferred Sale Price and any returns generated shall be utilised to redeem the Sukuk *Wakalah* at the Dissolution Distribution Amount on the Scheduled Dissolution Date or the Dissolution Declaration Date or the relevant early redemption amount upon voluntary early redemption (if applicable), as the case may be. Any excess in respect of proceeds of the *Wakalah* Investments thereof shall be retained by the Investment Wakeel as an incentive fee.

			Upon full payment of all amounts due and payable under the Sukuk *Wakalah*, the relevant trust in respect of the Trust Assets will be dissolved and the relevant Sukuk *Wakalah* held by the Sukukholders will be cancelled. For avoidance of doubt, any double counting shall be disregarded.
(5)	**Currency**	:	Ringgit.
(6)	**Expected facility/programme size**	:	Up to Ringgit Malaysia One Billion (MYR1,000,000,000.00).
(6A)	**Option to upsize**	:	No.
(7)	**Tenure of facility/ programme**	:	14 years.
(8)	**Availability period of debt or sukuk programme**	:	Upon compliance with the respective conditions precedent, the Sukuk *Wakalah* Programme is available for issuance for a period of fifty-four (54) months from the Project Commencement Date, (as defined in the section entitled "Other terms and conditions"), provided that the first issuance of Sukuk *Wakalah* under the Sukuk *Wakalah* Programme shall be made within sixty (60) business days from the date of lodgement to the SC.
(9)	**Clearing & settlement platform(s)**	:	Payments Network Malaysia Sdn Bhd (formerly known as Malaysian Electronic Clearing Corporation Sdn Bhd) ("**PayNet**").
(10)	**Mode(s) of issue**	:	• Book building • Book running • Bought deal • Direct placement • Private placement
(11)	**Selling restrictions**	:	At issuance: • Part 1 of Schedule 6 of the Capital Markets & Services Act 2007 ("**CMSA**") • Part 1 of Schedule 7 of the CMSA • Read together with Schedule 9 of the CMSA • Section 2(6) of the Companies Act 2016 After issuance: • Part 1 of Schedule 6 of the CMSA • Read together with Schedule 9 of the CMSA • Section 2(6) of the Companies Act 2016

		Other: **<u>Selling Restrictions at issuance</u>** The Sukuk *Wakalah* may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to persons falling within the relevant category of persons specified in Section 2(6) of the Companies Act 2016 and persons to whom an offer or invitation to subscribe the Sukuk *Wakalah* may be made and to whom the Sukuk *Wakalah* are issued would fall within: (i) Part 1 of Schedule 6 of the CMSA; and (ii) Part 1 of Schedule 7 of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA. **<u>Selling Restrictions after issuance</u>** The Sukuk *Wakalah* may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to persons falling within the relevant category of persons specified in Section 2(6) of the Companies Act 2016 and persons to whom an offer or invitation to purchase the Sukuk *Wakalah* would fall within Part 1 of Schedule 6 or Section 229(1)(b) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA.
(12) Tradability and transferability	:	Tradable and transferable.
(13) Details of security/collateral pledged, if applicable	:	The Sukuk *Wakalah* Programme shall be secured by the following (collectively, the "**Security Documents**"): (i) A second debenture comprising a fixed and floating charge over all present and future assets of the Issuer (other than the FSRA (as defined herein), PSA (as defined herein), reserve account under the Interim Facilities ("**RA**"), payment account under the Interim Facilities ("**PA**") sinking fund account under the Interim Facilities ("**SFA**"), Affin Hwang interim account under the Interim Facilities ("**Affin Hwang IA**"), Affin Islamic interim account under the Interim Facilities ("**Affin Islamic IA**") and HSBC interim account under the Interim Facilities ("**HSBC IA**")) ("**Second Debenture**");

(ii) A legal assignment over the design and build contract dated 13 December 2016 between the Issuer and the State Government in relation to the Project (as defined in the section entitled "Other terms and conditions") ("**Design and Build Contract**"), including the rights and benefits of the irrevocable and unconditional facility payment certificates duly endorsed, approved and signed by the State Government ("**FPC(s)**") for payment of construction works done on the Project on a deferred payment basis ("**Assignment of Design and Build Contract**"), supplemented by a supplemental agreement to the Assignment of Design and Build Contract ("**Supplemental Assignment of Design and Build Contract**");

(iii) A legal assignment over all contract proceeds in relation to the Project (other than contract proceeds in relation to the Design and Build Contract) ("**Assignment of Contract Proceeds**"), supplemented by a supplemental agreement to the Assignment of Contract Proceeds ("**Supplemental Assignment of Contract Proceeds**");

(iv) A legal assignment over all assignable takaful contracts/insurance policies taken in relation to the Project ("**Assignment of Insurances**"), supplemented by a supplemental agreement to the Assignment of Insurances ("**Supplemental Assignment of Insurances**");

(v) A legal assignment over all assignable performance bond/guarantee issued by the contractors/subcontractors in relation to the Project and all proceeds arising therefrom ("**Assignment of Performance Bond/Guarantee**"), supplemented by a supplemental agreement to the Assignment of Performance Bond/Guarantee ("**Supplemental Assignment of Performance Bond/Guarantee**");

(vi) An assignment and charge over the DA and the CA ("**Assignment and Charge of DA and CA**") and all monies standing to the credit of the DA and the CA, supplemented by a supplemental agreement to the Assignment and Charge of DA and CA ("**Supplemental Assignment and Charge of DA and CA**");

(vii) Assignment and Charge over the FSRA and the PSA;

(viii) Assignment of Proceeds and Performance Bond/Guarantee by Serba Dinamik Sdn Bhd ("**Assignment of Proceeds and Performance Bond/Guarantee by Serba Dinamik**"), supplemented by a supplemental agreement to the Assignment of Proceeds and Performance Bond/Guarantee by Serba Dinamik, in relation to proceeds arising from claims or compensation received by Serba Dinamik Sdn Bhd pursuant to an engineering, procurement, construction and commissioning contract to be entered into between Serba Dinamik Sdn Bhd and Cekap Air Sdn Bhd ("**EPCC Contract**"), including all assignable performance bond/guarantee issued (if any) pursuant to the EPCC Contract and all proceeds arising therefrom ("**Supplemental Assignment of Proceeds and Performance Bond/Guarantee by Serba Dinamik**"); and

(ix) Any other security as may be required by the Credit Rating Agency in respect of the Sukuk *Wakalah* to achieve the credit rating as stated herein or as advised by the solicitors and to be mutually agreed between the Principal Adviser, Joint Lead Arrangers and the Issuer.

Note:
*The rights of the Sukukholders and the rights of the financiers under the Issuer's existing of up to RM40.0 million Performance Bond ("**PB**") facility ("**PB Facility**") and of up to RM35.0 million short term revolving credit facility ("**STRC Facility**") and of up to RM265.0 million short term revolving credit facility under the Shariah principle of Commodities Murabahah via Tawarruq arrangement ("**STRC-i Facility**") with a sublimit of up to RM250.0 million letter of credit facility under the Shariah principle of Wakalah or Kafalah ("**STRC/LC-i Facility**") (the PB Facility, the STRC Facility and STRC/LC-i Facility shall collectively be referred to as "**Interim Facilities**") in the first* debenture comprising a fixed and floating charge over all present and future assets of the Issuer (other than the FSRA, PSA, PA, RA, SFA, Affin Hwang IA, Affin Islamic IA and HSBC IA) ("**First Debenture**"), the Second Debenture, the Assignment of Contract Proceeds (as supplemented by the Supplemental Assignment of Contract Proceeds), the Assignment of Design and Build Contract (as supplemented by the Supplemental Assignment of Design and Build Contract), the Assignment of Insurances (as supplemented by the Supplemental Assignment of Insurances), the Assignment of Performance Bond/Guarantee (as supplemented by the Supplemental Assignment of Performance Bond/Guarantee), the Assignment and Charge of DA and CA (as supplemented by the Supplemental Assignment and Charge of DA and CA) and the Assignment of Proceeds and Performance Bond/Guarantee by Serba Dinamik (as supplemented by the Supplemental Assignment of Proceeds and Performance Bond/Guarantee by Serba Dinamik) (collectively the "**Shared Security Documents**"), shall rank pari passu in all respect amongst themselves, in point of priority and security and shall be governed by the terms and conditions set out in a security sharing agreement *("**Security Sharing Agreement**").*

			*All moneys received pursuant to the Shared Security Documents (other than the deferred payments to be paid under the Design and Build Contract for construction works done on the Project, evidenced by the interim payment certificate(s) or the FPC(s) ("**Deferred Payments**")) shall (subject to the payments which by law have priority), be shared on a pari passu basis between the Interim Facilities and the Sukuk Wakalah Programme, subject to the terms and conditions as set out in the Security Sharing Agreement. The Deferred Payments received shall (subject to the payments which by law have priority) be applied to firstly settle all outstanding amounts under the Sukuk Wakalah Programme and thereafter to settle all outstanding amounts under the Interim Facilities.*
(14)	**Details of guarantee, if applicable**	:	Not applicable.
(15)	**Convertibility of issuance, and details of the convertibility**	:	Non-convertible.
(16)	**Exchangeability of issuance and details of the exchangeability**	:	Non-exchangeable.
(17)	**Call option and details, if applicable**	:	No call option.
(18)	**Put option and details, if applicable**	:	No put option.
(19)	**Details of covenants**	:	<u>**Positive Covenants**</u> The Issuer covenants that for so long as the Sukuk *Wakalah* Programme remain outstanding: (i) each of the Issuer and the shareholders of the Issuer ("**Shareholders**") shall maintain in full force and effect all relevant authorisations, consents, rights, licenses, approvals and permits (governmental and otherwise) and will promptly obtain any further authorisations, consents, rights, licenses, approvals and permits (governmental and otherwise) which is or may become necessary to enable it (i) to own its assets, (ii) to operate its business, (iii) for the Issuer to enter into or perform its obligations under the Transaction Documents (as defined in the section entitled "*Other terms and conditions*") or (iv) to ensure the legality, validity, enforceability, admissibility in evidence of the obligations of the Issuer or the priority or rights of the Sukukholders or the Sukuk Trustee under the Transaction Documents and the Issuer shall comply with the same;

(ii) each of the Issuer and the Shareholders shall at all times on demand, execute or cause to be executed all such further documents and do all such further acts within such reasonable time or within such time prescribed by the applicable law, regulation or guideline, which are reasonably necessary at any time or times to give further effect to the terms and conditions of the Transaction Documents;

(iii) each of the Issuer and the Shareholders shall promptly perform and carry out all its obligations under all the Transaction Documents (including but not limited to redeeming the Sukuk *Wakalah* on the relevant maturity date(s) or any other date on which the Sukuk *Wakalah* are due and payable) and ensure that it shall immediately notify the Sukuk Trustee in the event that it is unable to fulfil or comply with any of the provisions of the Transaction Documents;

(iv) each of the Issuer and the Shareholders shall exercise reasonable diligence in carrying out its business in a proper and efficient manner and in accordance with sound financial and commercial standards and practices which shall ensure, among others, that all necessary approvals or relevant licences are obtained;

(v) the Issuer shall at all times maintain a paying agent in Malaysia;

(vi) the Issuer shall procure that the paying agent shall notify the Sukuk Trustee, through the Facility Agent, in the event that the paying agent does not receive payment from the Issuer on the due dates as required under the Transaction Documents and the terms and conditions of the Sukuk *Wakalah* Programme;

(vii) the Issuer shall ensure that the terms in the Transaction Documents do not contain any matter which is inconsistent with the provisions of the information memorandum (if any) relating to the Sukuk *Wakalah*, unless the Issuer has obtained the approval of the Sukukholders by way of a special resolution or written consent of the Sukuk Trustee (which approval may be given, where in its opinion, it is not materially prejudicial to the interest of the Sukukholders to give such approval;

(viii) the Issuer shall comply with all applicable laws and regulations, including the provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued by the SC and other regulatory agencies from time to time;

(ix) each of the Issuer and the Shareholders shall prepare its financial statements on a basis consistently applied in accordance with approved accounting principles and standards in Malaysia and those financial statements shall give a true and fair view of the results of its operations for the period to which the financial statements are made up and shall disclose or provide against all its liabilities (actual or contingent) of the Issuer and the Shareholders;

(x) each of the Issuer and the Shareholders shall keep proper books and accounts at all times and provide the Sukuk Trustee and any person appointed by it access to such books and accounts to the extent permitted by law;

(xi) each of the Issuer and the Shareholders shall file all relevant tax returns and pay all taxes and other liabilities when due unless being contested in good faith pursuant to legal proceedings and adequate reserves with respect thereto which have been established;

(xii) the Issuer shall maintain and/or cause to be maintained adequate takaful/insurance in respect of the Project, assets and business and all other takaful/insurance necessary for its business in accordance with common industry practice;

(xiii) the Issuer shall promptly submit the application for interim payment certification to facilitate the issuance of Interim Payment Certificates ("**IPCs**") by the project director/relevant authority for any amount due in relation to works done under the Project in accordance with the Design and Build Contract;

(xiv) the Issuer shall promptly submit the FPC(s) for the State Government to endorse, approve and sign the FPC(s) upon receipt of the relevant IPCs issued by the project director/relevant authority;

(xv) the Issuer shall provide the Facility Agent the duly signed/acknowledged/endorsed IPCs and FPC(s) as and when the IPCs and FPC(s) have been signed/endorsed by the project director/relevant authority and State Government accordingly;

(xvi) the Issuer shall ensure that the State Government shall make payments accordingly under the endorsed FPC(s);

(xvii) the Issuer shall undertake to pay the contractors/subcontractors/consultants for works done in relation to the Project;

(xviii) the Issuer shall maintain its existing shareholdings throughout the tenure of the Sukuk *Wakalah* Programme;

(xix) the Issuer shall cause all advances made or to be made hereafter by its Shareholders to be subordinated to its liabilities under the Sukuk *Wakalah* Programme and that no repayment or prepayment of such advances can be made so long as the Sukuk *Wakalah* remain outstanding; and

(xx) Such other conditions as may be advised by the solicitor to be mutually agreed between the PA, JLAs and the Issuer.

Negative Covenants

For so long as the Sukuk *Wakalah* Programme remain outstanding, save with the prior written consent of the Sukuk Trustee (acting on behalf of the Sukukholders):

(i) the Issuer shall not create or permit to exist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purpose of providing security or other security interest of any kind including, without limitation, title transfer and/or retention arrangements having a similar effect or any agreement to create any of the foregoing, but excluding the security to be created by the relevant Transaction Documents in respect of the Sukuk *Wakalah* Programme and the Interim Facilities; and the bank guarantee facility in relation to the design guarantee bond to be provided by the Issuer to the State Government pursuant to the Design and Build Contract;

(ii) the Issuer shall not create, incur, assume, guarantee or permit to exist any indebtedness, save and except for the indebtedness arising from hire purchase and finance lease (not exceeding RM5.0 million at all times), from the Sukuk *Wakalah* Programme and from the Interim Facilities; and the bank guarantee for the design guarantee bond to be provided by the Issuer to the State Government pursuant to the Design and Build Contract ("**Permitted Indebtedness**");

(iii) the Issuer shall not change the utilisation of the Sukuk *Wakalah* Programme proceeds as set out in the information memorandum or any agreement entered into in connection with the Sukuk *Wakalah* Programme;

(iv) the Issuer shall not enter into any merger or consolidation that has a Material Adverse Effect (as defined in the section entitled "*Events of defaults or enforcement events, where applicable, including recourse available to investors*");

(v) the Issuer shall not dissolve, liquidate or wind up its affairs;

(vi) the Issuer and each of the Shareholders shall not add, delete, amend or substitute the Constitution in a manner inconsistent with the provisions of the Transaction Documents or in any manner which may be materially prejudicial to the interest of the Sukukholders, save for amendments required for the increase in its share capital;

(vii) the Issuer shall not reduce or in any way whatsoever alter except increase, its paid-up share capital whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of its share capital into stock, or by consolidating, dividing or sub-dividing all or any of its shares or by any other manner;

(viii) the Issuer shall not enter into a transaction whether directly or indirectly with interested persons (including a director, substantial shareholder or persons connected with them) unless:-

(a) Such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not interested persons; and

(b) With respect to transactions involving an aggregate payment of value equal to or greater than RM1.0 million, the Issuer obtains certification from an independent adviser that the transaction is carried out on fair and reasonable terms;

Provided that the Issuer certifies to the Sukuk Trustee that the transaction complies with paragraph (a), that the Issuer has received the certification referred to in paragraph (b) (where applicable) and that the transaction has been approved by the majority of the board of directors or Shareholders in a general meeting as the case may require;

(ix) the Issuer shall not sell, transfer or lease or otherwise dispose of or in any case cease to exercise control over, whether by a single transaction or a number of transactions, related or not, the whole or part of the Issuer's undertaking, business or assets that will materially and adversely affect its business operations and not in the ordinary course of business unless solely for the purpose of facilitating any Islamic financing in connection with the Sukuk *Wakalah* or any Permitted Indebtedness;

(x) the Issuer shall not carry on any other business other than the authorised businesses in accordance with the obligations under its Constitution;

(xi) the Issuer shall not change nor threaten to change the nature or scope of any part of its business, or suspend or threaten to suspend or cease or threaten to cease the operation of any part of its business which it now conducts directly or indirectly;

(xii) the Issuer shall not declare or pay any dividends unless the following conditions are met:

(a) The financial covenant throughout the tenure of the Sukuk *Wakalah* Programme is not in breach or will be in breach upon such declaration or payment;

(b) The construction of the Project has been completed and a certificate of practical completion has been issued;

(c) The distribution is from profit earned from investing funds in the Designated Accounts (as defined in the section entitled "*Details of designated accounts*") in Permitted Investments (as defined herein);

(d) No Dissolution Event (as set out in the section entitled "*Events of defaults or enforcement events, where applicable, including recourse available to investors*") has occurred or is continuing or will occur as a result of the payment of the dividend.

For avoidance of doubt, any payment of dividend will be made from the relevant Designated Accounts.

(xiii) Such other conditions as may be advised by the solicitor to be mutually agreed between the PA, JLAs and the Issuer.

<u>Financial Covenant</u>

(i) <u>Finance Service Cover Ratio ("FSCR")</u>

The Issuer shall maintain a FSCR of at least 1.25 times from the First Testing Date (as defined herein) throughout the tenure of Sukuk *Wakalah* Programme.

FSCR means, the ratio of total beginning cash balances (including cash balances in the Designated Accounts) plus net operating cash flows and advances from shareholder(s) or related companies for the preceding twelve (12) months over the total finance service obligations for the same preceding twelve (12) months period.

Total finance service obligations shall include all principals, profits/interests/commissions and fees due and payable under all indebtedness of the Issuer. For avoidance of doubt, any double-counting should be excluded from the abovementioned computation.

The testing and compliance of FSCR shall only commence at the financial year ending after the completion of the Project ("**First Testing Date**") and shall be computed for each financial year based on the then applicable audited financial statements of the Issuer, and the calculation shall take place within one hundred and eighty (180) days after the end of the Issuer's financial year end and subsequent calculations on every anniversary thereafter.

Such calculations shall be duly certified and confirmed in writing by the Issuer on an annual basis through a compliance certificate to be duly signed by any two (2) of the Issuer's directors.

Information Covenants

To include but not limited to the following:

(i) The Issuer shall furnish such information as reasonably requested by the Sukuk Trustee and the Facility Agent including but not limited to:

(a) Unaudited financial statements within ninety (90) days after the end of each half of its financial year, which shall contain the income statement and balance sheet of the Issuer and which are duly certified by any one of its directors;

(b) Audited accounts within one hundred and twenty (120) days after the end of the financial year which shall contain the income statement and balance sheet of the Issuer and which are audited and certified without qualification by a firm of reputable independent certified public accountants;

(c) Promptly, such additional financial or other information relating to the Issuer's business and its operations as the Sukuk Trustee and Facility Agent may from time to time reasonably request; and

(d) Promptly, all other accounts, reports, statements notices or other documents received by the Issuer from any of its Shareholders or its creditors which contents would materially and adversely affect the interests of the Sukukholders, and a copy of all documents dispatched by the Issuer to its Shareholders (or any class of them) in their capacity as shareholders or its creditors generally at the same time as these documents are dispatched to these shareholders or creditors.

(ii) The Issuer shall immediately notify the Sukuk Trustee in the event that the Issuer becomes aware of:

(a) Occurrence of any Dissolution Event or potential Dissolution Event; or

(b) The happening of any event that has caused or could cause, one or more of the following:

(i) Any amount secured or payable under the Sukuk *Wakalah* Programme becomes immediately payable; or

(ii) The Sukuk *Wakalah* Programme becomes immediately enforceable; or

(iii) Any right or remedy under the terms, provisions or covenants of the Sukuk *Wakalah* Programme and/or the Transaction Documents have become immediately enforceable; or

(c) Any circumstances that has occurred that would materially prejudice the Issuer and/or any security created by the relevant Transaction Documents; or

(d) Any substantial change in the nature of the business of the Issuer or the Shareholders; or

(e) Any change in the name of the Shareholders; or

(f) Any cessation of liability of the Shareholders for the payment of the whole or part of the moneys for which they were liable under the Transaction Documents; or

(g) Any change in withholding tax position or taxing jurisdiction of the Issuer; or

(h) Any change in the utilisation of proceeds from the Sukuk *Wakalah* Programme; or

(i) Any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer before any court or tribunal or administrative agency involving itself which may materially and adversely affect the ability of the Issuer to perform any of its obligations under any of the Transaction Documents; or

(j) Any change in the Issuer's board of directors and/or Shareholders; or

(k) Of any other matter that may materially prejudice the interest of Sukukholders.

(iii) The Issuer shall prepare and forward a quarterly progress report on the construction status of the Project which shall comprise stage of completion duly endorsed by the project director pursuant to the Design and Build Contract.

(iv) The Issuer shall provide the Sukuk Trustee and Facility Agent on an annual basis, a certificate that the Issuer has complied with its obligations under the Transaction Documents and the terms and conditions of the Sukuk *Wakalah* Programme accordingly and that there did not exist or had not existed, from the date the Sukuk *Wakalah* were first issued or the date of the last certificate, as the case may be, any Dissolution Event, and if such is not the case, to specify the same.

(v) The Issuer shall provide to the Sukuk Trustee any information which the Sukuk Trustee may reasonably require in order to discharge its duties and obligations under the Transaction Documents relating to the Issuer's affairs to the extent permitted by law.

(vi) Such other conditions as may be advised by the solicitors to be mutually agreed between the PA, JLAs and the Issuer.

(20)	**Details of designated accounts if applicable**	:	(i)	Name of account	:	**Finance Service Reserve Account** ("**FSRA**")
				Opened by / to be opened by	:	Issuer
				Maintained / operated or to be maintained by/operated by	:	Prior to the occurrence of a Dissolution Event: Facility Agent Upon occurrence of a Dissolution Event: Security Trustee
				Signatories to the account	:	Prior to the occurrence of a Dissolution Event: Facility Agent Upon occurrence of a Dissolution Event: Security Trustee

	Sources of funds	:	The FSRA shall capture an amount equivalent to one (1) Periodic Distribution payment from each issuance of Sukuk *Wakalah* which shall be maintained at all times throughout the tenure of the Sukuk *Wakalah* Programme.
	Utilisation of funds	:	Funds in the FSRA can be withdrawn for payment of Periodic Distributions under the Sukuk *Wakalah*. However, any funds withdrawn for payment of Periodic Distributions under the Sukuk *Wakalah* shall be replenished within fourteen (14) days from the date of withdrawal.
	Diagram Illustrating the flow of monies and conditions for disbursement	:	Please refer to the Appendix of Section 2 of this Information Memorandum.
(ii)	Name of account	:	**Profit Service Account ("PSA")**
	Opened by / to be opened by	:	Issuer
	Maintained / operated or to be maintained by/operated by	:	Prior to the occurrence of a Dissolution Event: Facility Agent Upon occurrence of a Dissolution Event: Security Trustee
	Signatories to the account	:	Prior to the occurrence of a Dissolution Event: Facility Agent Upon occurrence of a Dissolution Event: Security Trustee

	Sources of funds	:	The PSA shall capture an amount equivalent to four (4) Periodic Distribution payments from each issuance of Sukuk *Wakalah*.
	Utilisation of funds	:	Funds in the PSA can be withdrawn for payment of Periodic Distributions under the Sukuk *Wakalah* as and when it is due and payable during the construction period of the Project. Following the completion of the Project, any balances in the account can be withdrawn for payment of Periodic Distributions under the Sukuk *Wakalah* as and when it is due and payable. Upon full withdrawal, the PSA is to be cancelled and closed.
	Diagram Illustrating the flow of monies and conditions for disbursement	:	Please refer to the Appendix of Section 2 of this Information Memorandum.
(iii)	Name of account	:	**Disbursement Account ("DA")**
	Opened by/to be opened by	:	Issuer
	Maintained/operated or to be maintained by/operated by	:	Prior to the occurrence of a Dissolution Event: Facility Agent Upon occurrence of a Dissolution Event: Security Trustee
	Signatories to the account	:	Prior to the occurrence of a Dissolution Event: Facility Agent Upon occurrence of a Dissolution Event: Security Trustee

Sources of funds	:	The DA shall capture the following: (i) Part of the Sukuk *Wakalah* issue proceeds; (ii) Any equity contribution or shareholders' advances during the construction period; (iii) Takaful / insurance proceeds, performance bond / guarantee proceeds and/or any other proceeds in relation to the Project during the construction period; (iv) Takaful / insurance proceeds, performance bond / guarantee proceeds and/or any other proceeds payable to Serba Dinamik Sdn Bhd pursuant to the engineering, procurement, construction and commissioning contract to be entered into between Serba Dinamik Sdn Bhd and Cekap Air Sdn Bhd ("**EPCC Contract**") in relation to the Project during the construction period; and All other payments from the State Government during the construction period, if any.

Utilisation of funds	:	Funds in the DA shall be applied to meet the following permitted expenditures in the following order of priority: (i) Firstly, for payment of any fees and expenses in relation to the Sukuk *Wakalah* Programme; (ii) Secondly, for payment of all financial obligations under the relevant Interim Facilities; (iii) Thirdly, for payment of principal sum under the STRC-*i* Facility and STRC Facility of up to RM300.0 million*; and *For avoidance of doubt, during the subsistence of the STRC-*i* Facility and the STRC Facility, proceeds from each Sukuk *Wakalah* issuance will be utilized to pay the principal sums under the STRC-*i* Facility and the STRC Facility, including any subsequent drawdowns/ redrawings / rollover / reutilisation of STRC-*i* Facility and the STRC Facility on pari passu basis.

			(iv) Lastly, for financing the construction of the Project whereby payments shall be paid directly to the Issuer as the contractor pursuant to the Design and Build Contract.
			(v) Following the completion of the Project, any excess funds in this account are to be transferred to the CA. Thereafter, this account is to be cancelled and closed.
	Diagram Illustrating the flow of monies and conditions for disbursement	:	Please refer to the Appendix of Section 2 of this Information Memorandum.
(iv)	Name of account	:	**Collection Account ("CA")**
	Opened by/to be opened by	:	Issuer
	Maintained/operated or to be maintained by/operated by	:	Prior to the occurrence of a Dissolution Event: Facility Agent Upon occurrence of a Dissolution Event: Security Trustee
	Signatories to the account	:	Prior to the occurrence of a Dissolution Event: Facility Agent Upon occurrence of a Dissolution Event: Security Trustee

Sources of funds	:	The CA shall capture the following: (i) Deferred payments made by the State Government pursuant to the Design and Build Contract following the completion of the Project; (ii) Any equity contribution or shareholders' advances following the completion of the Project; (iii) Takaful / insurance proceeds, performance bond / guarantee proceeds and/or any other proceeds in relation to the Project following the completion of the Project; (iv) Takaful / insurance proceeds, performance bond / guarantee proceeds and/or any other proceeds payable to Serba Dinamik Sdn Bhd pursuant to the EPCC Contract following the completion of the Project; (v) All other payments from the State Government following the completion of the Project, if any; and

			(vi) Monies transferred from the DA and the payment account under the Interim Facilities.
	Utilisation of funds	:	Funds in the CA shall be applied to meet the following permitted expenditures in the following order of priority: (i) Firstly, for payment of any fees and expenses in relation to the Sukuk *Wakalah* Programme; (ii) Secondly, for Periodic Distribution payments under the Sukuk *Wakalah* Programme; and (iii) Thirdly, for principal redemption of the Sukuk *Wakalah*.
	Diagram Illustrating the flow of monies and conditions for disbursement	:	Please refer to the Appendix of Section 2 of this Information Memorandum.

(21)	**Details of credit rating, if applicable**	:	Credit Rating Agency Malaysian Rating Corporation Berhad ("**MARC**"). Credit Rating AA-$_{IS}$ Final/ Indicative rating Indicative Partial No Amount rated RM1.0 billion

(22) Conditions precedent	:	Conditions precedent shall include but not limited to the following:

Main Documentation

(i) Satisfactory completion and execution of all relevant and applicable documentation including but not limited to the Transaction Documents, duly endorsed as exempted under Stamp Duty (No. 23) Order 2000 (as amended by Stamp Duty (Exemption) (No.3) (Amendment) Order 2005) and if applicable, presented for registration;

(ii) All relevant notices and acknowledgements (where applicable) shall have been made or received as the case may be;

Issuer

Receipt of:

(i) Certified true copies of the Certificate of Incorporation, and the Constitution of the Issuer and the Shareholders or any other equivalent documents (if applicable);

(ii) Certified true copies of the latest copies of the latest Return for Allotment of Shares, the latest Notification of Change in the Registered Address, the latest Notification of Change in the Register of Directors, Managers and Secretaries and the latest Annual Return of a Company having a Share Capital issued pursuant to the Companies Act 2016 of the Issuer and the Shareholders or any other equivalent documents (if applicable);

(iii) Certified true copies of the board resolutions of the Issuer, authorising, amongst others, the establishment of the Sukuk *Wakalah* Programme, the issuance of the Sukuk *Wakalah* and for the Issuer to enter into and execute all the Transaction Documents and other documents for the purposes of or in relation to the Sukuk *Wakalah* Programme;

(iv) Certified true copies of the board resolutions of the Shareholders, authorising, amongst others, the execution of the Shareholders Letter of Undertaking, establishment of the Sukuk *Wakalah* Programme, the issuance of the Sukuk *Wakalah* and for the Issuer to enter into and execute all the Transaction Documents and other documents for the purposes of or in relation to the Sukuk *Wakalah* Programme;

(v) A list of the Issuer's and the Shareholders' authorised signatories and their respective specimen signatures;

(vi) A report of the relevant company search on the Issuer and the Shareholders conducted at the Companies Commission of Malaysia;

(vii) A report of the relevant winding up search on the Issuer and the Shareholders with the Department of Insolvency or statutory declarations by the Issuer to the same effect;

General

(i) Acknowledgement in respect of the lodgement to the SC, receipt of endorsement from SC's Shariah Advisory Council ("**SAC**") and the approvals from any other relevant authorities (if any) pursuant to any relevant guidelines issued and to be issued from time to time by the SC or any other authorities having jurisdiction over matters pertaining to the Sukuk *Wakalah* Programme;

(ii) Delivery of an irrevocable instruction to the Facility Agent and the Sukuk Trustee to inter alia remit a sum of RM30,000.00 to be deposited in the Sukuk Trustee's Reimbursement Account in accordance with the Trust Deeds Guidelines (as defined herein);

(iii) Evidence that the relevant Designated Account(s) have been opened;

(iv) The Sukuk *Wakalah* Programme has been accorded a final rating of AA-$_{IS}$ rating from MARC;

(v) Receipt of Shariah pronouncements from the Shariah Adviser for the Sukuk *Wakalah* Programme in respect of the structure and mechanism and the Transaction Documents are in compliance with Shariah principles;

(vi) Receipt of a certified true copy of the duly signed Design and Build Contract including the duly signed supplemental agreement to the Design and Build Contract setting out the revised deferred payment schedule;

(vii) Receipt of a certified true copy of the duly executed construction agreement between the Issuer and the appointed contractors/subcontractors and where contracts have been entered into with sub-contractors (other than those listed in the Design and Build Contract), receipt of the written consent of the project director in accordance with the Design and Build Contract;

(viii) Receipt of endorsement by the State Government on the template of the FPC document(s);

(ix) Receipt of the irrevocable Letter of Instruction from the Issuer to the State Government stating that all payments/contract proceeds due to the Issuer (including the FPC(s)) under the Design and Build Contract is to be channelled directly into the Collection Account, duly acknowledged by the State Government;

(x) Receipt of documentary evidence that the equity contribution sum amounting to RM35.0 million in the form of cash has been made and/or amount incurred for works done on the Project;

(xi) Receipt of the Shareholders Letter of Undertaking;

(xii) Receipt of confirmation on the reasonableness of costing in relation to the Project by a qualified registered quantity surveyor;

(xiii) Receipt of report on the feasibility of the Project by an independent technical consultant;

(xiv) Receipt of the original performance bonds / completion guarantee / bank guarantee issued by the contractors / subcontractors / consultants under the Project (if applicable);

(xv) Arrangement has been made for payment of all fees and expenses in relation to the Sukuk *Wakalah* Programme to all relevant parties and that the relevant parties are to receive the said payment no later than the first issuance date of the Sukuk *Wakalah* Programme;

(xvi) Receipt of an undertaking from the State Government in favour of the Security Trustee in accordance with the Design and Build Contract, to remit or pay the Deferred Payments or any other sums due and payable to the Issuer directly into the Collection Account;

(xvii) Receipt of a satisfactory legal opinion from the solicitors advising on the Design and Build Contract confirming that the Design and Build Contract is legally valid, binding and enforceable, and all conditions in relation to the Design and Build Contract have been fulfilled or waived, as the case may be;

(xviii) All consents, approval authorisations and licenses (regulatory or otherwise) in respect of the licenses and permits in relation to the Project (if applicable) and the existing lenders (if any) and the creation of the security interest in relation to the Interim Facilities and the Sukuk *Wakalah* Programme and the disclosure of information (where applicable), shall have been obtained and are in full force and effect;

(xix) Receipt of confirmation from the Shareholders respectively, that there is no contravention of Section 225 of the Companies Act, 2016 in relation to the execution of the Shareholders Letter of Undertaking in relation to the Sukuk *Wakalah* Programme;

(xx) Delivery of a report on cash flow projections and a comfort letter from the Independent Auditors;

(xxi) Receipt of a satisfactory legal opinion by the PA/JLAs and the Sukuk Trustee from the solicitors, advising with respect to the legality, validity and enforceability of the Transaction Documents and a confirmation addressed to the PA/JLAs that all the conditions precedent have been fulfilled or waived, as the case may be; and

(xxii) Such other conditions precedent as may be advised by the solicitors to be mutually agreed between the PA, JLAs and the Issuer.

(23) Representation and warranties : The Issuer's representations and warranties shall include but not be limited to the following:

(i) It and each of the Shareholders is a company duly incorporated and validly existing under the laws of Malaysia and it has the full power and authority to enter into the business in which it is engaged and to own its property and assets and has full beneficial ownership of all its property and assets;

(ii) Its and each of the Shareholders' Constitution incorporates provisions which authorise it to execute and deliver and perform the transactions contemplated in the Transaction Documents in accordance with their terms;

(iii) All necessary corporate and other relevant actions, authorisations, licences, permits, approvals and consents required from any administrative, governmental or other authority or body in Malaysia in respect of the Transaction Documents and the Design and Build Contract and other agreements entered into in relation to the Project (collectively the "**Project Agreements**") have been taken, fulfilled and obtained (as the case may be) and remain in full force and effect by the Issuer or each of the Shareholders;

(iv) Neither the execution and delivery of any of the Transaction Documents or the Project Agreements nor the performance of any of the transactions contemplated by the Transaction Documents or the Project Agreements or the issuance of the Sukuk *Wakalah* did or does as at the date of this representation and warranty is made or repeated (a) contravene or constitute a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which itself or each of the Shareholders or any of its assets is bound or which is applicable to it or any of its assets, (b) cause any limitation on itself or each of the Shareholders or the powers of their respective directors, whether imposed by or contained in its Constitution or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment or otherwise, to be exceeded, or (c) cause the creation or imposition of any security interest or restriction of any nature on any of its or each of the Shareholders assets;

(v) Each of the Transaction Documents and/or the Project Agreements is or will, when executed and/or issued (as the case may be), be in full force and effect and constitute (or will constitute, when executed and/or issued (as the case may be)) its legal, valid, binding and enforceable obligations;

(vi) All Takaful/insurances required under the Transaction Documents and/or the Project Agreements have been effected and are valid and binding and all Takaful contributions/insurance premiums due have been paid and, as far as the Issuer is aware, nothing has been done or omitted to be done which has made or could make any such policy void or voidable;

(vii) No potential Dissolution Event or Dissolution Event or event or circumstance which, with the passing of time, the giving of notice, the making of a determination or any combination thereof constituting a Dissolution Event will occur or has occurred and is continuing;

(viii) There has been no material adverse change in its financial condition since the date of its last audited financial statements;

(ix) To the best of the Issuer's knowledge, the Issuer and the Shareholders are conducting their respective business and operation in compliance with all applicable laws, guidelines, and regulations and all directives of government authorities having force of law;

(x) It and each Shareholder is in compliance with all authorisations and permits, where non-compliance of the same would have a Material Adverse Effect;

(xi) Its and each of the Shareholders' audited financial statements are prepared in accordance with approved accounting standards in Malaysia which have been consistently applied and (in conjunction with the notes to such statements) present a true and fair view of its financial position for the financial year ended on such date and the state of affairs at that date;

(xii) No litigation, arbitration, administrative proceeding, investigation or claim which might by itself or together with any other such proceedings or claims, is presently in progress or pending or, to the best of its knowledge, information and belief threatened against the Issuer or any of the Shareholders or any of their respective assets which either (i) may have a Material Adverse Effect or (ii) would or might materially and adversely affect the legality, validity or enforceability of the Transaction Documents save for those items disclosed in the information memorandum;

(xiii) It and each of the Shareholders has delivered all necessary returns (if any) to the relevant taxation authorities and save for the amounts contested in good faith and for which adequate reserves are established, it and each of the Shareholders is not in default in the payment of any taxes, and no claim is being asserted with respect to taxes which is not disclosed in the financial statements;

(xiv) No step has been taken by it or any of the Shareholders or any of their shareholders or to the best of its knowledge, its creditors or any other person on its behalf nor have any legal proceedings or applications been started or threatened under Section 366 of the Companies Act 2016 with respect to the Issuer or any of the Shareholders;

(xv) All information furnished by itself and each of the Shareholders in connection with the Sukuk *Wakalah* Programme and the transactions contemplated under the Transaction Documents and/or the Project Agreements and its assets, business and affairs is true and not misleading and does not contain any material omission, and all expressions of expectation, intention, belief and opinion contained therein were honestly made on reasonable grounds after reasonable inquiry;

(xvi) No extraordinary circumstances or change of law or other governmental action has occurred which shall make it improbable to observe and perform its and the Shareholders' covenants and obligations on its part to be observed and performed under the Transaction Documents and/or the Project Agreements; and

(xvii) Such other representation and warranty as may be advised by the solicitors to be mutually agreed between the PA, JLAs and the Issuer.

(24) Events of defaults or enforcement events, where applicable, including recourse available to investors : Dissolution Events

The dissolution events applicable include but are not limited to the following ("**Dissolution Events**" and each a "**Dissolution Event**"):

(i) **Non-payment:** the Issuer or any of the Shareholders is unable to pay any amount due under any of the Transaction Documents on the due date or, if so payable, on demand;

(ii) **<u>Breach of obligations</u>:** the Issuer or any of the Shareholders fails to observe or perform its obligations or terms and conditions under any of the Transaction Documents or the Sukuk *Wakalah* Programme or under any undertaking or arrangement entered into in connection therewith other than an obligation of the type referred to in item (i) above, and, if such breach in the reasonable opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the breach within a period of thirty (30) days after the Issuer or any of the Shareholders becomes aware or is notified by the Sukuk Trustee of the breach, whichever is the earlier;

(iii) **<u>Misrepresentation</u>:** any representation, warranty or statement which is made or given by the Issuer or any of the Shareholders under the Transaction Documents or which is contained in any specific certificate, document or statement furnished at any time pursuant to the terms of the Sukuk *Wakalah* Programme and/or any of the Transaction Documents prove to be incorrect or misleading in any material respect on or as of the date made or given or deemed made or given;

(iv) **<u>Invalidity</u>:** any provision of the Transaction Documents is or becomes, for any reason, invalid, illegal, void or unenforceable which would prevent the Issuer from performing any of its obligations thereunder;

(v) **<u>Existing contractual obligations</u>**: there is a breach by the Issuer of any obligation under any of the Issuer's existing contractual obligations which may have a Material Adverse Effect and, if in the reasonable opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the breach within a period of thirty (30) days after the Issuer becomes aware or is notified in writing by the Sukuk Trustee of the breach, whichever is earlier;

(vi) **<u>Cessation/change of business</u>:** the Issuer or any of the Shareholders changes or threatens to change the nature or scope of a substantial part of its business, or suspends or threatens to suspend, or cease or threatens to cease the operation of a substantial part of its business which it now conducts;

(vii) **<u>Appointment of receiver, legal process</u>:** an encumbrancer takes possession of, or a trustee, nominee liquidator, receiver and/or manager, judicial manager or other similar officer is appointed in respect of, the whole or a substantial part of the business, assets or undertaking of the Issuer or any of the Shareholders or any distress, legal process, sequestration or any form of execution is levied or enforced or sued out against the Issuer or any of the Shareholders and is not withdrawn or discharged within thirty (30) days after being levied, enforced or sued out, or any security interest which may for the time being affect the Issuer's or any of the Shareholders' assets to become enforceable;

(viii) **<u>Insolvency</u>:** the Issuer or any of the Shareholders is deemed unable to pay its debts or becomes unable to pay any of its debts as they fall due or suspend or gives notice to suspend making payments with respect to all or any class of its debts within the meaning of Section 466 of the Companies Act, 2016 and the Issuer or such Shareholder has not taken any action in good faith to set aside such claims within twenty one (21) days from the date of service of such claims for payment;

(ix) **<u>Creditor control</u>:** any creditor of the Issuer exercises a contractual right to take over the financial management of the Issuer;

(x) **<u>Composition</u>:** the Issuer or any of the Shareholders convenes a meeting of its creditors or proposes or makes any arrangement including any scheme of arrangement or composition or begins negotiations with its creditors or takes any proceedings or other steps, with a view to a rescheduling or deferral of all or any part of its indebtedness or a moratorium is agreed or declared by a court of competent jurisdiction in respect of or affecting all or any part of its indebtedness or any assignment for the benefit of its creditors (other than for the purposes of and followed by a reconstruction previously approved in writing by the Sukuk Trustee, unless during or following such reconstruction the Issuer or such Shareholder becomes or is declared to be insolvent) or where a scheme of arrangement under Section 366 of the Companies Act 2016 has been instituted against the Issuer or any of the Shareholders;

(xi) **<u>Winding-up</u>:** any step is taken for the winding-up, dissolution or liquidation of the Issuer or any of the Shareholders or a resolution being passed for the winding-up of the Issuer or any of the Shareholders or a petition for winding-up is presented against the Issuer or any of the Shareholders or an order of court is made against the Issuer or any of the Shareholders to be wound up or similar proceedings which are reasonably determined by the Sukuk Trustee to be analogous in effect being instituted (other than for the purposes of an intra-group reorganisation on a solvent basis or an amalgamation, merger or reconstruction the terms whereof have previously been approved by the Sukuk Trustee unless during or following such reconstruction, the Issuer or such Shareholder becomes or is declared to be insolvent) or a bona fide petition (which for the avoidance of doubt, excludes frivolous or vexatious petitions) is presented for the winding-up or dissolution of the Issuer or any of the Shareholders by an order of a court of competent jurisdiction unless such petition is stayed, withdrawn or dismissed within thirty (30) days (or such extended period as the Sukuk Trustee may consent, such consent not to be unreasonably withheld) of its presentation;

(xii) **<u>Cross default</u>:** any indebtedness for borrowed moneys or Islamic financing of the Issuer becomes due or payable or capable of being declared due or payable prior to its stated maturity or any guarantee or similar obligations of the Issuer are not discharged at maturity or when called and such declaration of indebtedness being due or payable or such call on the guarantee or similar obligations is not discharged or disputed in good faith by the Issuer in a court of competent jurisdiction within thirty (30) days from the date of such declaration or call, or the Issuer goes into default under, or commits a breach of, any agreement or instrument relating to any such indebtedness, guarantee or other obligations, or any security created to secure such indebtedness becomes enforceable;

(xiii) **<u>Assets</u>:** any of the property or assets, undertakings, rights or revenue of the Issuer or any of the Shareholders shall be condemned, seized, or otherwise appropriated, nationalised or compulsorily acquired by any person acting under the authority of the governmental body;

(xiv) **<u>Repudiation</u>:** the Issuer or any of the Shareholders repudiates any of the Transaction Documents or the Issuer or any of the Shareholders does or causes to be done any act or thing evidencing an intention to repudiate any of the Transaction Documents;

(xv) **<u>Judgment passed</u>:** the Issuer or any of the Shareholders fails to satisfy any judgment at any time passed against it by any court of competent jurisdiction and no appeal against such judgment or no application for a stay of execution has been made to any appropriate appellate court within the time prescribed by law or such appeal or application for a stay of execution has been dismissed;

(xvi) **<u>Approvals</u>:**

(a) any consent, authorization, licence, approval or registration with or declaration to governmental or public bodies or authorities or courts (where applicable) required by the Issuer or any of the Shareholders in connection with the execution, issue, delivery, validity, legality, enforceability or admissibility in evidence of any of the Transaction Documents or the performance by the Issuer or any of the Shareholders of its obligations under any of the Transaction Documents or to carry out its business, as the case may be, is withheld, modified (provided that such modification would or might have a Material Adverse Effect) or is not approved or is revoked or expired or is not renewed or otherwise ceases to be in full force and effect and such withholding, modification, non-approval, revocation, expiration, or non-renewal continues for thirty (30) days or more from the date the Issuer or the Shareholder is being notified in writing of such failure, unless in respect of the foregoing such withholding, modification, non-approval, revocation, expiration, or non-renewal will not have a Material Adverse Effect; or

(b) Any consent, authorization, licence, approval or registration with or declaration to governmental or public bodies or authorities or courts (where applicable) is not done, fulfilled, performed or obtained or is withdrawn, modified, suspended, withheld, revoked, invalidated or otherwise ceases for any reason to remain in full force and effect which may impair or prejudice the Issuer's ability to comply with the terms and conditions of the Transaction Documents or any other documents relating to the issue, offer or invitation in respect of the Sukuk *Wakalah*;

(xvii) **Change in financial position:** any change in the financial position of the Issuer or any of the Shareholders which would have a Material Adverse Effect;

(xviii) **Change in shareholding:** any of the current shareholders of the Issuer reduces its shareholding or ceases to be the shareholder of the Issuer;

(xix) **Project Agreements:**

(a) the Project Agreements are terminated;
(b) if at any time the Issuer breaches any of the terms of the Project Agreements and, in the case where such breach is capable of being remedied, such breach has not been remedied within the remedy period determined by the State Government or such other counterparty;
(c) termination of the contractors/ subcontractors/consultants for the Project;
(d) any provision of the Project Agreements is or becomes, for any reason illegal, void, voidable, invalid or enforceable or if any law is brought into effect which purports to render illegal, ineffective, invalid or unenforceable any provisions of the Project Agreements;

(xx) **Project**: work on the whole or any part of the Project is suspended and such suspension continues uncured or is not remedied to the satisfaction of the Sukukholders for a period of thirty (30) days after the Issuer became aware or having been notified, whichever is earlier or in the event the construction milestone of the Project is delayed by more than 20% at any time during the construction period of the Project;

(xxi) **<u>Other Events</u>**: any event or events has or have occurred or a situation or situations exist(s) which may have a Material Adverse Effect and in the case of the occurrence of such event or situation which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy it within a period of thirty (30) days after the Issuer had become aware or had been notified by the Sukuk Trustee of the event or situation;

(xxii) Such other conditions as may be advised by the solicitors to be mutually agreed between the PA, JLAs and the Issuer.

Upon the occurrence of any of the Dissolution Event and subject to any remedy period, where applicable, the Sukuk Trustee may or shall if so directed by a special resolution passed by the Sukukholders (of not less than seventy five per cent (75%) of the aggregate Nominal Value of the Sukuk *Wakalah* for the time being outstanding as at the date of the meeting ("**Special Resolution**")), the Sukuk Trustee shall subject to it being indemnified by the Sukukholders to its satisfaction, issue a notice to the Issuer ("**Acceleration Notice**") declaring that a Dissolution Event has occurred ("**Dissolution Declaration Date**"), whereupon:

(a) all amounts payable by the Issuer under the Sukuk *Wakalah* Programme shall thereupon immediately become due and payable in full;

(b) the Security Trustee shall be entitled to immediately enforce the security conferred by and/or exercise any of its rights, powers and discretions under the Security Documents (as mentioned in the item, entitled "Details of security / collateral pledged") other than the Shared Security Documents, where the Interim Facilities are outstanding and have not been settled in full and cancelled, without further notice to the Issuer. Where the Interim Facilities have been settled in full and cancelled, the Security Trustee shall be entitled to immediately enforce the security conferred by and/or exercise any of its rights, powers and discretions under the Security Documents including the Shared Security Documents;

(c) in relation to the Shared Security Documents, where the Interim Facilities are outstanding and have not been settled in full and cancelled:

(i) the Sukuk Trustee under the Sukuk *Wakalah* Programme, shall promptly (and in any event not later than the third (3rd) business day after the issuance of the Acceleration Notice under the Sukuk *Wakalah* Programme) notify the Security Trustee and the facility agent under the Interim Facilities of the issuance of the Acceleration Notice; and

(ii) if the Sukuk Trustee under the Sukuk *Wakalah* Programme (acting on the instruction of the Sukukholders under the Sukuk *Wakalah* Programme by a Special Resolution passed by the Sukukholders) and the facility agent under the Interim Facilities (acting on the instruction of the majority Interim Facilities financiers), jointly decide to enforce the Shared Security Documents, the Sukuk Trustee under the Sukuk *Wakalah* Programme shall issue an enforcement instruction to the Security Trustee to enforce the security under the Shared Security Documents, and the Security Trustee upon receipt of the enforcement instruction shall be entitled to immediately enforce the Shared Security Documents without further notice to the Issuer, subject to the terms and conditions in the Security Sharing Agreement.

In relation to any decision on whether to issue an enforcement instruction to the Security Trustee in relation to the Shared Security Documents, the Sukuk Trustee shall call for a meeting of the Sukukholders under the Sukuk *Wakalah* Programme and the facility agent under the Interim Facilities shall call for a meeting of the financiers under the Interim Facilities and pursuant to such meetings, it would require the instruction of collectively, the Sukuk Trustee under the Sukuk *Wakalah* Programme (pursuant to a Special Resolution passed by the Sukukholders) and the facility agent under the Interim Facilities (acting on the instruction of the majority Interim Facilities financiers), to decide on whether to issue an enforcement instruction to the Security Trustee to enforce on the Shared Security Documents.

If no decision is made within sixty (60) business days of the issuance of the Acceleration Notice under the Sukuk *Wakalah* Programme or the Interim Facilities, either the Sukuk Trustee or the facility agent under the Interim Facilities may issue an enforcement instruction to the Security Trustee to enforce the Shared Security Documents and the Security Trustee upon receipt of the enforcement instruction shall be entitled to immediately enforce the Shared Security Documents without further notice to the Issuer.

"**Material Adverse Effect**" means any event which may materially and adversely affect:

(i) the ability of the Issuer to perform any of its obligations under any of the Transaction Documents; and/or

(ii) the business or condition (financial or otherwise) or property or results of the operations of the Issuer; and/or

(iii) the rights of or benefits or remedies available to the Sukuk Trustee/ Sukukholders under any provision of the Transaction Documents.

(25)	**Governing laws**	:	Laws of Malaysia.
(26)	**Provisions on buy-back, if applicable**	:	<u>Redemption at maturity</u> Unless previously redeemed or purchased and cancelled, the Sukuk *Wakalah* shall be redeemed by the Issuer at 100% of its nominal value on the respective maturity date(s). <u>Purchase and Cancellation</u> The Issuer or any of the subsidiaries or agent(s) of the Issuer may at any time purchase the Sukuk *Wakalah* at any price in the open market or by way of a private treaty where such Sukuk *Wakalah* purchased shall be cancelled and shall not be resold/reissued. Any of the Sukuk *Wakalah* acquired in the open market or by private treaty by the Issuer's related corporations (other than the Issuer's subsidiaries) or interested persons (who shall include directors, major shareholders and chief executive) need not be cancelled but shall not entitle them to participate in the voting of any Sukukholders' resolution nor form part of the quorum of any meeting subject to any exceptions in the Trust Deeds Guidelines.

(27)	**Provisions on early redemption, if applicable**	:	Subject to the consent of the Sukukholders by a special resolution in accordance with the terms of the Trust Deed, the Issuer may redeem the Sukuk *Wakalah* prior to their stated maturity by giving the requisite notice set out in the Trust Deed at a redemption price to be mutually agreed between the Issuer and the Sukukholders in the said special resolution. The Sukuk *Wakalah* redeemed shall be cancelled.
(28)	**Voting**	:	All matters/resolutions which require the Sukukholders' consent under the Sukuk *Wakalah* Programme shall be carried out on a collective basis. For the avoidance of doubt, the Sukuk *Wakalah* held by the Issuer, any subsidiaries or agent(s) of the Issuer or any interested person (includes directors, major shareholders and chief executive) of the Issuer shall not be counted for the purposes of voting.
(29)	**Permitted investments, if applicable**	:	Funds held in the Designated Account(s) can, from time to time, be utilised to make Permitted Investments (as defined herein). Permitted Investments shall comprise Shariah compliant investment products/instruments approved by the Shariah Advisory Council of the SC and/or BNM. Permitted Investments shall be limited to the following: (i) Islamic deposits under Shariah principles maintained with a Shariah compliant financial institution; (ii) Islamic banker acceptances, Islamic bills, Islamic money market instruments of a Shariah compliant financial institution with a minimum credit rating of AA3/AA- and/or P1/MARC-1; and (iii) Islamic treasury bills, Islamic money market instruments, and other Islamic instruments or sukuk issued by BNM or the Government of Malaysia. Provided that such funds utilised for Permitted Investments shall be remitted into the Designated Account(s) in a timely manner to meet any payment obligations of the Issuer that are due and payable. All income earned from such investments will be credited to the respective Designated Account(s) to be utilised in accordance with the stipulated usage.

(30)	**Ta'widh**	:	In the event the Investment Wakeel breaches its fiduciary duty as an investment wakeel due to its failure to distribute any realised Periodic Distributions, and/or the Obligor/Buyer delays or fails to pay any amounts due and payable to the Sukukholders under any sale agreement pursuant to the exercise of the Purchase Undertaking or the Sale Undertaking and/or the Deferred Sale Price, the Investment Wakeel and/or the Obligor/Buyer shall pay to the Sukuk Trustee (acting on behalf of the Sukukholders) Ta`widh (compensation) on such delay or failure in payments at the rate and in the manner prescribed by the SAC from time to time. Any Ta'widh (compensation) referred to the above which is paid to the Sukukholders can be treated and/or utilised by the Sukukholders at their absolute discretion in accordance with or determined by their respective Shariah requirements, which may include donation to any registered charitable organization or for any charitable purposes.
(31)	**Ibra'**	:	Ibra' (where applicable) shall be granted by the Sukukholders. The Sukukholders in subscribing to or purchasing the Sukuk *Wakalah* hereby consent to grant such Ibra' (if any) on the Deferred Sale Price if the Sukuk *Wakalah* is redeemed before the Scheduled Dissolution Date or upon the Dissolution Declaration Date. Ibra refers to an act of releasing absolutely or conditionally Sukukholders' rights and claims on any obligation against the Issuer which would result in the latter being discharged of its obligations or liabilities towards the former. The release may be either partially or in full. With respect to the Commodity *Murabahah* Investment portion of the *Wakalah* Investments, Ibra' refers to the release of rights on debts/amounts due and payable under the said contract. Ibra' for redemption upon the Dissolution Declaration Date shall be calculated from the Dissolution Declaration Date up to the Sukuk *Wakalah*'s respective Scheduled Dissolution Dates. For the avoidance of doubt, Ibra' will be applicable to the Commodity *Murabahah* Investment portion of the *Wakalah* Investments, i.e. the Deferred Sale Price only. For the avoidance of doubt, any double counting shall be disregarded.
(32)	**Kafalah**	:	Not applicable

(33) Other terms and conditions

(i) The Project : The project means the design and build of 120 MLD water treatment plant and 28 MLD membrane water treatment plants, intakes, service tanks, installation of raw and treated water pipes, retrofitting and other associated works for the proposed water supply scheme for Kuala Terengganu Utara, Kuala Terengganu in accordance with the Design and Build Contract. Based on the Design and Build Contract, the project shall be deemed to have commenced construction on 15 May 2016 ("**Project Commencement Date**").

(ii) Details on utilisation of proceeds by the Issuer : Proceeds from the issuance of the Sukuk *Wakalah* shall be utilised for the following Shariah compliant purposes:

(i) To pay all fees and expenses in relation to the Sukuk *Wakalah* Programme;

(ii) To pre-fund the relevant Periodic Distribution payments required under the FSRA and PSA from each issuance of Sukuk *Wakalah*;

(iii) To pre-fund up to RM50.0 million into the reserve account under the Interim Facilities;

(iv) To pay the principal sum under the Interim Facilities of up to RM300.0 Million* which was utilised to fund part of the construction of the Project and all other financial obligations under the relevant Interim Facilities; and

** For avoidance of doubt, during the subsistence of the STRC-i Facility and the STRC Facility, proceeds from each Sukuk issuance will be utilized to pay the principal sums under the STRC-i Facility and the STRC Facility, including any subsequent drawdowns/ redrawings/ rollover / reutilisation of the STRC-i Facility and the STRC Facility on pari passu basis.*

(v) To fund the construction of the Project whereby payments shall be paid directly to the Issuer as the contractor pursuant to the Design and Build Contract.

(iii) Issuance conditions Upon confirmation that the Conditions Precedent have been met, the Sukuk *Wakalah* shall be available for issuance subject to the followings:

(i) For each Sukuk Wakalah issuance, the aggregate total amount of the FPC(s) endorsed by the State Government shall be as follows:

(a) <u>For initial Sukuk *Wakalah* issuance(s) of up to RM140.0 million on a cumulative basis</u>

The amount of the FPC(s) endorsed shall be with an aggregate total amount of at least RM1.55 million for every issuance of RM1.0 million Sukuk *Wakalah*.

(b) <u>For subsequent Sukuk *Wakalah* issuance(s) of up to RM680.0 million on a cumulative basis</u>

The amount of the FPC(s) endorsed shall be with an aggregate total amount of at least RM1.28 million for every issuance of RM1.0 million Sukuk *Wakalah*.

(c) <u>For the remaining Sukuk *Wakalah* issuance(s) of up to RM180.0 million on a cumulative basis</u>

The amount of the FPC(s) endorsed shall be with an aggregate total amount of at least RM1.20 million for every issuance of RM1.0 million *Sukuk Wakalah*.

(ii) Receipt of the relevant original irrevocable and unconditional FPC(s) duly endorsed by the State Government;

(iii) Written confirmation from the Issuer (in form and substance satisfactory to the PA/JLAs) that:

(a) all representations and warranties in the Transaction Documents made or deemed to be made by the Issuer are true and correct in all respects and the Issuer is in compliance with all covenants and undertakings contained in the Transaction Documents; and

(b) no Dissolution Event has occurred or would occur as a result of the issuance of the Sukuk *Wakalah*; and

(iv) In the event any of the Sukuk *Wakalah* proceeds are utilised to finance the construction of the Project, all payments shall be paid directly to the Issuer as the contractor pursuant to the Design and Build Contract; and

(v) Any other conditions as may be advised by the solicitors' and to be mutually agreed between the PA, JLAs and the Issuer.

(iv)	**Identified assets**	: The *Wakalah* Investments comprise the Shariah compliant Business and the Commodity *Murabahah* Investment. Shariah-compliant commodities which may include but are not limited to crude palm oil or such other acceptable commodities (excluding ribawi items in the category of medium of exchange such as currency, gold and silver) which are traded through the commodity trading platform, Bursa Suq Al-Sila' and/or such other trading platforms acceptable to the Shariah Adviser ("**Commodities**").
(v)	**LOLA Guidelines**	: The Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015, effective on 15 June 2015 and revised on 11 October 2018 (as amended from time to time).
(vi)	**Expected Periodic Distribution Amount**	: Any relevant Periodic Distribution date, such amount calculated at the Periodic Distribution Rate on the nominal value of the relevant Sukuk *Wakalah* based on actual/365 days.
(vii)	**Exercise Price**	: The "Exercise Price" for the purchase of the Shariah-Compliant Business shall be at the market value of the Shariah-compliant Business, on the relevant Scheduled Dissolution Date(s), the Dissolution Declaration Date, or the voluntary early redemption date, as the case may be.
(viii)	**Scheduled Dissolution Date**	: Means the maturity date of the relevant Sukuk *Wakalah*.
(ix)	**Purchase and selling price/ rental**	: <u>Purchase Price</u> In relation to the Commodity *Murabahah* Investment, the Commodity Purchase Price shall be determined prior to each issuance of the Sukuk *Wakalah* and shall be equal to the proceeds of the Sukuk *Wakalah*. The Commodity Purchase Price shall comply with the SC's SAC asset pricing requirements ("**Asset Pricing Requirements**") as provided in the SC's LOLA Guidelines. <u>Deferred Sale Price</u> The Deferred Sale Price shall be determined prior to each issuance of the Sukuk *Wakalah* and shall comprise the Commodity Purchase Price plus the aggregate profit margin of the Commodity *Murabahah* Investment payable on a deferred payment basis.

(x)	**Dissolution Declaration Date**	:	The date on which the Sukuk Trustee, by written notice to the Issuer, declare that a Dissolution Event has occurred.
(xi)	**Dissolution Distribution Amount**	:	The Dissolution Distribution Amount shall be equivalent to: (a) Nominal value of the Sukuk *Wakalah*; plus (b) the accrued but unpaid Expected Periodic Distribution Amount (if any), accrued up to the Scheduled Dissolution Date.
(xii)	**Sukuk *Wakalah* Programme redemption schedule**	:	The Sukuk *Wakalah* Programme redemption schedule will be determined prior to each issuance of the Sukuk *Wakalah*.
(xiii)	**Tenure of each Issuance**	:	The tenure of each Sukuk *Wakalah* to be issued under the Sukuk *Wakalah* Programme shall be more than one (1) year and up to fourteen (14) years as the Issuer may elect, provided that the relevant Sukuk *Wakalah* mature on or prior to the expiry of the Sukuk *Wakalah* Programme. For avoidance of doubt, the tenure of the Sukuk *Wakalah* Programme shall be up to fourteen (14) years from the date of first issuance.
(xiv)	**Profit / Coupon / Rental rate**	:	The expected Periodic Distribution rate will be on a fixed rate basis to be determined and agreed by the Issuer and the JLAs prior to each issuance of Sukuk *Wakalah*.
(xv)	**Profit / Coupon / Rental / Periodic Distribution payment frequency**	:	Payable on a semi-annual basis or such other frequency to be determined prior to the issuance of each tranche.
(xvi)	**Yield to maturity**	:	To be determined prior to each issuance of Sukuk *Wakalah*.
(xvii)	**Profit / Coupon/ Rental payment basis**	:	The Periodic Distribution payments shall be calculated on the basis of actual / 365 days.
(xviii)	**Issue price**	:	The Sukuk *Wakalah* will be issued at par to its nominal value.

(xix)	**Form and denomination**	:	The Sukuk *Wakalah* shall be represented by a global certificate to be deposited with BNM, and shall be exchanged for definitive bearer form only in certain limited circumstances. The denomination of the Sukuk *Wakalah* shall be RM1.0 million or in multiples of RM1.0 million at the time of issuance.
(xx)	**Listing status**	:	The Sukuk *Wakalah* will not be listed on any stock exchange.
(xxi)	**Minimum level of subscription (RM or %)**	:	100% of the nominal value of the Sukuk *Wakalah* to be issued for each issuance of the Sukuk *Wakalah*.
(xxii)	**Sukuk Trustee's reimbursement account**	:	The Issuer shall open and maintain a Sukuk Trustee's Reimbursement Account (as required under the SC's Trust Deeds Guidelines revised on 12 July 2011 and effective on 12 August 2011, as amended from time to time ("**Trust Deeds Guidelines**")), in which a sum of RM30,000.00 is to be deposited ("**Sukuk Trustee's Reimbursement Account**"). The Sukuk Trustee's Reimbursement Account shall be operated by the Sukuk Trustee and the monies shall only be used strictly by the Sukuk Trustee in carrying out its duties in relation to the occurrence of a Dissolution Event which are provided in the Trust Deed. The sum of RM30,000.00 in the Sukuk Trustee's Reimbursement Account shall be maintained at all times throughout the tenure of the Sukuk *Wakalah* Programme.
(xxiii)	**Status**	:	All payment obligations of the Issuer under the Sukuk *Wakalah* Programme shall constitute direct, unconditional, secured and unsubordinated obligations of the Issuer, and shall at all times, rank at least pari passu in all respects with all other present and future direct, unsecured and unsubordinated obligations of the Issuer, subject to those preferred by law and the Transaction Documents.
(xxiv)	**Fees & expenses**	:	All costs and expenses (including legal fees, out of pocket expenses, reasonable traveling expenses and all goods and services, value added and other duties or taxes payable on such cost and expenses) whether on an abortive basis or otherwise shall be for the account of the Issuer.

(xxv) Shareholders Letter of Undertaking	The Shareholders shall provide an unconditional and irrevocable proportionate undertaking (“**Shareholders Letter of Undertaking**”) on a several basis based on their respective shareholdings: (i) To cover all cost overruns in connection with the Project; (ii) To cause the Issuer to remain solvent and a going concern at all times; (iii) To ensure that the Issuer is able to meet all its liabilities, claims, taxes and expenses at all times; and (iv) To ensure that the Issuer has sufficient liquidity to ensure timely payment by the Issuer of any amounts payable under or in respect of the Sukuk *Wakalah* Programme in accordance with the terms of the Sukuk *Wakalah* Programme and the Trust Deed.
(xxvi) Transaction Documents	: Documentation is to be in form and substance satisfactory to all parties and shall include provisions standard to facility of this nature and acceptable to the Issuer, including but not limited to clauses such as conditions precedent, representations and warranties, undertakings, events of default, illegality, pari passu ranking, material adverse change, cross default etc. The Sukuk *Wakalah* Programme shall be evidenced by the following transaction documents: (i) Trust Deed; (ii) Programme Agreement; (iii) Security Documents; (iv) Security Sharing Agreement; (v) Islamic Documents in relation to the Sukuk *Wakalah*; (vi) Securities Lodgement Form pursuant to the Central Securities Depository and Paying Agency Rules issued by BNM; and (vii) Such other documents/agreements as may be advised by the solicitors.

(xxvii) Taxation	:	All payments by the Issuer shall be made in full without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law (in which event the Issuer shall be required to make such additional amount so that the payee would receive the full amount which the payee would have received if no such withholding or deductions were made).
(xxviii) Other conditions	:	The Sukuk *Wakalah* Programme shall at all times comply with the guidelines issued and to be issued from time to time by the SC, BNM and/or PayNet.

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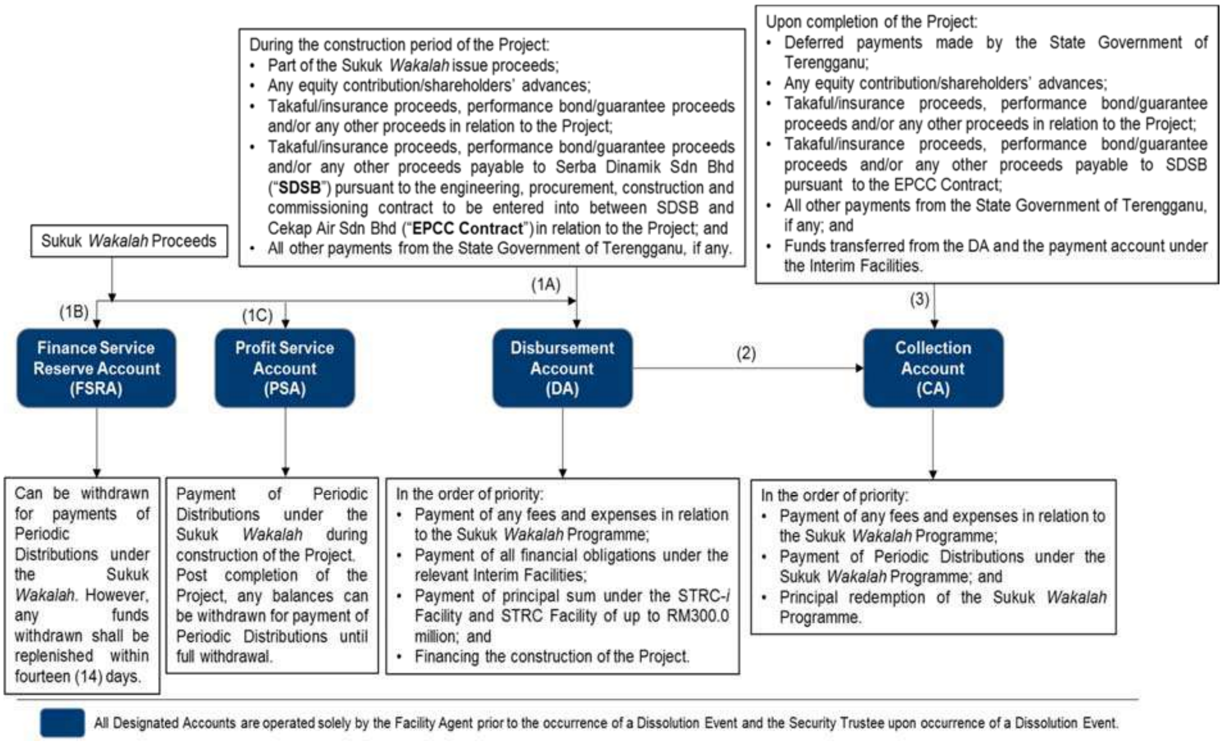
Appendix of Section 2 (Details of the Sukuk *Wakalah* Programme)



The issuance of each Sukuk Wakalah under the Sukuk Wakalah Programme shall be subject to the Issuance Conditions (as defined in the section entitled "Other Terms and Conditions").

Proceeds from the Sukuk Wakalah shall be utilised in accordance to the Details on Utilisation of Proceeds by the Issuer (as defined in the section entitled "Other Terms and Conditions").

(1A) The DA shall capture the following:

(a) Part of the Sukuk *Wakalah* issue proceeds;

(b) Any equity contribution or shareholders' advances during the construction period;

(c) Takaful/insurance proceeds, performance bond/guarantee proceeds and/or any other proceeds in relation to the Project during the construction period;

(d) Takaful/insurance proceeds, performance bond/guarantee proceeds and/or any other proceeds payable to Serba Dinamik Sdn Bhd pursuant to the engineering, procurement, construction and commissioning contract to be entered into between Serba Dinamik Sdn Bhd and Cekap Air Sdn Bhd ("**EPCC Contract**") in relation to the Project during the construction period; and

(e) All other payments from the State Government during the construction period, if any.

Funds in the DA shall be applied to meet the following permitted expenditures in the following order of priority:

(a) Firstly, for payment of any fees and expenses in relation to the Sukuk *Wakalah* Programme;

(b) Secondly, for payment of all financial obligations under the relevant Interim Facilities;

(c) Thirdly, for payment of principal sum under the STRC-*i* Facility and STRC Facility of up to RM300.0 million*;

*For avoidance of doubt, during the subsistence of the STRC-*i* Facility and the STRC Facility, proceeds from each Sukuk *Wakalah* issuance can be utilized to directly pay the principal sums under the STRC-*i* Facility and the STRC Facility, including any subsequent drawdowns/redrawings/rollover/reutilisation of STRC-*i* Facility and the STRC Facility on pari passu basis;

(d) Lastly, for financing the construction of the Project whereby payments shall be paid directly to the Issuer as the contractor pursuant to the Design and Build Contract.

(1B) Part of the proceeds from the issuance of the Sukuk *Wakalah* shall be remitted into the FSRA to capture an amount equivalent to one (1) Periodic Distribution payment from each issuance of Sukuk *Wakalah* which shall be maintained at all times throughout the tenure of the Sukuk *Wakalah* Programme.

Funds in the FSRA can be withdrawn for payment of Periodic Distributions under the Sukuk *Wakalah*. However, any funds withdrawn for payment of Periodic Distributions under the Sukuk *Wakalah* shall be replenished within fourteen (14) days from the date of withdrawal.

(1C) Part of the proceeds from the issuance of the Sukuk *Wakalah* shall be remitted into the PSA to capture an amount equivalent to four (4) Periodic Distribution payments from each issuance of Sukuk *Wakalah*.

Funds in the PSA can be withdrawn for payment of Periodic Distributions under the Sukuk *Wakalah* as and when it is due and payable during the construction period of the Project.

Following the completion of the Project, any balances in the account can be withdrawn for payment of Periodic Distributions under the Sukuk *Wakalah* as and when it is due and payable. Upon full withdrawal, the PSA is to be cancelled and closed.

(2) Following the completion of the Project, any excess funds in the DA are to be transferred to the CA. Thereafter, the DA is to be cancelled and closed.

(3) Following the completion of the Project, the CA shall capture the following:

(a) Deferred payments made by the State Government pursuant to the Design and Build Contract;

(b) Any equity contribution or shareholders' advances;

(c) Takaful/insurance proceeds, performance bond/guarantee proceeds and/or any other proceeds in relation to the Project;

(d) Takaful/insurance proceeds, performance bond/guarantee proceeds and/or any other proceeds payable to Serba Dinamik Sdn Bhd pursuant to the EPCC Contract;

(e) All other payments from the State Government, if any; and

(f) Monies transferred from the DA and the payment account under the Interim Facilities.

Funds in the CA shall be applied to meet the following permitted expenditures in the following order of priority:

(a) Firstly, for payment of any fees and expenses in relation to the Sukuk *Wakalah* Programme;

(b) Secondly, for Periodic Distribution payments under the Sukuk *Wakalah* Programme; and

(c) Thirdly, for principal redemption of the Sukuk *Wakalah*.

SECTION 3
CORPORATE INFORMATION OF THE ISSUER

3.1 CORPORATE HISTORY

The Issuer was incorporated in Malaysia on 5 April 2016 under the laws of Malaysia as a private company limited by shares under the name of Konsortium Amanie JV Sdn Bhd. The Issuer subsequently changed its name to Konsortium KAJV Sdn Bhd on 6 September 2017.

The registered address of the Issuer is SW-03-38, Cova Square, Jalan Teknologi, Kota Damansara, 47810 Petaling Jaya, Selangor.

The business address of the Issuer is A-8-7, Level 8, Empire Tower, Empire Subang, Jalan SS 16/1, SS16, 47500 Subang Jaya, Selangor.

3.2 PRINCIPAL ACTIVITIES

The principal activities of the Issuer are as follows:

(a) Business of investment company to acquire land, buildings, shares, stocks, debentures, bonds, notes and other securities;

(b) Business of builders, construction, renovations, demolition and other types of builders works; and

(c) All types of hydraulic and water supply related engineering and technology works and services, including supply of water, water treatment, testing of water quality, waste water utility management, maintenance of water mains, testing and certification of water standard and all kinds of other water related projects.

3.3 SHARE CAPITAL AND SHAREHOLDING STRUCTURE

The issued and paid-up share capital of the Issuer as at 15 May 2019 is as follows:

Issued and paid-up share capital	:	RM1,000,000.00 divided into 1,000,000 ordinary shares

As at 15 May 2019, the shareholding of the Issuer is as follows:

Name	No. of shares held	% of shareholding
Serba Dinamik	400,000	40%
FASK Holding	350,000	35%
Mirmas Holding	250,000	25%

3.4 PROFILE OF DIRECTORS

As at 15 May 2019, the Board of the Issuer and their respective profiles are as follows:

Name of Directors	**Profiles**
Datuk Awalan bin Abdul Aziz	Datuk Awalan is a director of KAJV. He is also currently a shareholder of Mirmas Holding, the Executive Chairman of Komconsult Sdn Bhd and Managing Director of Success Circle group of companies. Datuk Awalan is also the Chairman of the Board of Success Diar Sdn Bhd, a joint venture company between Qatari Diar Real Estate Investment Company (wholly owned by Qatar Investment Authority) and Success Circle Sdn Bhd. He is also the Executive Chairman of Strovi Tel Sdn Bhd, a bio-medical company which had entered into a contract manufacturing agreement for plasma fractionation with the Government of Malaysia. Previously, he was the Executive Chairman of Comintel Corporation Berhad from year 2013 to 2017, Managing Director of Solsis (M) Sdn Bhd and Senior Vice President of Dataprep Holdings Berhad from year 2005 to 2008 and a General Manager of Perbadanan Nasional Berhad. He holds a Masters of Business Administration from Cambridge Institute of Management, United Kingdom.
Dato' Nik Mod Amin bin Nik Abd Majid	Dato' Nik Mod Amin is a prominent figure in the Malaysian banking industry. He currently serves on the Board of KAJV and Mirmas Holding. He is also the founder of FASK Capital Sdn Bhd (formerly known as The Royal Mint Exchange Sdn Bhd). He currently also serves as a Non-Independent Director on the Board of AWC Berhad. Previously, he was the Chief Executive Officer and Executive Director of Bank Simpanan Nasional. During his tenure with Bank Simpanan Nasional, he re-engineered the bank's business direction towards assisting Small and Medium Enterprises. From year 1992 to 1993, Dato' Nik Mod Amin was the General Manager of Perbadanan Usahawan Nasional Berhad, setting up the funds' investment division. He also held key positions in Malayan Banking Berhad and Affin Bank Berhad, where he was involved in executing risk management, strategic planning, credit management, and international banking roles in the respective banks. He holds a Degree in Economics from University of Malaya.

Dato' Dr. Ir. Mohd Abdul Karim bin Abdullah	Dato' Dr. Ir. Mohd Abdul Karim is the Group Managing Director of Serba Dinamik group of companies ("**Serba Dinamik Group**"). He obtained his Bachelor's in Mechanical Engineering in 1989 from Universiti Teknologi Malaysia, Malaysia. He later obtained an Honorary Doctor of Philosophy in Industrial Engineering in 2009 from InterAmerican University, United States of America. He also obtained a Doctorate of Philosophy in Entrepreneurship in 2012 from Golden State University, United States of America. He is a member of the Institution of Engineers Malaysia since 1994, a registered member of the Board of Engineers, Malaysia since 1996 and a member of the Asean Federation of Engineering Organisation since 2002. Throughout his career, he had attended, among others, a course on Bearing Technology and Maintenance held by SKF Malaysia Sdn Bhd in 1989, a course on Welding Technology & Inspection held by MJ NDT Training & Consultancy Services in 1990, a course on Machinery Monitoring Data Acquisition & Machinery Diagnostic sponsored by Bently Nevada Singapore in 1990, a training course on Inspection and Maintenance of Rotating Machines held by Japan Cooperation Center Petroleum in 1991, a training seminar on steam turbines held by ABB Turbinen Nürnberg GmbH, Germany in 1992 and a training on design and usage of various kinds of condition monitoring products held by Bruel & Kjaer, Denmark. He has an extensive career spanning 29 years as an engineer. In 1988, he joined Asean Bintulu Fertilizer Sdn Bhd as a Mechanical Engineer where he supervised the overhauling of pumps, turbines and compressors. He was then appointed by Asean Bintulu Fertilizer Sdn Bhd as the Coordinator for the Ammonia and Rotary 5th T/A Preparation Team in 1990 and was subsequently appointed as a Rotating Equipment Area Engineer in 1991. In 1993, he formed Serba Dinamik and assumed his current position as Group Chief Executive Officer. Dato' Dr. Ir. Mohd Abdul Karim gained extensive experience in the field of maintenance and installation of rotating equipment since 1993 which includes major overhaul/inspection of 37MW MHI steam turbines in Module 1, 2 & 3 of Malaysia LNG Sdn Bhd and overall supervisory of plant shutdown maintenance on various rotating equipment. He also has hands-on experience from his works in overhauling of steam turbines, gas turbines, centrifugal pumps and centrifugal compressors and machinery installation/erection. Dato' Dr. Ir Mohd Abdul Karim also has experience in construction and fabrication during his tenure as a site project manager for the supply and construction of new civil workshop, extension of main warehouse and mechanical workshop in Malaysia LNG Sdn Bhd, installation of Jet A-1 Bunkering Line in Shell Timur Sdn Bhd, installation of flush tank at Bintulu Depot and various other projects with the company.

	Since 1993, he has also been involved in project management, including executing project control function in the job planning, work scheduling to maintain the planned work, production schedule, analysis of schedule impacts resulting from design alternatives, field change and site condition encountered, and revising the project schedule to cope with any changes. He has also conducted training, both internally to staff of the Serba Dinamik Group and externally to industrial practitioners, primarily in power sectors and oil and gas. Detailed areas of training are such as vibration, machinery alignment and balancing course, condition monitoring programme for rotating equipment, integrated machinery maintenance, preventive and predictive maintenance, inspection and maintenance of pumps, and inspection and maintenance of steam turbines. As the Group Chief Executive Officer of the Serba Dinamik Group, he has been actively involved in setting up of new companies and acquiring companies as a business strategy for expansion and visionary long-term plan to strengthen the Serba Dinamik Group's position in the market. His notable recognitions include, amongst others, the Golden Eagle Award 2015 (Top 3 Eminent Eagle for Malaysia 100 excellent Enterprise Excellence Award), the BIZZ Arabic Business Excellence Award 2014 (World Confederation of Businesses) and the Oxford Summit of Leaders, UK (Best Enterprise and Manager of the 2013). Currently, he sits on the board of several private limited companies in Malaysia.
Amirul Afif bin Abd Aziz	Amirul Afif is a director of KAJV. He is a Capital Market Services Representative License holder (advising on Corporate Finance in Malaysia). Previously, he has been extensively involved in investment banking, project and structured finance advisory and Islamic finance deals and transactions during his tenure with Maybank Investment Bank, Kuwait Finance House (Malaysia), Bumiwerks Capital Management and Cagamas Bhd. He has also covered a wide range of sectors including the privatisation and financing of government related projects, power plants, real estate, asset-backed securities (collateralized loan obligations (CLOs), residential mortgage-backed security (RMBS) and non-performing loans), healthcare, aviation, renewable energy and waste management. He holds a Bachelor of Commerce and Management, Lincoln University (NZ).

Rosland bin Othman	Rosland is a director of KAJV. He is also the Senior Vice President of Serba Dinamik Holdings Berhad. Prior to his current role, he has been extensively involved in investment banking as well as oil and gas industries, covering positions such as the Head of Corporate and Investment Banking in PT Bank Muamalat Indonesia (Kuala Lumpur) and the Director of Australasia LNG Pty Ltd. He holds a Bachelor of Economics and Finance from New York University Stern School of Business (USA).

3.5 KEY SENIOR MANAGEMENT

As at 15 May 2019, the key senior management of the Issuer and their respective profiles are as follows:

Name of Key Senior Management	**Profiles**
Datuk Awalan bin Abdul Aziz	Please see profile in Section 3.4 of this Information Memorandum.
Ir. Abdul Samad bin Sulaiman	Ir. Abdul Samad is a Director, Project Implementation of KAJV. He has extensive experience in construction of water treatment plants and sewerage networks using trenchless construction methods. He also has 17 years' experience in the water treatment plant operations, specialising in various aspects of operation & maintenance along with sewerage network systems. He was previously the Regional Head of the Northern Region Selangor Water Treatment Plant Operation and Plant Manager of Sungai Selangor Phase 2 WTP. He holds a Bachelor's Degree in Electrical Engineering from Universiti Teknologi Malaysia. Also, he is a member of the Institution of Engineers, Malaysia, Malaysian Water Association and a Registered Professional Engineer with the Board of Engineers Malaysia. Ir. Abdul Samad is also registered as an Associate Asean Engineer and *Rakan Alam Sekitar* with Department of Environmental Malaysia.
Ir. Zahidin bin Harun	Ir. Zahidin is the Technical & Project Development Director of KAJV. He has extensive experience in the consultancy and construction of water supply chain which include intake & raw water pumping station, water treatment plant and distribution system. He also has 10 years' experience in Operation & Maintenance (O&M) of 27 number of water treatment plants in Selangor. He holds a Bachelor's Degree in Mechanical Engineering from University of Malaya. Currently he is doing a Master by Research in Alternative Energy at Lincoln University College in Kuala Lumpur. Currently, he is also a member of the Institution of Engineers, Malaysia, Malaysian Water Association and a Registered Professional Engineer with the Board of Engineers Malaysia.

3.6 LIST OF LICENCES AND APPROVALS

Details of the licences and approvals obtained by KAJV as at 15 May 2019 are set out below:

Description of License / Approval	Issuing Entity	Licence / Reference No.	Date of Issuance of License and Expiry
Certification of Registration Type: G7 B B04 G7 CE CE 20 CE21 G7 ME M15	Construction Industry Development Board Malaysia	Registration No.: 0120160422-SL173618	13 May 2019 – 29 May 2020
IPA Permit* Type: C1	National Water Services Commission	Permit No.: SPAN/EKS/(PT)/800-2C/1/16/424	20 July 2018 – 19 July 2019

*Note: The Issuer has submitted an application to the National Water Services Commission for the renewal of the IPA Permit. The IPA Permit is currently in the process of being renewed.

3.7 Key Financial Highlights of the Issuer

The following are the key financial highlights of the Issuer based on the audited financial statement for the financial year ended 31 December 2016, 31 December 2017 and 31 December 2018:

	FYE 31 DEC 2016 RM'000	FYE 31 DEC 2017 RM'000	FYE 31 DEC 2018 RM'000
Revenue	30,552	84,558	44,827
Profit Before Tax	1,393	1,172	24,769
Profit After Tax	1,043	961	18,817
Cash and Bank Balances	110	159	379
Total Assets	30,699	120,244	373,465
Total Liabilities	28,656	117,240	351,644
Borrowings	Nil	Nil	210,378
Shareholders' Funds	2,043	3,004	21,821

SECTION 4
CORPORATE INFORMATION OF THE SHAREHOLDERS

4.1 CORPORATE INFORMATION

4.1.1 Corporate History

(a) **Serba Dinamik**

Serba Dinamik was incorporated in Malaysia on 11 June 1993 under the laws of Malaysia as a private company limited by shares under the name of SERBA DINAMIK SDN BHD.

The registered and business address of Serba Dinamik is No. 67, Sublot 239, Lot 2713, Ground Floor – 3rd Floor, Jalan Tanjung Batu (Kemena Commercial Centre), Bintulu, 97000 Sarawak.

(b) **FASK Holding**

FASK Holding was incorporated in Malaysia on 6 June 2008 under the laws of Malaysia as a private company limited by shares under the name of FASK HOLDING SDN BHD.

The registered address of FASK Holding is B-03-10, Gateway Corporate Suite, Gateway Kiaramas, No. 1, Jalan Desa Kiara, Mon’t Kiara, 50480 Kuala Lumpur.

The business address of FASK Holding is H-2-06 & H-2-07, Jalan SS/16A, Dataran GLOMAC, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.

(c) **Mirmas Holding**

Mirmas Holding was incorporated in Malaysia on 2 April 2008 under the laws of Malaysia as a private company limited by shares under the name of MIRMAS HOLDING SDN BHD.

The registered address of Mirmas Holding is SW-03-38, Cova Square, Jalan Teknologi, Kota Damansara, 47810 Petaling Jaya, Selangor.

The business address of Mirmas Holding is A-8-7, Level 8, Empire Tower, Empire Subang, Jalan SS 16/1, SS16, 47500 Subang Jaya, Selangor.

4.1.2 Principal Activities

(a) **Serba Dinamik**

Serba Dinamik is principally engaged in providing operation and maintenance of plants and facilities, engineering, procurement, construction and commissioning as well as technical training.

(b) **FASK Holding**

FASK Holding is principally engaged in acquiring and holding investments of any kind and carry on any trade which it may deem profitable in connection to its general business.

(c) **Mirmas Holding**

Mirmas Holding is principally engaged in carrying out all types of hydraulic and water supply engineering and technology works and services.

4.1.3 Share Capital and Shareholding Structure

4.1.3.1 The authorised, issued and paid-up share capital of the Shareholders as at 15 May 2019 are as follows:

(a) **Serba Dinamik**

Issued and paid-up Share Capital : RM55,000,000.00 divided into 55,000,000 ordinary shares

(b) **FASK Holding**

Issued and paid-up Share Capital : RM1,000,002.00 divided into 1,000,002.00 ordinary shares

(c) **Mirmas Holding**

Issued and paid-up Share Capital : RM5,000,000.00 divided into 5,000,000 ordinary shares

4.1.3.2 Details of the Shareholders' respective shareholding structures as at 15 May 2019 are summarised as follows:

(a) **Serba Dinamik**

Name	No. of shares held	% of shareholding
Serba Dinamik Group Berhad	55,000,000	100

Note: Serba Dinamik Group Berhad is a wholly-owned subsidiary of Serba Dinamik Holdings Berhad.

(b) **FASK Holding**

Name	No. of shares held	% of shareholding
Nik Nurul Diyanah Binti Nik Mod Amin	1	0.0001
Dato' Nik Mod Amin Bin Nik Abd Majid	1,000,001	99.9999

(c) **Mirmas Holding**

Name	No. of shares held	% of shareholding
Datuk Awalan bin Abdul Aziz	1,750,000	35
Fask Capital Sdn Bhd	1,750,000	35
Dato' Mat Noor bin Nawi	500,000	10
Amirul Afif bin Abd Aziz	1,000,000	20

4.1.4 Profile of Directors

(a) **Serba Dinamik**

As at 15 May 2019, the Board of Serba Dinamik and their respective profiles are as follows:

Name of Directors	Profiles
Haji Abdul Kadier Sahib	Abdul Kadier is a director of Serba Dinamik. He obtained his Bachelor's Degree in Economics in 1973 from University of Malaya, Malaysia. He began his career as a marketing executive with Diethlem Sdn Bhd in 1973 for one year and later joined Sarawak Economic Development Corporation, where he served as a marketing officer until 1976. In 1976, he started his own business in diversified industries, of which are food, road transportation, agriculture and forestry. In July 1994, he was appointed as a director in Serba Dinamik Group Berhad and subsequently became a shareholder of Serba Dinamik Group Berhad in October 1994. He is a member of the Party Pesaka Bumiputera Bersatu Sarawak ("PBB") and sat as an executive committee member at the state level of PBB Youth Wing for two terms, from 1985 to 1989. He is an active member of the Bumiputera Chamber of Commerce Sarawak ("DUBS") and was elected as Chairman for the Bintulu branch in 1986 where he continued for three terms until 1991, thereafter becoming the advisor of DUBS from 1992 to 1994. He was the Vice President of DUBS at state level, a position he was elected to in 2014 and held until 2017. He was appointed as a member of the Consultative Council to Local Government, whose main function is to advise the Bintulu Development Authority on the development and local government functions in Bintulu, for the periods between 1991 to 1997 and 2013 to 2018. In 2008 he was awarded the "Sarawak State Entrepreneur of the Year Award" by the Sarawak Ministry of Industrial Development.
Dato Awang Daud bin Awang Putera	Dato' Awang Daud is a director of Serba Dinamik. He obtained an intermediate certificate for Mechanical Fitter/General Mechanic in 1980 from Institut Kemahiran MARA, Malaysia, and was certified by the National Industrial Trade Training Board in June 1980. He obtained his Bachelor of Science in Mechanical Engineering in 1994 from University of the East, Philippines. He subsequently obtained a Master in Mechanical Engineering in 2007 from Universitas Pancasila, Jakarta, Indonesia.

<table>
<tr><td></td><td>He began his career with Syarikat Jengka Pahang Sdn Bhd as an apprentice in 1978 where he was trained in the overhauling and reparation of rotating equipment such as electric motor, multi centrifugal pumps, rotary pump boilers and dryers. In 1980, he joined Ballast Nedam International (Malaysia) Sdn Bhd as a Mechanical Workshop Supervisor where he was in charge of productivity and service quality of machining jobs, welding/fabrication and maintenance repair of mechanical equipment.

He then joined Daelim (Malaysia) Sdn Bhd in 1981 as a Heavy Industries Equipment Millwright where he gained experience in designing, fabrication, maintenance, installation and repair works of various heavy machinery and vehicles. In 1983, he joined Malaysia LNG Sdn Bhd as Technician 3 and was eventually promoted to the position of Supervisor. He was a part of the pioneer group which set up the mechanical workshop for the first product of LNG and maintenance of Malaysia LNG Sdn Bhd. He remained in Malaysia LNG Sdn Bhd until 1993.

He joined Serba Dinamik Group Berhad in 1994 as a director and was involved in field supervision, coordination and the management of various projects, construction and fabrication tasks, planning and tendering, attending negotiations and handling managerial portfolios.</td></tr>
<tr><td>Abu Bakar bin Hamzah</td><td>Abu Bakar Hamzah is a director of Serba Dinamik.

Throughout his career, he has attended, among others, courses on the Oil and Gas Safety Passport and Authorised Entrant and Standby Person by National Institute of Occupational Safety and Health and Construction Industry Development Board (CIDB).

He has a vast experience of 36 years in the industry whereby he began his career with Malaysia LNG Sdn Bhd in 1982.

In 1991, he joined Dynasty Hotel, Miri as Maintenance Supervisor. He later joined Serba Dinamik in 1994 as Senior Technical Manager and was promoted to Branch Manager in 2004.

Currently, he is the Regional Operation Director for Serba Dinamik, a role he has held since 2013.</td></tr>
<tr><td>Dato’ Dr. Ir. Hj. Mohd Abdul Karim bin Abdullah</td><td>Please see profile in Section 3.4 of this Information Memorandum</td></tr>
</table>

(b) **FASK Holding**

As at 15 May 2019, the Board of FASK Holding and their respective profiles are as follows:

Name of Directors	Profiles
Dato' Nik Mod Amin Bin Nik Abd Majid	Please see profile in Section 3.4 of this Information Memorandum
Nik Nurul Diyanah Binti Nik Mod Amin	Nik Nurul Diyanah is the Director of FASK Holding Sdn Bhd. She holds a Bachelors (hons) Degree In Accounting & Finance from Liverpool John Moores University (LJMU), England and is part qualified under the Association of Chartered Accountants (ACCA) certification. Her experience revolves around auditing, taxation, cost accounting, financial accounting, treasury, and financial reporting. She was attached to Afrizan Tarmili Khairul Azhar Chartered Accountants before joining Metro Exchange Sdn Bhd, a Foreign Currency Banknotes Dealer and Remittance Service Provider licensed under Bank Negara Malaysia. During her stint at Metro Exchange, she acquired in-depth experiences in various departments including Treasury and Compliance. She also obtained a certificate in Financial Technical Analysis (FTA) during her tenure at Metro Exchange. She then joined SME Bank as part of the team under the Transformation Management Office (TMO) division where her role was to contribute on setting up initiatives for the management to steer the bank proactively. Her division reported directly to the CEO of the bank. After amassing almost 9 years of experience externally, she currently serves as part of the financial controller team for a group of companies under FASK Holding focusing on financial management and administration.

(c) **Mirmas Holding**

As at 15 May 2019, the Board of Mirmas Holding and their respective profiles are as follows:

Name of Directors	Profiles
Dato' Nik Mod Amin bin Nik Abd Majid	Please see profile in Section 3.4 of this Information Memorandum
Dato' Mat Noor bin Nawi	Dato' Mat Noor is a director of Mirmas Holding. He holds a Masters of Science (Policy Economics) from University of Illinois Urbana-Champaign, USA as well as a Bachelor of Science (Resource Economics) from Universiti Putra Malaysia. His first appointment in Civil Service was in 1981 and started his profession as an Administrative and Diplomatic Officer in 1983 with the Economic Planning Unit (EPU), Prime Minister's Department. During his 29 years of service in the EPU, he worked his way up to Deputy Director I and contributed most of his experiences to EPU. Thereafter, he was appointed as Deputy Secretary General (Systems & Controls) of Ministry of Finance (Inc.) in 2011 and a year after as Deputy Secretary General (Policy) of MoF (Inc.) until 2015. Concurrently, he was the Chairman of Bank Kerjasama Rakyat Malaysia Bhd. (Bank Rakyat), DanaInfra Nasional Bhd. and Malaysian Development Holdings Sdn. Bhd. between the years 2012 to 2015. After serving the Government of Malaysia for 34 years, Datuk Mat Noor Nawi retired on 6 June 2015.
Datuk Awalan bin Abdul Aziz	Please see profile in Section 3.4 of this Information Memorandum
Amirul Afif bin Abd Aziz	Please see profile in Section 3.4 of this Information Memorandum

4.1.5 Key Senior Management

(a) **Serba Dinamik**

As at 15 May 2019, the key senior management of Serba Dinamik and their respective profiles are as follows:

Name of Key Senior Management	Profiles
Dato' Dr. Ir. Hj. Mohd Abdul Karim bin Abdullah	Please see profile in Section 3.4 of this Information Memorandum

(Group Managing Director/ Group Chief Executive Officer)	
Dato Awang Daud bin Awang Putera (Executive Director/Deputy Chief Executive Officer)	Please see profile in Section 4.1.4(a) of this Information Memorandum
Syed Nazim bin Syed Faisal (Group Chief Financial Officer)	Syed Nazim Bin Syed Faisal is the Group Chief Financial Officer of the Serba Dinamik Group. He obtained his Bachelor of Accounting in 2004 from International Islamic University Malaya, Malaysia. He later obtained a Master Degree in Islamic Finance Practice in 2014 from International Centre for Education in Islamic Finance, Malaysia. He also obtained a Certificate in Islamic Banking and Finance Law in 2013 from International Islamic University Malaysia, Malaysia. He is a member of Malaysian Institute of Accountants since 2007. He began his career with KPMG (Assurance division) as Audit Assistant in 2003. Later in 2009, he joined MISC Berhad as Strategic Planning Manager. Thereafter, in 2012, he joined RHB Islamic Bank Berhad as the Head of Statutory and Management Reporting. In 2013, he joined Ibdar Bank BSC(c), Kingdom of Bahrain, as Vice President Financial, Compliance and Administration. In 2015, he joined Serba Dinamik and assumed his current position. Currently, he sits on the board of several private limited companies in Malaysia.
Ir. Abdul Halim bin Mohd Damiah (Vice President, Engineering Procurement Construction Commissioning (EPCC) Business Unit)	Ir. Abdul Halim Bin Mohd Damiah, is the Vice President of EPCC Business Unit of Serba Dinamik. He obtained his Bachelor's degree in Electrical Engineering in 1991 from University of Malaya, Malaysia. Throughout his career, he had attended, among others, the Leadership, Motivation and Dynamic Teambuilding Skills held by Malaysia Institute of Management in 1996, a course on ISO 9000 Documenting the Quality Systems held by SIRIM in 1997, Interactive Management Skills for Middle Management Part I and II held by Malaysia Institute of Management in 1997, a programme on Plant Electrical Engineering held by EEM Advancement Centre Pte Ltd in 2001, Project Management Approach (PMA) Train the Trainer Course held by Holcim in 2003, an internal auditing workshop on ISO 9001:2000 & ISO 14001:1996 in 2003 and Inspection and Testing of Electrical Installations programme held by EEM Advancement Pte Ltd. He is a member of Royal International Naval Architecture since 2008 and is a registered Professional Engineer (Electrical) in the Board of Engineers Malaysia since 2006. He began his career with SNC Industrial Laminates Sdn Bhd, a subsidiary of Sumitomo, as a Maintenance Engineer in 1992. He later joined Holcim (Malaysia) Sdn Bhd (formerly known as Tenggara Cement Manufacturing Sdn Bhd) as an Electrical Engineer in

	1994 and subsequently was promoted to Senior Electrical Engineer in 1998. In 2004, he joined Malaysia Marine and Heavy Engineering Sdn Bhd as an Electrical Quality Assurance Senior Executive under Marine Business Unit and was subsequently promoted to Project Manager under the Yard Development Division. In 2010, he joined a Korean company, EK Engineering, as a General Manager. He joined Serba Dinamik in April 2011 and has remained in his current position to present. Currently, he sits on the board of several private limited companies in Malaysia.
Afandi bin Abd Hamid (Vice President, Operation & Maintenance (O&M) Business Unit)	Afandi Bin Abd Hamid, is the Vice President of O&M Business Unit. He obtained his Certificate in Mechanical Technician in 1993 from Petroleum Industrial Training Institute Malaysia. He obtained his Vibration Specialist Certificate 1 and 2 in 1997 from Vibration Institute, United States of America. Throughout his career, he has attended, among others, courses on the PSR-1 familiarisation training in mechanical held by JGC Malaysia and Ipedex Exploitation Consell in 1994, machinery predictive maintenance using vibration monitoring and analysis organised by Petroleum Industrial Training Institute Malaysia in 1995, a course in advanced solutions to machinery vibration problems in 1997 and machinery diagnostic training held by Bently Nevada in 1999. He later obtained his Bachelor of Science in Engineering in 2004 from the Liberty International University, United States of America, whereby he was awarded with an Award of Academic Excellence. He is also a member of JIM Vibration Committee. He began his career with Malaysia LNG Sdn Bhd as a Mechanical Trainee in 1991. In 1992, he joined Asean Bintulu Fertilizer Sdn Bhd as a Mechanical Technician. He later joined Petronas Penapisan Melaka Sdn Bhd in 1993 as Mechanical Technician (Construction), before assuming several roles, namely as an IMI Technician in 1995, Rotating Equipment Inspector in 1996, and was further promoted to Senior IMI Technician in 1998. In 2000, he joined Petronas Carigali Sdn Bhd as a Conditioned Based Maintenance Specialist. He joined Serba Dinamik as a Technical Engineer in 2001 and was promoted to Machinery Engineer in 2004 before assuming his current position. Currently, he sits on the board of several private limited companies in Malaysia.

(b) **<u>FASK Holding</u>**

As at 15 May 2019, the key senior management of FASK Holding and their respective profiles are as follows:

Name of Key Senior Management	Profiles
Dato' Nik Mod Amin bin Nik Abd Majid	Please see profile in Section 3.4 of this Information Memorandum
Nik Nurul Diyanah Binti Nik Mod Amin	Please see profile in Section 4.1.4(b) of this Information Memorandum

(c) **<u>Mirmas Holding</u>**

As at 15 May 2019, the key senior management of Mirmas Holding and their respective profiles are as follows:

Name of Key Senior Management	Profiles
Datuk Awalan bin Abdul Aziz	Please see profile in Section 3.4 of this Information Memorandum.
Haji Johari bin Abu Hassan	Johari has vast experiences in the areas of project management and property development. With a civil engineering background, he served as an engineer with the consultants namely Perunding Budiman Sdn Bhd and Antara Jurutera Sdn Bhd and developers such as Teguh Timber Sdn Bhd, AJP Development Sdn Bhd, Modulex System (M) Sdn Bhd. He previously worked with Superb Management Resources Sdn Bhd as its Managing Director until 2015. He was also involved in the financial services industry through managing a few property developments from the banking and corporate perspective by working with Affin Bank Berhad's associate company, Project Management Services Sdn Bhd. Some of the project include 144 units apartment at Kubang Kerian, Kota Bharu, Kelantan Darul Naim construction and completion of army camp in Penang, transmission center and 155KVA transmission line in Port Dickson to name a few. He observed the implementation of the projects which are under the loan given by Affin Bank and assisted the borrowers in liaising with the awarding parties and their project consultant. He holds a BSC. of Civil Engineering from Utah State University, USA and a Dip. in Civil Engineering, ITM. He is also licensed under The Institution of Engineers Malaysia and Board of Engineers Malaysia.

4.2 KEY FINANCIAL HIGHLIGHTS OF THE SHAREHOLDERS

(a) **Serba Dinamik**

The following are the key financial highlights of Serba Dinamik based on its audited financial statements for the five (5) financial years ended 31 December 2018, 2017, 2016, 2015 and 2014:

Audited	**RM' 000**				
Financial Year Ended	**31/12/2018**	**31/12/2017**	**31/12/2016**	**31/12/2015**	**31/12/2014**
Revenue	979,641	953,051	876,656	663,104	474,271
Profit Before Tax	93,512	95,755	78,190	46,629	34,427
Profit After Tax	59,982	51,426	56,652	42,088	34,472
Cash and Bank Balances	152,588	108,326	100,037	101,589	54,312
Total Assets	1,806,314	1,116,087	755,574	561,892	370,130
Total Liabilities	1,477,085	828,430	500,207	363,177	213,504
Borrowings	161,766	241,452	231,018	221,453	148,757
Shareholders' Funds	329,229	287,657	255,367	197,715	156,627

(b) **FASK Holding**

The following are the key financial highlights of FASK Holding based on its audited financial statements for the four (4) financial years ended 31 December 2017, 2016, 2015 and 2014:

Audited	**RM' 000**			
Financial Year Ended	**31/12/2017 (Group)**	**31/12/2016 (Group)**	**31/12/2015 (Company)**	**31/12/2014 (Company)**
Revenue	939,394,153	1,052,871,031	-	-
Profit Before Tax	(2,342,405)	(650,080)	-	-
Profit After Tax	(1,669,295)	(844,502)	(0)	(0)
Cash and Bank Balances	13,124,561	14,012,359	0	0
Total Assets	164,201,219	72,421,360	21,001	21,001
Total Liabilities	144,494,405	52,984,997	20,030	20,026
Borrowings	35,389,274	38,691,363	20,000	20,000
Shareholders' Funds	19,706,814	19,436,363	971	974

(c) **Mirmas Holding**

The following are the key financial highlights of Mirmas Holding based on its audited financial statements for the five (5) financial years ended 31 December 2018, 2017, 2016, 2015 and 2014:

Audited	**RM' 000**				
Financial Year Ended	**31/12/2018**	**31/12/2017**	**31/12/2016**	**31/12/2015**	**31/12/2014**
Revenue	3,408	4,113	773	-	-
Profit Before Tax	930	3,518	(222)	(0)	(0)
Profit After Tax	812	2,888	(222)	(0)	(0)
Cash and Bank Balances	878	954	2,274	2,274	-
Total Assets	73,593	35,108	26,533	-	-
Total Liabilities	65,134	27,461	26,374	19	17
Borrowings	-	-	-	-	-
Shareholders' Funds	8,459	7,647	160	(19)	(17)

SECTION 5
INVESTMENT CONSIDERATIONS

An investment in the Sukuk Wakalah involves certain risks. Prospective investors of the Sukuk Wakalah should consider carefully, in the light of their own financial circumstances and investment objectives, the following factors, in addition to the matters set forth elsewhere in this Information Memorandum, prior to investing in the Sukuk Wakalah. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Sukuk Wakalah. However, neither the Issuer, the Principal Adviser/Joint Lead Arrangers/Joint Lead Managers represent that the statements below regarding the risks of investing in any of the Sukuk Wakalah are complete or exhaustive. Prospective investors are strongly encouraged to undertake their own investigations and analysis on the Issuer and its business and the risks associated with the Proposed Sukuk Wakalah Programme.

Prospective investors should read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision. Words and expressions defined elsewhere in this Information Memorandum, in particular Section 2 of this Information Memorandum, shall have the same meanings in this Section 5 of this Information Memorandum.

5.1 INVESTMENT CONSIDERATIONS RELATING TO THE SUKUK *WAKALAH*

5.1.1 The Issuer's Ability to Meet its Obligations in a timely manner or within its cost constraints

The Issuer was incorporated in Malaysia on 5 April 2016 under the laws of Malaysia. The Issuer does not engage in any business other than to undertake the Project. Hence, the ability of the Issuer to meet its obligations to the Sukukholders in terms of payment of amounts due in respect of the Sukuk *Wakalah* will depend on the receipt of the deferred payments by the Issuer from the State Government upon the completion of the Project pursuant to the Design and Build Contract.

All payments under the Sukuk *Wakalah* will not be the obligations or responsibilities of any other party other than the Issuer and will not be the obligations or responsibilities of the Joint Lead Arrangers, the Joint Lead Managers, the Facility Agent, the Sukuk Trustee and/or any subsidiary or affiliate thereof, and any other person involved or interested in the transactions envisaged under the Sukuk *Wakalah*. None of such persons will accept any liability whatsoever to the Sukukholders in respect of any failure of the Issuer to pay any amount due in respect of the Sukuk *Wakalah*.

The risk is mitigated by the State Government's irrevocable and unconditional undertaking to make payment of up to the total amount due in each Facility Payment Certificate as endorsed, approved and signed by the State Government. The State Government shall pay the Issuer the amount certified as due in the Facility Payment Certificate on an annual basis as set out in Appendix 6 to this Information Memorandum, of which the first payment to be made shall start from the forty ninth (49^{th}) month from the Date of Possession.

This risk is further mitigated via the unconditional and irrevocable proportionate undertaking from all the Shareholders, on a several basis based on their respective shareholdings to, inter alia:

(i) cover all cost overruns in connection with the Project;

(ii) cause the Issuer to remain solvent and a going concern at all times;

(iii) ensure that the Issuer is able to meet all its liabilities, claims, taxes and expenses at all times; and

(iv) ensure that the Issuer has sufficient liquidity to ensure timely payment by the Issuer of any amounts payable under or in respect of the Proposed Sukuk *Wakalah* Programme in accordance with the terms of the Proposed Sukuk *Wakalah* Programme and the trust deed of the Proposed Sukuk *Wakalah* Programme.

5.1.2 Adequacy and Enforceability of Security

While the Sukuk *Wakalah* is secured by the security package outlined in Section 1.6 of this Information Memorandum, no assurance can be given that in the event of enforcement of such security, the proceeds obtained from the realisation of such security would be sufficient for payment and redemption of all the outstanding Sukuk *Wakalah*.

5.1.3 Takaful/Insurance

Any insurance proceeds pursuant to claims made on insurance policies insuring all work executed and all unfixed materials and goods, delivered to, placed on or adjacent to the Works procured by the Issuer in relation to the Design and Build Contract, shall be subject to the payment obligations of insurance proceeds to the State Government, in accordance to the terms of the Design and Build Contract.

5.1.4 Liquidity of the Sukuk *Wakalah*

The Sukuk *Wakalah* comprises a new issue of Islamic securities for which there is currently no established secondary market. There is no assurance that a secondary market for the Sukuk *Wakalah* will develop or, if it does develop, that it will provide the Sukukholders with liquidity of investment or that it will continue for the tenure of the Sukuk *Wakalah*. Any sale of the Sukuk *Wakalah* by the Sukukholders in any secondary market which may develop may be at a discount from the original issue price of the Sukuk *Wakalah*, depending on various factors, including the prevailing interest rates and the market for similar securities.

5.1.5 The market value of the Sukuk *Wakalah* may be subject to fluctuation

The market value of the Sukuk *Wakalah* may fluctuate due to numerous factors, including the prevailing rates, the market for similar securities, the operating results and/or financial conditions of the Issuer, political, economic, financial, government's policies and regulations, monetary and fiscal issues and any other factors that can affect the capital markets, the industry or the Issuer, and adverse economic developments could have a material adverse effect on the market value of the Sukuk *Wakalah*. An investor in the Sukuk *Wakalah* must be prepared to hold the Sukuk *Wakalah* until the maturity or the occurrence of a dissolution event of the relevant Sukuk *Wakalah*.

5.1.6 The credit rating of the Proposed Sukuk *Wakalah* Programme

MARC has assigned a final rating of AA-$_{IS}$ to the Sukuk *Wakalah* Programme on 9 July 2019 which reflects the credit strength of the State Government to meet the unconditional and irrevocable payment obligations on the FPC issued for work done on the Project and a very strong ability of the Issuer to make payment on the principal and profit of the Sukuk *Wakalah*.

A credit rating addresses the likelihood of full and timely payment of profit and principal to the holders of the Sukuk *Wakalah*. However, a credit rating is not a recommendation to buy, hold or sell the Sukuk *Wakalah* and there can be no assurance that such a credit rating will not be revised on a periodic review basis by the said credit rating agency during the tenure of the Proposed Sukuk *Wakalah* Programme or that such a credit rating will not be withdrawn entirely if circumstances in the future so warrant. Further, such a rating is not a guarantee of payment or that there will be no default by the Issuer under the Sukuk *Wakalah* and the transaction documents.

Any downgrade or withdrawal of a credit rating will not in itself constitute a dissolution event under the Proposed Sukuk *Wakalah* Programme or an event obliging the Issuer to redeem the Sukuk *Wakalah* but may have an effect on the liquidity and the market price of the Sukuk *Wakalah*.

5.1.7 Profit rate risks

Investment in the Sukuk *Wakalah* involves the risk of subsequent changes in the market conditions, profit rates, government's policies and regulations concerning, inter alia, monetary and fiscal issues, which may adversely affect the value of the Sukuk *Wakalah*. Although the Sukuk *Wakalah* is an Islamic security which does not pay interest, it is similar to a fixed income Islamic security and therefore its price may fluctuate due to movements in the relevant benchmark profit rates. Generally, a rise in the benchmark profit rates may cause a fall in the prices of fixed income securities. The Sukuk *Wakalah* may be similarly affected, resulting in a capital loss for the Sukukholders. Conversely, when the benchmark profit rates fall, prices of fixed income securities and the prices at which the Sukuk *Wakalah* are traded may rise. Sukukholders may enjoy a capital gain but the profit received may be reinvested for lower returns.

5.1.8 An investment in the Sukuk *Wakalah* is subject to inflation risk

The Sukukholders may suffer erosion on the return of their investments due to inflation. The Sukukholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Sukuk *Wakalah*. An unexpected increase in inflation could reduce the real rate of return to the Sukukholders.

5.1.9 Suitability of Investment

The Sukuk *Wakalah* issued under the Proposed Sukuk *Wakalah* Programme may not be a suitable investment for all investors. Each potential investor in the Sukuk *Wakalah* must determine the suitability of the investment in light of its own circumstances.

In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Sukuk *Wakalah*, the merits and risks of investing in the Sukuk *Wakalah* and the information contained in this Information Memorandum;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Sukuk *Wakalah* and the impact the Sukuk *Wakalah* will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Sukuk *Wakalah*, including where the currency of payment is different from the potential investor's currency;

(d) understand thoroughly the terms of the Sukuk *Wakalah* and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

5.1.10 Shariah compliance

The Shariah Adviser has issued a pronouncement confirming amongst others that, the transaction and structure of the Sukuk *Wakalah* are Shariah-compliant as of the date of such pronouncement. However, there is no assurance that the Sukuk *Wakalah* will be Shariah-compliant by any other Shariah board or Shariah scholar and the Shariah pronouncement is only an expression of the view of the Shariah Adviser. Neither the Issuer, the Joint Lead Arrangers nor the Joint Lead Managers makes any representation as to the Shariah permissibility of the structure or the issue and trading of the Sukuk *Wakalah*. Potential investors are reminded that, as with any Shariah views, differences in opinion are possible. Potential investors should obtain their own independent Shariah advice and make their own determination as to whether the structure and the future tradability of the Sukuk *Wakalah* in any secondary market meet their individual standards of Shariah compliance.

If the Sukuk *Wakalah* are deemed not to be Shariah-compliant by an investor’s own standard of Shariah compliance, such investor may be required to sell or otherwise dispose of its Sukuk *Wakalah* by virtue of its own constitutional restraints or otherwise. Similarly, if the Sukuk *Wakalah* are deemed not to be Shariah-compliant by potential investors’ standards of Shariah compliance, they may be prohibited from buying the Sukuk *Wakalah* by virtue of their own constitutional restraints or otherwise. Accordingly, the liquidity and price of the Sukuk *Wakalah* in the market may be adversely affected by particular Shariah standards, and the interpretation thereof, of existing or potential investors.

5.1.11 Change of law

The structure of the transaction and the issue of the Sukuk *Wakalah* are based on Malaysian law, tax and administrative practices in effect as at the date hereof and having due regard to the expected tax treatment of all relevant statutes under such law and practices. No assurance can be given that the Malaysian laws, tax or administrative practices will not change after the date of issue of the Sukuk *Wakalah* or that such change will not adversely impact the structure of the transaction and the treatment of the Sukuk *Wakalah*.

5.2 INVESTMENT CONSIDERATIONS RELATING TO THE ISSUER AND THE PROJECT

5.2.1 Newly Incorporated Company

The Issuer is a newly incorporated special purpose company formed for the purpose of the Project only. The Issuer is utilizing the expertise and experience of its shareholders and their management teams and the engagement of technical expertise and sub-contractors who are experienced industry experts, for the operation of the Project. Changes in management may have an adverse impact to the Issuer's business and operations.

The Issuer strives to continue to attract and retain qualified and experienced personnel who are essential towards maintaining the high performance standards of the Issuer as well as for succession planning and mitigating such risk. Notwithstanding this, there can be no assurance that the sudden departure of any key personnel may not materially and adversely affect the Issuer's performance.

5.2.2 Risk of Termination of the Contract

The Design and Build Contract may be terminated by the State Government under the events described in Section 7.17 and Section 7.18 of this Information Memorandum, such as the termination by the State Government if the Issuer or its personnel is convicted by a court of law for corruption, unlawful or illegal activities, or if the State Government considers that a termination is necessary for national interest.

Upon the occurrence of default by the Issuer pursuant to Section 7.16.1 and 7.16.2 of this Information Memorandum, and if such event is capable of being remedied but not remedied by the Issuer in accordance with the terms of the Design and Build Contract, a substituted entity may be appointed in accordance with Section 7.24.2 of this Information Memorandum to take over the Design and Build Contract.

However, this risk is mitigated as pursuant to the structure of the Proposed Sukuk *Wakalah* Programme, each Sukuk *Wakalah* issuance will be backed against Facility Payment Certificates issued by the State Government upon completion of Works under the Design and Build Contract whereby the amount of Facility Payment Certificates shall be as further detailed in Section 2, subsection (33) (Other terms and conditions), item (iii) (Issuance condition) of this Information Memorandum. The Facility Payment Certificates represents unconditional and irrevocable obligation on the State Government to pay the approved sum on stipulated payment dates on the certificates notwithstanding any termination of the Design and Build Contract resulting from a breach by either the Issuer or the State Government.

5.2.3 Completion Delay

Where there is a delay to the completion of the Project by the Date for Completion stipulated in the Design and Build Contract, the Issuer may be liable to pay to the State Government liquidated and ascertained damages calculated in accordance with the terms of the provisions in the Design and Build Contract. Further, the payment or deduction of such liquidated and ascertained damages does not relieve the Issuer from its obligations to complete the Project or its obligations and liabilities under the Design and Build Contract.

If the delay in the completion of the Project is caused by external factors including an event of force majeure as stated in Section 7.22 of this Information Memorandum or by directions given by the P.D., consequential upon disputes with neighbouring owners provided the same is not due to any act, negligence or default of the Contractor or any sub-contractor or by reason of exceptionally inclement weather conditions or by reason of the Contractor not having received in due time necessary instructions, decisions, information, concurrence or consent from the P.D. which the P.D. is obliged to provide under the Design and Build Contract, by delay in receipt of any necessary permission or approval of any statutory body or local authority which the Contractor has taken all practicable steps to avoid or reduce or by delay on the part of artists, tradesmen or other engaged by the Government in executing work not forming part of the Design and Build Contract or by the Contractor's inability for reason beyond his control and which he could not reasonably have foreseen at the date of closing of tender of the Design and Build Contract to secure such goods, materials and/or services as are essential to the proper carrying out of the Works, by reason of suspension of the Works as provided under Clause 59 of the Design and Build Contract, the P.D. may issue a certificate of delay and extension of time giving a fair and reasonable extension of time for completion of the Project.

However, this risk is mitigated as pursuant to the structure of the Proposed Sukuk *Wakalah* Programme, each Sukuk *Wakalah* issuance will be backed against Facility Payment Certificates issued by the State Government upon completion of Works under the Design and Build Contract whereby the amount of Facility Payment Certificates shall be as further detailed in Section 2, subsection (33) (Other terms and conditions), item (iii) (Issuance condition) of this Information Memorandum. The Facility Payment Certificates represents unconditional and irrevocable obligation on the State Government to pay the approved sum on stipulated payment dates on the certificates notwithstanding any delay in completing the Project or other Works that remain incomplete under the Project. Additionally, under the terms of the Facility Payment Certificates, payment of monies shall be made without deduction, set-off or adjustments on any account.

5.2.4 Takaful/Insurance

The Issuer has secured takaful/insurance coverage to adequately cover the Project. In relation thereto, the Issuer has taken a contractors' all risk policy which would cover all aspects in relation to the Project, with tenure starting from the date of possession up to 3 months and 28 days from the end of the Defects Liability Period. However, such takaful/insurance may not be adequate for the replacement cost in relation to the Project and any consequential costs arising therefrom. In addition, such takaful/insurance policies may no longer be available or the plan/policy cost may significantly increase in the future.

5.2.5 Cost Overruns

The risk of cost overruns is inherent in the Project. Notwithstanding potential cost overruns, the Design and Build Contract is a lump sum contract which essentially means that it is a fixed price contract and the Contract Sum will not adjust or vary unless otherwise expressly provided under the Design and Build Contract (e.g. variation of the works as more particularly described in Section 7.7 of this Information Memorandum). As such, if the amount incurred by the Issuer for completing the Project exceeds the Contract Sum, the Issuer would be solely liable to bear such increased/additional costs and it has no recourse against the State Government (save and except for in situations permitted under the Design and Build Contract such as variations and suspension of works of the Project).

Nevertheless, any cost overrun risks may be mitigated by the Shareholders' undertaking which will include amongst others, an undertaking by the Shareholders to cover all cost overruns in connection with the Project. Further, the Issuer has mitigated the risk of cost overrun to a certain extent by entering into fixed lump sum contracts with its sub-contractors for the whole or any substantial part of the Works under the Design and Build Contract. The sub-contractors bear the responsibility of completing the Project's construction works with provisions related to liquidated ascertained damages, project insurances and performance bonds. Any cost overrun risk is also mitigated by the structure of the Proposed Sukuk *Wakalah* Programme which requires for each Sukuk *Wakalah* issuance to be backed against Facility Payment Certificates issued by the State Government upon completion of Works under the Design and Build Contract whereby the amount of Facility Payment Certificates shall be as further detailed in Section 2, subsection (33) (Other terms and conditions), item (iii)(Issuance condition) of this Information Memorandum.

5.2.6 Dependence on Sub-contractors

The Issuer has arrangements with sub-contractors that are essential to the Project. Notwithstanding that prior to the appointment of a sub-contractor, a robust screening and tendering process is carried out by the Issuer to identify suitable sub-contractors with proven and impressive track record within the industry, there remains the risk that if any of the key counterparties fails to perform its obligations or if the credit-worthiness of any of these sub-contractors deteriorates, or if the Issuer may not be able to find suitable alternative sub-contractors with commercial reasonable contract terms if contracts with its current sub-contractors terminate, this may result in delays in the completion of the Project. The risk of dependence on sub-contractors is mitigated by the appointment of Serba Dinamik Sdn Bhd, Salcon Engineering Berhad and Mirmas Holding Sdn Bhd who are experienced in the construction and water industry. Moreover, the Issuer will be requiring the said sub-contractors to issue completion guarantees in favour of the Issuer in respect of their respective relevant portion of the Works save and except for Salcon Engineering Berhad who has instead issued a performance bond in favour of the Issuer.

5.2.7 Credit strength of Terengganu state as the sole paymaster of Facility Payment Certificates

Terengganu's credit strength is underpinned by expected continued economic and financial support from the federal government. Terengganu is a key oil producing state and receives royalty in the form of "Dana Khas".

Terengganu's fiscal performance has been relatively commendable, despite its dependency on the "Dana Khas" to remain fiscally sustainable. With global oil prices rebounding to above the USD60 per barrel level since the beginning of 2018, Terengganu's fiscal prospects is expected to improve going forward.

Terengganu's debt profile is relatively attractive when compared to that of other states. Over the past five years, its median measures of gross and net debt as a percentage of GDP, gross and net debt as a percentage of revenue as well as gross debt per capita are lower than all other Malaysian states excluding the top four states namely Sarawak, Penang, Johor and Selangor. Terengganu's public debt, which is obtained solely from the federal government, is soft loans meant for development purposes.

5.2.8 Other considerations

Notwithstanding that the Contract Sum is stated in the Design and Build Contract, the occurrence of any of the following events, amongst others, may affect the Issuer being entitled to the full Contract Sum:

(i) in the event of a failure of the Issuer to rectify or remedy any event of default (as set out in Section 7.16.1(a) of this Information Memorandum) upon notification by the State Government whereby the failure to remedy thereof would cause the Design and Build Contract to be terminated; and

(ii) in the event of a General Default (as set out in Section 7.16.2(a) of this Information Memorandum), whereby the State Government exercises its right to terminate the Design and Build Contract upon notification to the Issuer.

5.3 GENERAL INVESTMENT CONSIDERATIONS

5.3.1 Political and economic considerations

The business, prospects, financial condition and results of operations of the Issuer may be affected by political, economic, social developments and regulatory conditions in Malaysia. Political, economic, social and regulatory uncertainties, which are beyond the control of the Issuer includes but are not limited to events, such as the change of the government or changes in policies relating to contracts whereby the State Government is the counterparty, risks of war, terrorism, riots, nationalism expropriation and renegotiations or nullification of existing contracts, introduction of new regulations, changes in inflation, interest rates, methods of taxation and currency exchange controls.

Investors should note that the Issuer will always strive to continue to take effective measures such as prudent financial management, close monitoring of costs and the quality of the work of its sub-contractor to mitigate such risk. Although measures may be taken by the Issuer to address and/or mitigate such developments, no assurance can be given that such measures would be sufficient or effective in the circumstances.

5.3.2 Industry Risk

Like other businesses, the industry risk plays an important factor that could materially and adversely affect the financial and business prospect of the Issuer. There is no assurance that any change within the industry will not materially affect the business of the Issuer.

5.3.3 Force majeure

An event of force majeure is an event which is not within the control of the party affected, which that party is unable to prevent, avoid or remove and includes war and acts of terrorism, riot and disorders and natural catastrophes. The occurrence of a force majeure event may have a material impact on the Issuer's business or operations. This risk is partially mitigated by the Design and Build Contract, which states that neither the State Government nor the Issuer shall be in breach of its obligations under the Design and Build Contract if it is unable to perform its obligations (or any part thereof), other than the payment obligations as a result of the occurrence of an Event of Force Majeure.

Further information on the relevant terms relating to force majeure under the Design and Build Contract can be found in Section 7.22 of this Information Memorandum.

5.3.4 Environmental Issues

The Issuer is subject to environmental legislation and regulations (including those which require compliance with conditions attached to their respective environmental impact assessment reports) imposed by the Department of Environment ("**DOE**"). Notwithstanding that the Issuer would need to comply with all regulations and licensing requirements, there can be no assurance that such licences, consents and approvals will be obtained and, if obtained, that such legislation and regulation will not change to the extent that such changes will have a material adverse effect on the operations and financial position of Issuer. Any failure by the Issuer to comply with such legislation and regulations could result in material penalties being imposed on the Issuer.

5.3.5 Regulatory Risk

The Issuer's operations are subject to the jurisdiction of various governmental agencies with respect to regulatory matters such as Suruhanjaya Perkhidmatan Air Negara ("**SPAN**"), DOE, Construction Industry Development Board ("**CIDB**") and the Department of Occupational Safety and Health Malaysia. These regulations and requirements may limit the Issuer's activities or result in high compliance costs. Any failure by the Issuer to comply with such regulations could result in material penalties being imposed on the Issuer. No assurance can be given that any future changes to present regulation or any introduction of new regulation, or laws, by relevant authorities will not have a material adverse impact on the Issuer's business.

5.3.6 Risk Relating to Enforcement

Enforcement of judgements against the State Government is further subject to the Rules of Court 2012 and the Government Proceedings Act 1956. The Government Proceedings Act 1956 provides that the Government of Malaysia is obliged to satisfy monetary judgements made against it. However, there are certain limitations imposed on Malaysian court proceedings against the Government of Malaysia including, inter alia, the prohibition against summary judgement against the Government of Malaysia, restrictions on execution proceedings against the Government of Malaysia and restrictions on obtaining any injunction or an order for specific performance against the Government of Malaysia.

Accordingly, if the State Government fails to make the requisite payments pursuant to the terms of the Design and Build Contract, proceedings may be brought against the State Government in respect of such payments under the Design and Build Contract. Where a judgment is obtained from the courts against the State Government, the State Government is obliged to satisfy monetary judgments made against it but no execution proceedings can be brought against the State Government. Accordingly, if a judgment is obtained against the State Government, such judgment cannot be enforced by any court in Malaysia against the assets of the State Government. As a result the assets of the State Government are not available to Sukukholders. Any failure of such a judgment to be successfully enforced against the State Government in respect of the Design and Build Contract may materially and adversely affect the ability of Sukukholders to receive payments under the Sukuk *Wakalah*.

5.3.7 Cashflow Projections

The cash flow projections as presented in Appendix 1 of this Information Memorandum and certain statements therein are forward looking statements and for illustrative purposes only. The calculations are based on certain assumptions which may not be realised. In addition, the forward-looking statements involve a number of risks and uncertainties. Prospective investors should and are expected to undertake their own independent analysis and associated due diligence to determine the viability of the undermentioned assumptions.

5.3.8 Forward looking statement

This Information Memorandum contains forward looking statements. Such forward-looking statements in this Information Memorandum involve known and unknown risks, uncertainties and other factors which may affect actual outcomes, many of which are outside the control of the Issuer. These factors include economic conditions in the markets in which the Issuer operates and achievement of the Issuer's business forecasts/cashflow projections. These factors will cause the actual results, performance or achievements of the Issuer to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forward-looking statements. These forward-looking statements do not constitute a representation that future results will be achieved in the amounts or by the dates indicated.

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SECTION 6
THE PROJECT

6.1 OVERVIEW

6.1.1 Project Location

The Project is located within the State of Terengganu, at five (5) different sites across KualaTerengganu which are Pulau Musang, Teluk Pasu, Losong Feri, Pulau Bahagia and Bukit Berapit. The capacity and work to be carried out at each site are shown in Table 1.

Table 1: Summary of Project Sites Locations

Sites		Capacity	Type	Description
1	Pulau Musang	4MLD	Ultrafiltration Membrane WTP	To design, engineer, supply, install, construct and commission mobile membrane tank and its related works.
2	Teluk Pasu	2 MLD	Ultrafiltration Membrane WTP	To design, engineer, supply, install, construct and commission mobile membrane tank and its related works.
3	Losong Feri	2 MLD	Ultrafiltration Membrane WTP	To design, engineer, supply, install, construct and commission mobile membrane tank and its related works.
4	Pulau Bahagia	20 MLD	Ultrafiltration Membrane WTP	To design, engineer, supply, install, construct and commission membrane tank and its related works.
5	Bukit Berapit	120 MLD	Conventional WTP	To design, engineer, supply, install, construct and commission a WTP (including 140 MLD river water intake and raw water pumping station and 11.5 km of 1400 raw water pumping mains)
6	Retrofitting and other works	N/A.	N/A	To execute retrofitting works for Losong I WTP, Losong 2 WTP, Losong 3 WTP, Kepong 1 WTP and Kepong 2 WTP, in order to capitalize on existing underutilized capacity yields and other works such as installation of intakes, new distribution main pipes, reticulation main pipes and other miscellaneous works.

Source: Konsortium KAJV Sdn Bhd

(A) Site 1: Pulau Musang

Figure 1: Location of Pulau Musang

Source: Google Maps

Pulau Musang is a village located approximately 8.2km from Kuala Terengganu city centre. It is located near to Sungai Terengganu and a neighbouring village known as Kampung Kuala Bekah.

(B) Site 2: Teluk Pasu

Figure 2: Location of Teluk Pasu

Source: Google Maps

Teluk Pasu is located approximately 12km from Kuala Terengganu city centre and it is located near to several other villages and Sungai Terengganu river flows next to it.

(C) Site 3: Losong Feri

Figure 3: Location of Losong Feri

Source: Google Maps

Losong Feri is located 6km from Kuala Terengganu city centre. It is located nearby several tourist attractions including the Terengganu Museum and from Pulau Wan Man where the Crystal Mosque and Islamic Civilisation Park are located. Sungai Terengganu river flows adjacent to Losong Feri.

(D) Site 4: Pulau Bahagia

Figure 4: Location of Pulau Bahagia

Source: Google Maps

Pulau Bahagia is a local village that is situated 26km from the city of Kuala Terengganu. It is located alongside the Sungai Terengganu river.

(E) Site 5: Bukit Berapit

Figure 5: Location of Bukit Berapit

Source: Google Maps

Bukit Berapit is located 28km from Kuala Terengganu city centre in the Mukim of Kuala Nerus. Currently, it is sparsely populated area with only a few houses at the foothill of Bukit Berapit.

6.1.2 Project Objective

The primary objectives of the Project are:

(a) to boost the existing water supply system and provide sufficient supply of treated water to the Kuala Terengganu Utara area;

(b) to retrofit and refurbish existing Kepong and Losong treatment facilities to enhance treatment and energy efficiency to continue providing high standard drinking water and delivery reliability to consumers; and

(c) to improve supply to low pressure areas.

The State Government's Requirements when implementing the Project is to ensure that it is:

(a) completely safe;

(b) designed to protect public health and environment during construction and operation;

(c) of high quality construction adopting good design and practices; and

(d) designed to cater for ease of operations and maintenance.

6.1.3 Project Components

The major components of the Project are as follows, details of which are set out in Section 6.3 of this Information Memorandum:

(a) construction of a new conventional WTP including other related works with a nominal capacity of 120 MLD at Bukit Berapit;

(b) construction of new ultra filtration membrane WTPs with a total nominal capacity of 28 MLD at several identified locations;

(c) retrofitting of existing WTPs at several identified locations in Kuala Terengganu; and

(d) construction of service reservoirs, trunk mains, reticulation mains and miscellaneous works.

6.2 PROJECT COST

The breakdown of the costs for the Project are as follows:

Part	Description	Amount (RM)
A	General and preliminaries	59,720,000.00
A1	Turnkey elements	74,389,765.00
B	New ultrafiltration (UF) membrane WTP	112,788,078.00
C	New conventional WTP	254,026,100.00
D	Service reservoirs	13,320,000.00
E	Trunk mains	29,142,500.00
F	Reticulation mains	5,720,000.00
G	Miscellaneous	40,816,978.00
H	Retrofitting of existing WTPs in Kuala Terengganu	207,189,504.16
	Total	797,112,925.16

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6.3 TECHNICAL DESCRIPTION OF THE PROJECT COMPONENTS

6.3.1 120MLD Conventional Plant Bukit Berapit Water Supply Scheme

Figure 6: Schematic Diagram of Bukit Berapit Water Supply Scheme

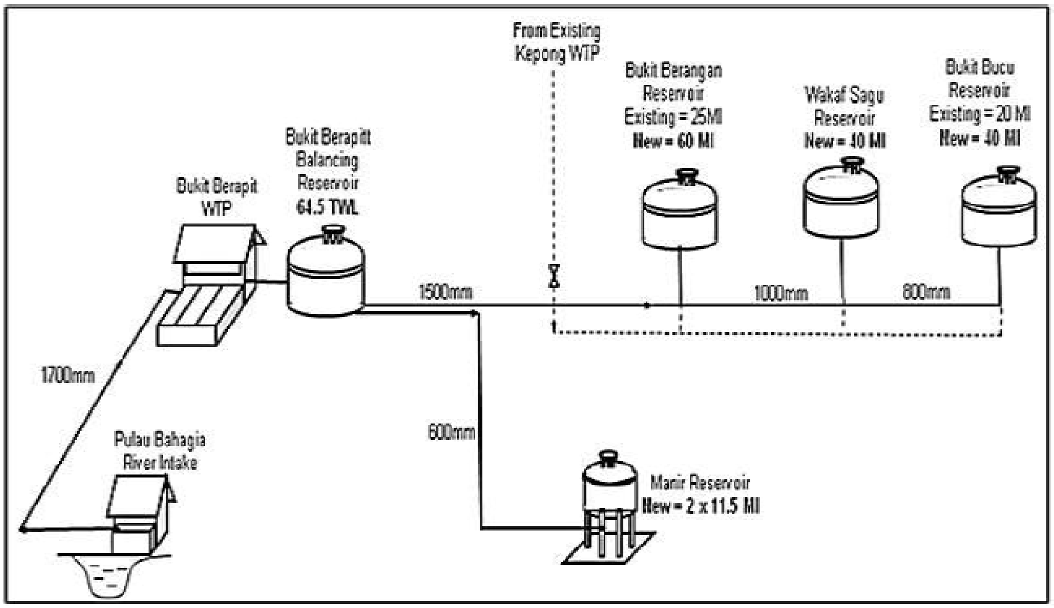


Figure 6 illustrates the schematic diagram of the Bukit Berapit Water Supply Scheme. The scheme will comprise of civil and structural, mechanical and electrical works and supervisory control and data acquisition for the river water intake, water treatment plant, transmission main and reservoirs.

6.3.1.a Raw Water Intake

The Headworks (diversion point of a waterway) will consist of the 140MLD Raw Water Intake and Pumping Station from Pulau Bahagia, to extract and deliver raw water to the 120MLD Bukit Berapit WTP for treatment. The desired outcome is to have an integrated intake that structurally combines both plants. The general proposed components of the intake infrastructure comprise of river intake, raw water pumps, pumps starter, pipework and valves, sand removal facilities, and surge suppression system, as well as the proposed raw water pumping mains.

The proposed raw water intake shall be located upstream of the existing Department of Irrigation and Drainage river intake at Pulau Bahagia, approximately 17km from the proposed site for the 120 MLD Bukit Berapit WTP and 30m from the proposed 20MLD UF Membrane Pulau Bahagia WTP. The intake structure will be designed with considerations of highest flood levels and silt load.

The proposed raw water pipeline from proposed water intake at Pulau Bahagia will traverse west bound along Terengganu state road no. 9 and detour to Terengganu state road no. 141 at Kampung Peradung. The water shall be pumped via 140mm diameter mild steel cement lining pipe from proposed water intake at Pulau Bahagia to the proposed 120MLD WTP at Bukit Berapit. The raw water pipeline shall be crossing the Sungai Nerus with estimated total length of 11.5km and it shall be laid via pipe jacking method or open trenching upon the approval by the authority.

6.3.1.b Water Treatment Plant

The proposed water treatment plants will off take raw water from Sungai Terengganu, and will be treated to meet the Malaysian Drinking Water Quality Standard. The 120 MLD Conventional WTP process flow at the proposed Bukit Berapit WTP is summarized in Diagram 1 and Table 4.

Diagram 1: Process flow of the 120 MLD Conventional WTP at Bukit Berapit

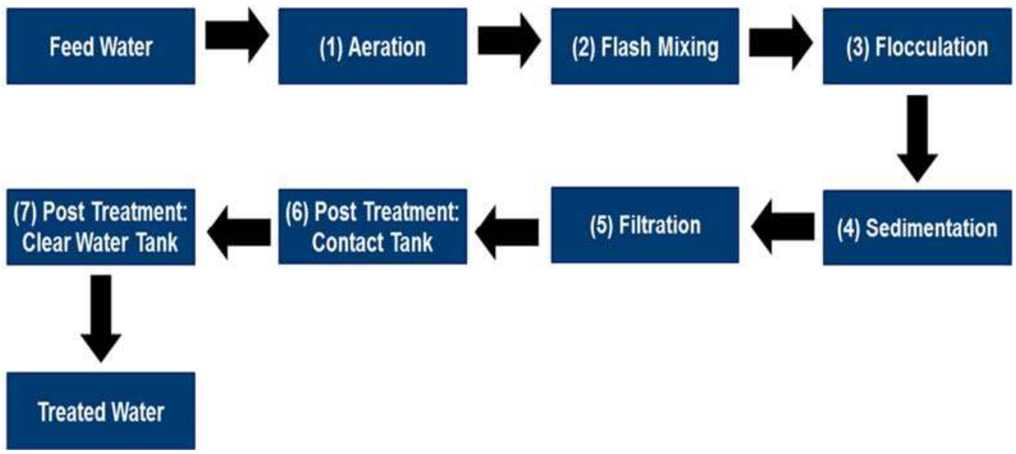


Table 4: 120 MLD Conventional WTP Process Flow at Bukit Berapit

Process		Process Unit/Facilities	Function
1	Aeration	Inlet works and Cascading Aerators	• Oxidation of impurities • Removal of unwanted gases
2	Flash Mixing with dosing of: • lime • alum/powdered activated carbon/ aluminum chlohydrate • polymer	Twin In-line Static Mixing	• pH control • Coagulant • Coagulant aid
3	Flocculation	2-Stage Flocculation tanks	• Flocculation process
4	Sedimentation	Lamella Clarifier Tanks	• Clarification of flocculated water
5	Filtration	Rapid Sand Filters	• Final clarification process
6	Mixing in contact tank with addition of: • chlorine • fluoride	Chlorine Contact Tank	• Disinfection of treated water • Dental Protection
7	Mixing in clear water tank in addition of lime	Clear Water tank/ Balancing Reservoir	pH correction

Auxiliary building or facilities will be provided at the water treatment plant to support the treatment process and to house the plant operating personnel. The facilities shall include the following:

- Chemical facilities
- Chlorination facilities
- Wastewater recovery tanks
- Wash water tanks
- Administration building
- Machinery rooms housing the air blowers, air compressors and wash water pumpsets
- Guard house and Entrance gate
- Staff quarters
- Instrumentation and controls
- Electrical distribution system
- Ancillary facilities

All facilities will be sized for the ultimate design capacity. The design of the treatment works will base on the concept that minimum staff is required to operate the plant.

Figure 7: Tentative layout of Bukit Berapit WTP

A general layout of the proposed water treatment plant works is shown in Figure 7. However, the layout may be further optimized further once data on site topography and soil conditions are available. The works is designed for implementation with 24 hours of operation. However, the space for future development with same capacity will be provided. The capacity and flowrate of the proposed water treatment plant are shown in Table 5.

Table 5: Capacity of the proposed Bukit Berapit WTP

	Flowrate (MLD)
Raw water inflow	140
Plant water usage	20
Total treated water outflow	**120**

Source: Konsortium KAJV Sdn Bhd

6.3.1.c Reservoirs

Treated water shall be channelled to three (3) ground service reservoirs namely the 60 ML at Bukit Berangan, 40 ML at Wakaf Sagu, the new 4.5 ML Bukit Bucu as well as one (1) new elevated service reservoir of 4.5 ML at Manir for onwards distribution.

6.3.2 28 MLD Ultra Filtration Membrane WTP

The works for the 28 MLD UF Membrane WTPs located at various sites alongside the Sungai Terengganu riverbank is divided into two (2) categories:

- Four (4) container units of 40-footer UF GE Water Membrane Container Type with production capacity of two million litres per day (2MLD); and
- Full-scale skid type components UF GE Water Membrane Plant with custom capacity up to 20 million litres per day (20MLD).

Table 6: Proposed Sites of the UF Membrane WTPs at Kuala Terengganu

Sites	Capacity (MLD)	UF Membrane Type
Pulau Bahagia	20	Full-Scale Skid Unit
Pulau Musang (In Operation)	4	Two (2) Container Units
Losong Feri	2	One(1) Container Unit
Teluk Pasu	2	One(1) Container Unit

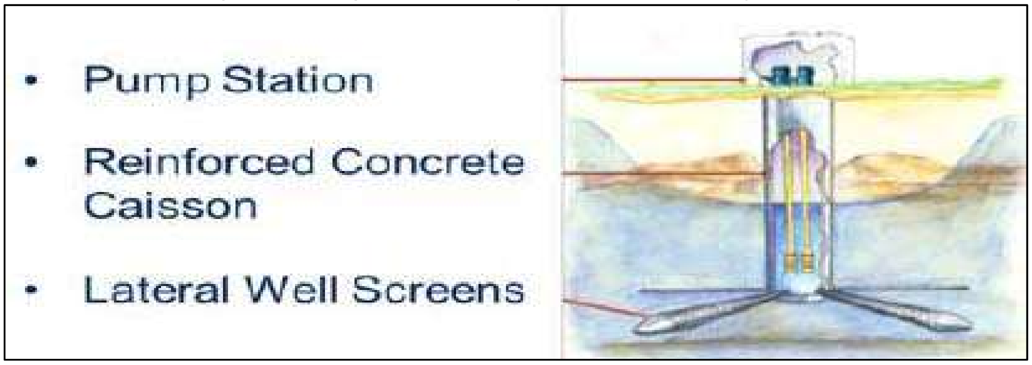
The works will comprise of civil and structural, mechanical and electrical works for the raw water intake from Sungai Terengganu, water treatment process at UF membrane WTPs and distributions of the treated water to SATU's distribution network within the areas mentioned in Table 6.

6.3.2.a Raw Water Intake

The proposed water intake infrastructure comprises of river intake, raw water pumps, pumps starter, pipework and valve, sand removal facilities, and water distribution.

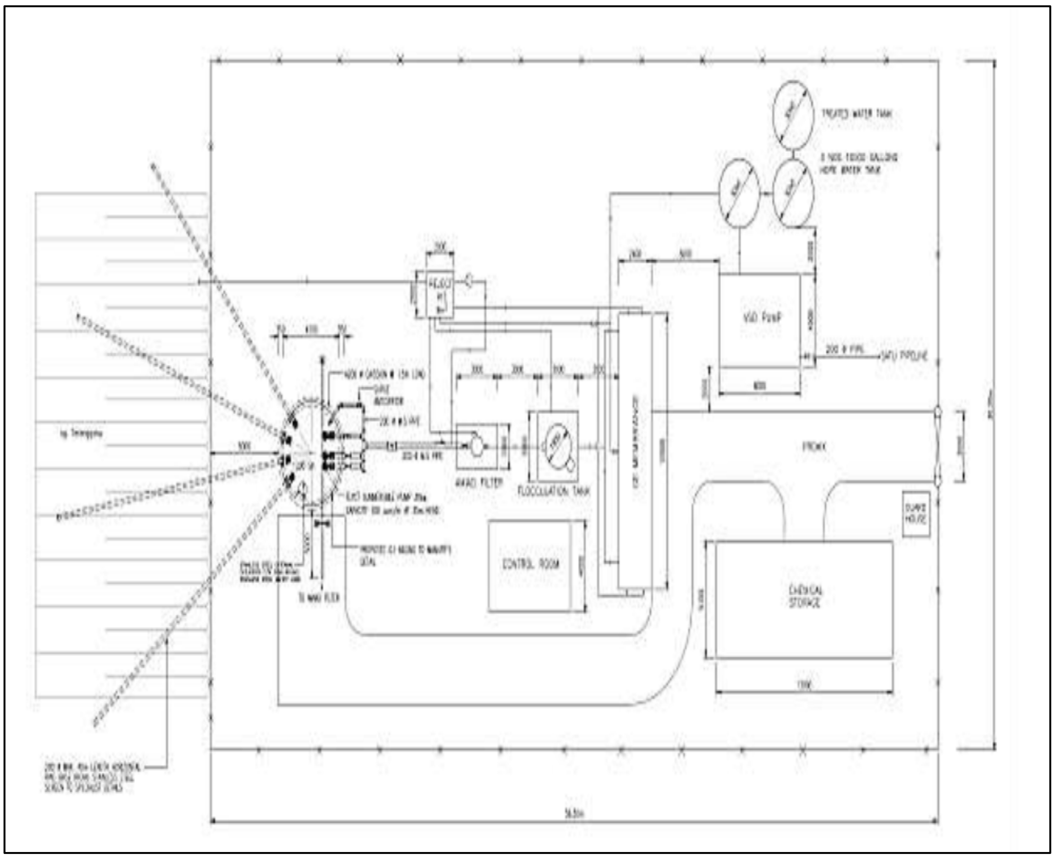
The proposed raw water intake for small plant capacity of 2MLD located at Pulau Musang, Losong Feri and Teluk Pasu is known as River Bank Filtration ("**RBF**") Intake System. In comparison to the surface intake system, it is considered to be more cost-effective and uses natural geology as a natural filter pre-treatment technology, reducing the need for chemical usage. The proposed concept for RBF intake system and propose general arrangement for the 2 MLD Water Membrane WTP are as shown in Figure 8 and 9.

Figure 8: Proposed Concept for RBF intake system



Source: Suez Water Technologies and Solutions

Figure 9: Proposed general arrangement for the 2MLD UF Membrane WTPs

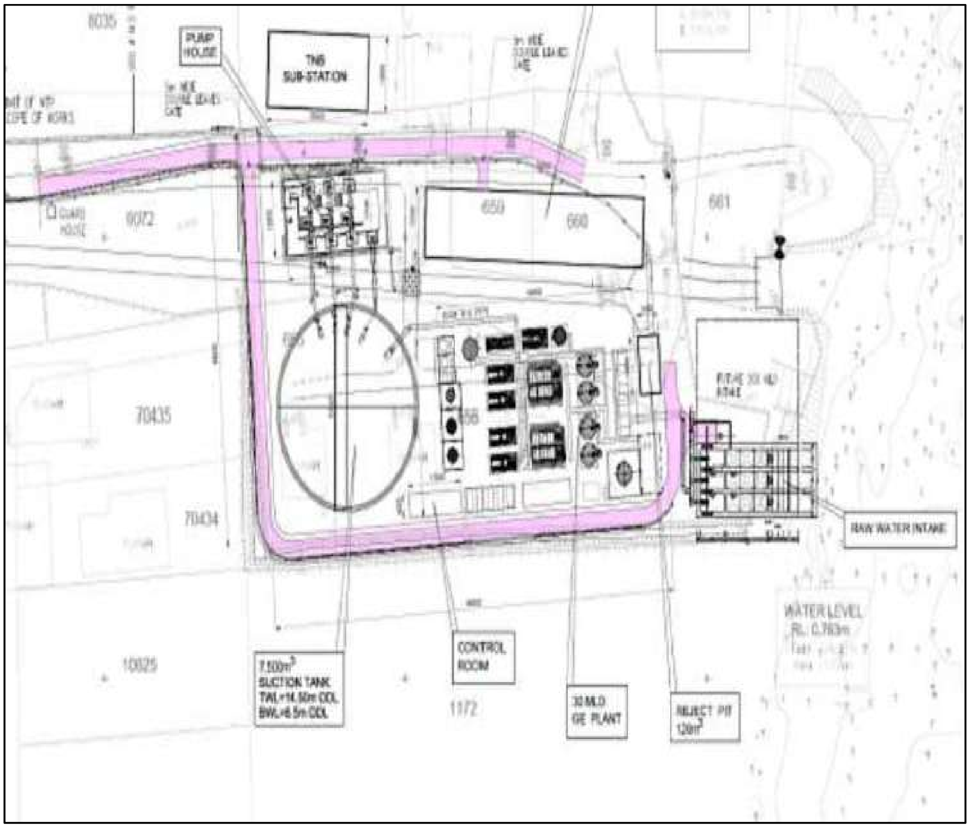


Source: Suez Water Technologies & Solutions

The proposed intake point for the 20 MLD UF Membrane WTP at Pulau Bahagia will be located upstream of the existing Department of Irrigation and Drainage raw water intake point located by the Sungai Terengganu bank, approximately 30m from the proposed 20MLD UF Membrane WTP. The new intake works will integrate part of the central structures that ensures the raw water is efficiently supplied at the required flow requirement.

To minimize the size of the penstock and to limit the velocity of water extracted to the grit chamber, it is expected for the river intake to be provided with two number of chambers in the design as it shares the same structure for two plants. Figure 10 illustrates the general arrangement for the 20 MLD UF Membrane WTP.

Figure 10: Proposed general arrangement for the 20 MLD UF Membrane WTP



Source: Suez Water Technologies & Solutions

6.3.2.b <u>Water Treatment Process</u>

The proposed UF Membrane Technology by Suez Water Technologies & Solutions (formerly known as GE Water & Process Technologies) to be adopted is a proven technology in water treatment around the globe, with significant number of use in the U.S.A, Canada, Australia, Singapore, and other countries due to their expertise and decades of experience. Some advantages of the membrane technology include its reliable, high purity water for both potable and industrial usages, compliance with most Government Environmental Practices, and its capability to accelerate project delivery timelines without interrupting present operations.

The UF Membrane WTP process flow at the proposed sites is summarized in Diagram 2.

Diagram 2: Process flow of the UF Membrane WTPs

Source: Suez Water Technologies & Solutions

(1) Feed Water ("**FW**") is extracted and pumped. FW will be made available to the inlet of the UF Membrane System at atmospheric pressure to a 500 mm screen.

(2) Coagulant chemicals are added. During the coagulation process, the coagulant chemicals will neutralize the electrical charges of the fine particles in the water, allowing the particles to come closer together and form large clumps. Flash mixing process occurs for a minute or less.

(3) Flocculation is a process of gentle mixing which brings the fine particles formed by coagulation into contact with each other. The process typically lasts for five (5) minutes. The flocculation basin often has a number of compartments with decreasing mixing speeds as the water advances through the basin. The compartmentalized chamber allows increasingly large floc to form without being broken apart by the mixing blades.

(4) The membrane is a reinforced hollow fiber ultrafiltration membrane with a nominal pore size of 0.04 µm. The membrane fiber has a tensile strength close to 100 pound ("**lbs**"). and is highly resistant to chemicals, including acids, bases and chlorine, which are used for membrane cleaning. The membranes are manufactured and assembled into discrete units called modules. These are the basic building blocks of the membrane system that are aligned together to create a cassette.

(5) Treated Water Contact cum Balance Tank ensure that the dosing of chlorine for microbe disinfectant, hydrated lime to neutralise the pH, as well as sodium silicofluoride (preventing tooth decay) can be properly administered. The retention time of thirty (30) minutes shall be the basis of the structure sizing. This process occurs prior to distribution.

Auxiliary building or facilities will be provided at the water treatment plant to support the treatment process and to house the plant operating personnel. The facilities shall include the following:

- Chemical Storage Facility;
- Sludge Treatment Facility;
- Administrative and Laboratory Building; and
- Double Chamber Tenaga Nasional Berhad ("**TNB**") Sub Station

6.3.2.c Reservoir

The treated water supply will be connected to and distributed using the following distribution channel:

- via SATU's pipeline network within Manir service area
- via two (2) service reservoirs with a capacity of 7.5 MLD each
- via existing 200mm diameter SATU's pipeline (for Losong Feri UF Membrane WTP)
- via existing 150mm diameter SATU's pipeline (for Teluk Pasu UF Membrane WTP)

All facilities will be sized for the ultimate design capacity. The design of the treatment works will be based on the concept of minimum staff requirement for operations of the plant.

6.3.3 Retrofitting Works

Retrofitting and other related works will be carried out across several identified sites, in order to capitalize on existing WTP's underutilized capacity yields.

The works will comprise refurbishment of civil & structural, mechanical & electrical works and supervisory control and data acquisition for the river water intake, water treatment plant and transmission main for existing WTPs which capacity detailed in Table 7 as follows:

Table 7: Proposed retrofitting works for existing WTPs

Sites	Capacity (MLD)
Losong WTPs • Losong I • Losong II • Losong III • Pulau Musang Intake	30.9
Kepong I WTP • Kepong I WTP • Serada A intake	90.0
Kepong II WTP • Kepong II WTP • Serada B intake	180.0
Total	**300.9**

6.4 LICENSING REQUIREMENTS

(a) IPA Permit Type C1 (Water Supply) issued by the National Water Services Commission, Suruhanjaya Perkhidmatan Air Negara (SPAN); and

(b) Certification of Registration issued by the Construction Industry Development Board (CIDB).

6.5 TAKAFUL / INSURANCES

The following takaful/insurance coverage is taken up by Etiqa Takaful Berhad in respect of the Project:

(a) Workmen compensation takaful; and

(b) Contractor's all risks takaful.

6.6 ENVIRONMENTAL REQUIREMENTS

KAJV has to date complied with the requirements of the DOE. To meet DOE requirements, KAJV has carried out the following:

(a) KAJV's construction area has been closed especially in areas bordering on placement and commercial areas.
(b) Oil trap (oil interceptor) has been installed in the final cement drain before entering a public drain or river.
(c) Noise levels have been monitored so as not to exceed 65 dB (A) during the day (07:00 am – 07:00 pm) and 55 dB (A) at night (07:00 pm – 07:00 am) at the border of the site construction during operation.
(d) KAJV has complied with the industrial effluent pollution control system specification determined by the Director General of Environmental Quality under the Environmental Quality (Performance Effluent) Regulations 2009.
(e) KAJV will comply with Regulation 5 of the Environmental Quality (Clean Air) Regulations 2014.
(f) KAJV is in compliance with the instructions that implement measures to reduce air pollution into the air according to Best Available Techniques Can Be Accomplished by Hermat, First Schedule, Regulation 6, Environmental Quality Regulations under regulation 7, Environmental Quality (Air Quality Clean) 2014.
(g) KAJV follows the instructions on the air pollution control system according to the specification determined by the Director General of Environmental Quality under Regulation 7 of the Environmental Quality (Clean Air) Regulations 2014.
(h) KAJV complies with the instructions that any toxic and hazardous wastes as listed in the First Schedule of the Environmental Quality (Scheduled Wastes) Regulations, 2005 shall be managed securely in accordance with the rules set out under such regulations.
(i) KAJV complies with the instructions that wastes categorized as Scheduled Wastes shall comply with the Environmental Quality (Scheduled Wastes) Regulations 2005.
(j) KAJV will adhere to careful disposal of all wastes.
(k) KAJV practices "Good House Keeping" and complies with the directions of the DOE which is issued from time to time.

6.7 PERFORMANCE BONDS

The Issuer shall deposit with the State Government a performance bond issued by an approved licensed bank or financial institution incorporated in Malaysia in favour of the State Government for a sum equivalent to five percent (5%) of the Retrofitting Works contract sum to secure the due performance of the Contractor's obligations under the Design and Build Contract pertaining to the Retrofitting Works. The performance bond shall remain valid and effective from the date of issuance until 12 months after the expiry of the Defects Liability Period or the issuance of Certificate of Making Good Defect Liability Period, whichever is the later. KAJV may opt to provide a performance guarantee sum instead whereby deductions of 10% shall be made from every Retrofitting Works' interim payment until the total amount deducted is equivalent to a 5% of the Retrofitting Works' contract sum in respect of the Retrofitting Works.

6.8 PROJECT DOCUMENTS

The key project document is the Design and Build Contract. Please refer to Section 7 of this Information Memorandum for further information on the Design and Build Contract.

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SECTION 7
THE SALIENT TERMS OF THE DESIGN AND BUILD CONTRACT

Unless otherwise defined in the Definitions section and Section 7 of this Information Memorandum, all capitalised terms used in this section are as defined or used in the Design and Build Contract.

7.1 SUBJECT MATTER

The State Government is desirous of engaging the Contractor to provide the design and build of 120 MLD water treatment plant and 28 MLD membrane water treatment plant, intakes, service tanks, installation of raw and treated water pipes, retrofitting and other associated works for the proposed water supply scheme for Kuala Terengganu Utara ("**Works**") in the State of Terengganu for which Works the State Government has issued the Contractor its requirements and instructed the Contractor to design the Works and submit proposals including drawings and specifications for carrying out the Works. The Contractor had submitted its proposals and the State Government had accepted the Contractor's Proposals on 28 April 2016.

7.2 DATE FOR COMPLETION

Date for Completion for whole of the Works: 14 May 2020.

Date of Possession of the Site: 15 May 2016.

7.3 CONSIDERATION

7.3.1 For the consideration mentioned in Section 7.3.2 of this Information Memorandum, the Contractor shall upon and subject to the clauses of the Design and Build Contract complete (i) the design, construction and completion of the Main Works and (ii) the supply, installation completion, testing, commissioning and completion of the Retrofitting Works and including maintenance throughout the Construction Period and the Defects Liability Period.

7.3.2 Subject to section 7.3.3 of this Information Memorandum, in consideration for the performance of the Works, the State Government covenants to pay to the Contractor:

(i) a lump sum of Ringgit Malaysia Seven Hundred Ninety Seven Million One Hundred Twelve Thousand Nine Hundred Twenty Five and Sixteen Cents (RM797,112,925.16) Only ("**Contract Sum**") or such other sum as shall become payable under the Design and Build Contract at the times and in the manner specified in the Design and Build Contract for the completion of the whole Works; and

(ii) in addition to the Contract Sum, an agreed financing cost of Ringgit Malaysia Five Hundred Eight Million Seven Hundred Seventy Eight Thousand Five Hundred Eighty Nine and Ninety One Cents (RM508,778,589.91) only.

The total Contract Sum and agreed financing cost is Ringgit Malaysia One Billion Three Hundred Five Million Eight Hundred Ninety One Thousand Five Hundred Fifteen and Seven Cents (RM1,305,891,515.07). The Contract Sum and the agreed financing cost constitute the "**Deferred Payment Sum**" under the Design and Build Contract.

7.3.3 The State Government undertakes to pay the Deferred Payment Sum by way of deferred payments over a period of twelve (12) years in accordance with the schedule as set out in the Deferred Payment Schedule as set out in Appendix 6 to this Information Memorandum or such other period as may be determined under the Design and Build Contract. The Deferred Payment Sum shall start from the forty ninth (49th) month from the Date of Possession on an annual basis as set out in Appendix 6 to this Information Memorandum. The Deferred Payment Sum excludes GST* which the State Government shall pay the GST in accordance with Appendix 10 (GST Payment Schedule) of the Design and Build Contract.

7.3.4 Notwithstanding the date of the Design and Build Contract, the Design and Build Contract shall be deemed to have commenced on 15 May 2016 and shall continue to be in force and effect until full and final payment of the sum due to the Contractor as stipulated in the Deferred Payment Schedule as set out in Appendix 6 to this Information Memorandum, the GST Payment Schedule and any other sum or reimbursable amount due to the Contractor under the Design and Build Contract ("**Contract Period**").

* *Pursuant to the revised regulation/policy implemented by the Government of Malaysia, the GST rate is now 0%*

7.4 SCOPE OF CONTRACT

7.4.1 The Contractor shall subject to the provisions of the Design and Build Contract and save in so far as it is legally or physically impossible:-

(a) plan, design, construct, complete, test and commission the Main Works in accordance with the Design and Build Contract;

(b) supply, install, complete, test and commission the Retrofitting Works in accordance with the Design and Build Contract; and

(c) provide all design, services, labour, materials, Contractor's equipment, temporary works, transport to and from and in or about the Site and everything whether of a temporary or permanent nature required in and for such planning, design, construction, completion, testing and commissioning including maintenance (but excluding any scheduled maintenance) so far as the necessity for providing the same is specified in or reasonably to be inferred from the Design and Build Contract.

7.5 PERFORMANCE BOND AND DESIGN GUARANTEE BOND

7.5.1 The Contractor shall, as a condition precedent to the commencement of any work deposit with the State Government a performance bond substantially in the form as set out in Appendix 6 of the Design and Build Contract issued by an approved licensed bank or financial institution incorporated in Malaysia in favour of the State Government for a sum equivalent to five percent (5%) of the Retrofitting Works' contract sum ("**Performance Bond**") to secure the due performance of the Contractor's obligations under the Design and Build Contract pertaining to the Retrofitting Works. The Performance Bond shall remain valid and effective from the date of issuance until twelve (12) months after the expiry of the Defects Liability Period or the issuance of the Certificate of Completion of Making Good Defects, whichever is the later.

7.5.2 If the Contractor fails to submit the said Performance Bond in the form as specified under Section 7.5.1 of this Information Memorandum by the Date of Possession, the Contractor shall be deemed to have opted for a performance bond in the form of a performance guarantee sum instead whereby the Contractor shall pay ten percent (10%) from every Retrofitting Works' interim payment until the total amount paid is equivalent to a five percent (5%) of the Retrofitting Works' Contract Sum. Subject to Section 7.5.3 to 7.5.6 of this Information Memorandum, the amount paid pursuant to this Section 7.5.2 shall be retained by the State Government up to the issuance of Certificate of Practical Completion whereby the State Government shall forthwith release an amount equivalent to two point five percent (2.5%) of the Retrofitting Works' contract sum. The remaining sum shall be retained by the State Government up to twelve (12) months after the expiry of the Defects Liability Period as per Section 7.12.2 of this Information Memorandum or the issuance of the Certificate of Completion of Making Good Defects as per Section 7.12.8 of this Information Memorandum, whichever is the later after which, subject to Section 7.5.3 to 7.5.6 of this Information Memorandum, the State Government shall forthwith release such sum to the Contractor.

7.5.3 The Contractor shall provide to the State Government a banker's guarantee issued by an approved licensed bank/financial institution of the sum of Ringgit Malaysia Thirty Nine Million Eight Hundred Fifty Five Thousand Six Hundred Forty Six and Twenty Six Cents (RM39,855,646.26) as the Design Guarantee Bond substantially in the form as in Appendix 14 of the Design and Build Contract upon or before the issuance of the Certificate of Practical Completion of the Works as a security for the Contractor's obligations and warranties under clause 14 of the Design and Build Contract. Such Design Guarantee Bond shall remain valid for a period of five (5) years from the date of practical completion of the Works.

7.5.4 If any defect or damage shall occur to the Main Works or any part thereof as a result of any defect, fault, insufficiency, imperfection, shrinkages or inadequacy in the designs including workmanship, materials or equipment which has become defective then the approved licensed bank / financial institution issuing the Design Guarantee Bond pursuant to Section 7.5.3 of this Information Memorandum shall pay to the State Government, on demand by the State Government in writing and notwithstanding any objection by the Contractor or any other third party, the sum of being equal to the amount guaranteed above or such part thereof as may be demanded.

7.5.5 The Contractor may, by notice to the State Government prior to the issuance of the Certificate of Practical Completion, request for the performance guarantee sum as referred to in Section 7.5.2 of this Information Memorandum to be retained for the same period of a Design Guarantee Bond. Such sum may be utilized by the State Government in the same instance as the invocation of the Design Guarantee Bond and shall be released forthwith to the Contractor upon the expiration of five (5) years from the date of practical completion of the Works. The Contractor shall top up the performance guarantee sum amount whenever the State Government utilizes such portion pursuant to the provision herein.

7.5.6 If a payment is made to the State Government pursuant to Section 7.5.4 of this Information Memorandum, the Contractor shall ensure that further security in the form of an additional Design Guarantee Bond for an amount no less than the amount so paid to the State Government shall be issued to the State Government prior to or upon the date of such payment. If any of the issued Design Guarantee Bond were to expire prior to the validity period, a replacement Design Guarantee Bond shall be issued to the State Government on or prior to the date of expiry of the first mentioned Design Guarantee Bond in an amount no less than the amount of that Design Guarantee Bond.

7.6 INSURANCE OF WORKS

7.6.1 The Contractor shall, in the joint names of the State Government and Contractor, insure against loss and damage by fire, lighting, explosion, storm, tempest, flood, ground subsidence, bursting or overflowing of water tanks, apparatus or pipes, aircraft and other aerial devices or articles dropped therefrom, riot and civil commotion, all works executed and all unfixed materials and goods delivered to, placed on or adjacent to the Works and intended thereof (but excluding temporary buildings, plant, tools and equipment owned or hired by the Contractor or any subcontractor) to the full value thereof together with the cost of the design work of the Contractor (plus any amount which may be specifically stated in Appendix 1 of the Design and Build Contract) and shall keep such works, materials and goods so insured until the practical completion of the whole of the Works but subject to any partial termination of insurance permitted under the Design and Build Contract in cases of sectional completion or partial occupation by the State Government. Such insurance policy or policies shall provide expressly for payment in the first place to the State Government of any insurance monies due under the policy or policies.

7.6.2 The said insurance with or without an excess clause as specified in Appendix 1 of the Design and Build Contract shall be effected with an insurance company approved by the P.D and the Contractor shall deposit with the P.D the policy or policies and the receipts for the premium paid for such insurance. Where an excess clause is specified in Appendix 1 of the Design and Build Contract, the Contractors shall bear the amount of such excess.

7.6.3 In the event the Contractor fails to renew such insurance as are necessary under this clause, the State Government or the P.D on its behalf may renew such insurance and pay the premium in respect thereof and deduct the amount so expended including On-cost Charges from any money due or to become due to the Contractor under the Design and Build Contract, and failing which such premium shall if it pertains to the Retrofitting Works be recovered from the Performance Bond or as a debt due from the Contractor.

7.6.4 Upon the occurrence of any loss or damage to the Works or unfixed materials or goods prior to the completion of the Works from any cause whatsoever, the Contractor shall notwithstanding that settlement of any insurance claim has not been completed, with due diligence restore, replace or repair the same, remove and dispose of any debris and proceed with the carrying out and completion of the Works. All money if and when received from the insurance under this clause shall be paid in the first place to the State Government and then (less only such amounts as are specifically required in Appendix 1 of the Design and Build Contract or elsewhere in the contract documents) be released to the Contractor by instalments on the certificate for payment issued by the P.D, calculated as from the date of receipt of the money in proportion to the extent of the work of restoration, replacement or repair and the removal and disposal of debris previously carried out by the Contractor. The Contractor shall not be entitled to any payment in respect of the work of restoration, replacement or repair and the removal and disposal of debris other than the money received under the said insurance.

7.6.5 The Contractor shall ensure that any insurance policy effected to the Design and Build Contract shall only be cancelled by the insurer after the expiry of thirty (30) days from the date of receipt by the State Government of a written notice from the insurer advising of such impending cancellation PROVIDED THAT the Contractor has been issued with the Certificate of Completion of Making Good Defects as per Section 7.12.8 of this Information Memorandum.

7.6.6 The Contractor shall not at any time permit or cause to be done any act, matter or thing which may result in any insurance effected by virtue of the Design and Build Contract being vitiated or rendered void or voidable or whereby the rate of the premium on any insurance effected shall be liable to be increased.

7.6.7 The Contractor shall have the right to assign the rights, benefits and interests under any insurance policy procured pursuant to Clause 11 of the Design and Build Contract to a financial institution and/or trustee as security in connection with a bona fide financing transaction whereby the State Government shall grant its consent to any such assignment.

7.7 VARIATIONS AND VALUATION OF VARIATIONS

7.7.1 The term ‘variation’ means a change in the State Government’s Requirements which makes necessary the alteration or modification of the design, quality or quantity of the Works as described by or referred to therein and affects the Contract Sum, including:

(a) the addition, omission or substitution of any work,

(b) the alteration of the kind or standard of any of the materials, goods to be used in the Works; and

(c) the removal from the Site of any work executed or materials or goods brought thereon by the Contractor for the purposes of the Works other than work, materials or goods which are not in accordance with the Design and Build Contract.

7.7.2 The P.D may issue instructions effecting a variation by way of a Variation Order. The Contractor shall forthwith comply with the Variation Order. No variation instructed by the P.D under this section shall in any way vitiate or invalidate the Design and Build Contract but the fair and reasonable value (if any) of all such variations shall be taken into account in ascertaining the amount of the Contract Sum, unless such variation is necessitated by the Contractor's default. PROVIDED THAT any variation which alters or modifies the design of the Works shall be with the consent of the Contractor, whose consent shall not be unreasonably delayed or withheld.

7.7.3 Notwithstanding Section 7.7.2 of this Information Memorandum, if in the opinion of the P.D the variation is necessary for the purpose of suitability, functionality and safety of the Works, the Contractor shall effect the variations. For the purpose of this clause, what constitutes "suitability, functionality and safety of the Works" shall be solely determined by the P.D and such determination shall for all intents and purposes be final and conclusive. Notwithstanding thereto the Contractor shall remain responsible for the design of the works as provided under Clause 14 of the Design and Build Contract.

7.7.4 The Contract Sum and the Deferred Payment Sum shall be adjusted to take account of any increase in cost resulting from changes: (i) in the relevant laws or any law, regulation or by-law or any order or directive issued by any public authority or public services company (including the introduction of new laws and the repeal or modification of existing laws) or in the judicial or official governmental interpretation of such laws, made after the letter of acceptance dated 28 April 2016, which affect the Contractor in the performance of obligations under the Contract; or (ii) any other relevant clauses in the Design and Build Contract.

If the Contractor suffers (or will suffer) delay and/or incurs (or will incur) additional cost as a result of the aforesaid, the Contractor shall give notice to the State Government and shall be entitled subject to Clause 50 of the Design and Build Contract to:

(a) an extension of time for any such delay, if completion is or will be delayed, under Clause 49 of the Design and Build Contract, and

(b) payment of any such cost, which shall be added to the Contract Sum and the Deferred Payment Sum, shall be accordingly adjusted similar to the adjustment of the valuation provision under Section 7.7.10 of this Information Memorandum.

Where a variation under Section 7.7.3 of this Information Memorandum results in extra cost, the said extra cost shall be borne by the Contractor. However, if the variation results in a reduction in cost, the Contract Sum shall be accordingly reduced.

7.7.5 Any variations made under this clause shall not relieve the Contractor of his obligations under Clause 14.1(a) of the Design and Build Contract.

7.7.6 The valuation of additional or substituted work shall be consistent with the value of works of similar character set out in the sum stated in Appendix 4 of the Design and Build Contract which is prepared by the Contractor as the estimate which he will require for carrying out that which is necessary for completing all the Works in accordance with the Design and Build Contract ("**Contract Sum Analysis**"), or the schedule of rates agreed between the Contractor and the State Government for the purpose of valuation or variations under the Design and Build Contract ("**Contract Schedule of Rates**") making due allowance for any change in the conditions under which the work is carried out or any significant change in the quantity of the work so set out. Where there is no work of a similar character set out in the Contract Sum Analysis or Contract Schedule of Rates a valuation shall be mutually agreed by the P.D.

7.7.7 The valuation of the omission of work shall be in accordance with the values in the Contract Sum Analysis or Contract Schedule of Rates.

7.7.8 Any valuation of work under Sections 7.7.6 and 7.7.7 of this Information Memorandum shall include allowance for any necessary addition to or reduction of the Site administration, Site facilities and temporary works.

7.7.9 Where an appropriate basis of a valuation of additional or substituted work is the Day work price as specified in Appendix of the Design and Build Contract, the valuation shall comprise the prime cost of such work plus 15% which shall include the provision of Site administration, Site facilities and temporary works and for profit. PROVIDED THAT as a condition precedent to any right to any payment the Contractor shall produce vouchers specifying the time daily spent upon the work, the workmen's names, the plant and the materials employed to the P.D for verification not exceeding seven (7) days after the work has been executed.

7.7.10 The valuation made under this clause shall not include any claims for direct loss or expense notwithstanding that such variation affects the regular progress of the Works.

7.7.11 Upon determination of the valuation of the variation under Sections 7.7.1 to 7.7.5 of this Information Memorandum or Sections 7.7.6 to 7.7.12 of this Information Memorandum, the Deferred Payment Sum shall be revised to reflect any additional or increase in the Contract Sum. The additional Deferred Payment Sum resulting from the variation shall take into account any financing cost associated with such increase and shall be calculated in accordance with the formula set out in Clause 24.6 of the Design and Build Contract. For avoidance of doubt, no variation shall be implemented if such variation results in the deduction of the lump sum Contract Sum as stipulated in Section 7.3.2 of this Information Memorandum.

7.7.12 Upon determination of the valuation of the variations, the Contract Sum shall be revised accordingly by way of addition or deduction.

7.8 INDEMNITIES TO GOVERNMENT IN RESPECT OF CLAIMS BY WORKMEN

7.8.1 The Contractor shall be liable for and shall indemnify and keep indemnified the State Government and its officers or servants from all liabilities arising out of claims by any and every workmen employed in and for the performance of this Design and Build Contract for payment of compensation under or by virtue of the Workmen's Compensation Act 1952 and the Employees' Social Security Act, 1969 or any other law amending or replacing such law and from all costs and expenses incidental and consequential thereto.

7.8.2 The Contractor shall effect and maintain throughout the Construction Period and Defects Liability Period an Employer's Liability Insurance or Workmen Compensation Insurance or any other applicable insurance for its personnel, servants, agents or employees as required under the laws of Malaysia.

7.9 STATE GOVERNMENT'S INDEMNITY IN RESPECT OF INJURY TO PERSONS AND DAMAGE TO PROPERTY

7.9.1 The Contractor shall perform all of its obligations under the Design and Build Contract at its own risk and releases, to the fullest extent permitted by law, the State Government and their agents and servants from all claims and demands of every kind resulting from any incident, damage, injury or death arising from the carrying out of the Works, except where such accident, damage, injury or death is caused or contributed to by any act or omission or negligence of the State Government or its agents or servants. The Contractor expressly agrees that in the absence of any such act, omission or negligence as aforesaid, the State Government shall have no responsibility or liability whatsoever in relation to such accident, damage, injury or death.

7.9.2 The Contractor shall indemnify and keep indemnified the State Government from and against all actions, suits, claims or demands, proceedings, losses, damages, compensation, costs (including legal cost), charges and expenses whatsoever to which the State Government shall or may be or become liable in respect of or arising from –

(a) the negligent use, misuse or abuse by the Contractor or its personnel, servants, agents or employees appointed by the Contractor;

(b) any loss or damage to property or injury of whatsoever nature or kind and howsoever or wherever sustained or caused or contributed to by carrying out of the Works by the Contractor to any person and not caused by the negligence or willful act, default or omission of the State Government, its agents or servants; or

(c) any loss, damage or injury from any cause whatsoever to property or persons affected by the Works to the extent to which the same is occasioned or contributed to by the act, omission, neglect, breach or default of the Contractor or personnel, servants, agents or employees.

7.9.3 The Contractor agrees that the obligations under this clause shall continue after the expiry or earlier termination of the Design and Build Contract in respect of any act, deed, matter or thing happening before such expiration or termination of the Design and Build Contract.

7.9.4 The Contractor shall indemnify, protect and defend, at its own cost and expense, the State Government and its agents and servants from and against all actions, claims and liabilities arising out of acts done by the Contractor in the performance of the Design and Build Contract.

7.10 COMPLETION OF THE WORKS

7.10.1 Subject to any requirement as to the completion of any section or part of the Works under Clauses 12.3 and 43 of the Design and Build Contract before the completion of the whole of the Works, the Contractor shall complete the whole of the Works on or before the Date of Completion or such extended time as may be allowed under Clause 49 of the Design and Build Contract.

7.10.2 When the whole of the Works have reached practical completion according to the provisions of this Design and Build Contract and to the satisfaction of the P.D, and the Contractor has obtained a temporary certificate of fitness for occupation **/** certificate of completion and compliance, wherever applicable, the date of such completion shall be certified by the P.D and such date shall be the date of the commencement of the Defects Liability Period as provided in Section 7.12.2 of this Information Memorandum. The certificate issued under this clause shall be referred to as the "**Certificate of Practical Completion**".

7.10.3 If the Contractor considers that the Works have achieved practical completion, the Contractor shall notify the P.D in writing to that effect.

7.10.4 Within 14 days of receipt of such notice, the P.D shall carry out testing**/** inspection of the Works. Pursuant to such inspection/testing, the P.D shall:

(a) issue the Certificate of Practical Completion to the Contractor if in his opinion the whole Works have reached practical completion and have satisfactorily passed any inspection/test carried out by the P.D subject to the Contractor giving a written undertaking to complete any outstanding work during the Defects Liability Period. The date of such completion shall be certified by the P.D and such date shall be the date of the commencement of the Defects Liability Period as provided in Section 7.12.2 of this Information Memorandum; or

(b) give instruction to the Contractor specifying all defective works which are required to be completed by the Contractor before the issuance of the Certificate of Practical Completion.

7.10.5 If the P.D has given instruction pursuant to Section 7.10.4 of this Information Memorandum, no Certificate of Practical Completion shall be issued to the Contractor until the Contractor has effectively carried out the remedial work within reasonable period to the satisfaction of the P.D.

7.10.6 The Works shall only be regarded as practically complete if –

(a) the Works have been completed in accordance with the terms and conditions of the Design and Build Contract;

(b) the State Government can have full, proper and beneficial use of the Works for their intended purpose, notwithstanding that there may be works of a very minor nature still to be fully executed provided that such works do not prevent or diminish the full, proper and beneficial use as aforesaid;

(c) the Contractor has given to the P.D an undertaking to complete any outstanding work of a very minor nature;

(d) the Works have passed any commissioning tests required in the Design and Build Contract;

(e) the Works shall be made available to the State Government in a condition which is fit for occupation; and

(f) all the essential services, including access roads, landscape (if applicable), car parks (if applicable), drains, sanitary, water and electricity installation, fire hydrant, sewerage and refuse disposal equipment and, fire lifts where required, have been provided.

7.11 DAMAGES FOR NON-COMPLETION

7.11.1 If the Contractor fails to complete the whole Works by the Date for Completion as per Section 7.2 of this Information Memorandum or within any extended time granted pursuant to Clause 49 of the Design and Build Contract, the P.D shall forthwith issue a certificate of non-completion to the Contractor.

7.11.2 Without prejudice to the State Government's right to terminate the Design and Build Contract, when the P.D. issues the certificate of non-completion, the State Government shall be entitled to recover from the Contractor, liquidated and ascertained damages calculated at the rate of RM150,399.227 per day ("**Liquidated and Ascertained Damages**") from the period of issuance of the certificate of non-completion to the date of issuance of Certificate of Practical Completion or the date of termination of the Design and Build Contract. The P.D may deduct such damages from any money due or to become due to the Contractor, failing which such damages shall be recovered from the Performance Bond or as a debt due from the Contractor. The P.D shall inform the Contractor of such deduction.

7.11.3 The Liquidated and Ascertained Damages shall be deemed to be a reasonable amount of loss which the State Government will suffer in the event that the Contractor is in breach of this clause. The Contractor by entering into the Design and Build Contract agrees to pay to the State Government the said amount(s) if the same become due without the need of the State Government to prove his actual damage or loss.

7.11.4 The payment or deduction of Liquidated and Ascertained Damages shall not relieve the Contractor from its obligation to complete the Works or its obligations and liabilities under the Contract.

7.12 DEFECTS AFTER COMPLETION

7.12.1 The Contractor shall, during the Defects Liability Period complete with due expedition or within such time as may be specified by the P.D, any work outstanding at the date of practical completion or date of completion of commissioning under the Clause 80.1 of the Design and Build Contract, as the case may be (whether or not the Contractor has undertaken to do so).

7.12.2 The Defects Liability Period for the Main Works or any sectional part of the Works falling under Clause 43 of the Design and Build Contract shall be twenty-four (24) months from the date of practical completion of the Main Works and for the Retrofitting Works shall be the relevant warranty duration as may be issued/provided by the relevant OEM whom had supplied the goods, materials, equipment or machineries for the relevant Retrofitting Works. The Contractor shall, at any time during the Defects Liability Period make good any defect, imperfection, shrinkage or any other fault whatsoever which may appear and which are due to design, materials, goods, workmanship or equipment not in accordance with this Design and Build Contract, as specified by the P.D in a written instruction to the Contractor.

7.12.3 In the event of any defect to any of the Retrofitting Works the scope for such defect shall be as covered under the relevant warranty coverage as may be issued by the relevant OEM for the Retrofitting Works.

7.12.4 Notwithstanding Section 7.12.1 of this Information Memorandum, for Main Works and any sectional part of the Main Works failing under Clause 43 of the Design and Build Contract, any defect, imperfection, shrinkage or any other fault whatsoever which may appear during the Defects Liability Period to be made good by the Contractor, shall be specified by the P.D in the schedules of defects of which the first schedule shall be delivered to the Contractor within fourteen (14) days and the final schedule shall be delivered not later than twenty-eight (28) days after the expiration of the Defects Liability Period. The defects, imperfections, shrinkages or any other fault whatsoever specified in the schedules of defects shall be made good by the Contractor at his own cost and to be completed within a reasonable time but in any case not later than three (3) months after the receipt of the final schedule. Provided that the P.D shall not be allowed to issue any further instruction requiring the Contractor to make good any defect, imperfection, shrinkage or any other fault whatsoever after the issuance of the said schedule of defects or after twenty eight (28) days from the expiration of the said Defects Liability Period, whichever is the later.

7.12.5 Notwithstanding Section 7.12.1 of this Information Memorandum, any defect, imperfection, shrinkage or any other fault whatsoever which may appear during the relevant warranty period referred to under Section 7.12.2 of this Information Memorandum, shall be notified to the Contractor as soon as reasonably practicable so as to enable the Contractor to pursue a warranty claim with the OEM provided that the warranty for such defect is still valid and enforceable against the OEM. Provided further that the P.D shall not be allowed to issue any further instruction requiring the Contractor to make good any defect, imperfection, shrinkage or any other fault whatsoever after the expiry of the warranty period for such defect. In the event that the State Government engages a third party in accordance with the provisions of the Design and Build Contract to make good any defect, imperfection, shrinkage or any other fault whatsoever which may appear during the warranty period, such third party shall be solely responsible to issue a separate warranty to the State Government for the repair works to be carried out.

7.12.6 If the Contractor shall fail to comply with either Section 7.12.1 or Section 7.12.2 or Section 7.12.3 of this Information Memorandum within the time so specified, the materials or works so affected may be made good in such manner as the P.D may think fit, in which case the costs incurred including On-cost Charges shall be deducted from any money due or to become due to the Contractor under the Design and Build Contract other than the amount due under the Facility Payment Certificate and failing which such costs shall be recovered from the Performance Bond or as a debt due from the Contractor.

7.12.7 If any defect, imperfection, shrinkage or any other fault whatsoever is such that, in the opinion of the P.D, it shall be impracticable or inconvenient to the State Government to have the Contractor to remedy the same, the P.D shall ascertain the diminution in the value of the Works due to the existence of such defects, imperfections, shrinkages or any other fault whatsoever. The amount of such diminution shall be recoverable by the State Government from the Contractor as a debt due to the State Government under the Design and Build Contract, and failing which such diminution shall be recovered from the Performance Bond.

7.12.8 When in the opinion of the P.D the Contractor has made good the defects, imperfections, shrinkages or any other fault whatsoever which he is required to make good under Section 7.12.1 or Section 7.12.2 or Section 7.12.3 of this Information Memorandum, the P.D shall issue a certificate to that effect, and the date stated in such certificate shall be the date on which the Contractor has completed making good such defects, imperfections, shrinkages or any other fault whatsoever. The said Certificate shall be referred to as the ‘Certificate of Completion of Making Good Defects’.

7.13 INTELLECTUAL PROPERTY RIGHTS, ROYALTIES, *ETC*.

7.13.1 Any customized intellectual property rights fully developed for the Works and arising out of design, plans, calculations, drawings, developed or used for or incorporated in the Works shall vest in and become the sole property of the State Government free and clear of all liens, claims and encumbrances. The Contractor shall not during or at any time after completion on the Works or after the expiry or termination of the Design and Build Contract, in any way, question or dispute the ownership of the State Government.

7.13.2 The Contractor agrees to grant to the State Government free from all royalties, fees and other charges, all licenses in respect of any customized intellectual property rights fully developed for the Works now or hereafter owned or controlled by the Contractor or in respect of which the Contractor has or will have the right to grant licenses of any design, plans, calculations, drawings, developed or used for or incorporated in the Works or any part thereof.

7.13.3 All royalties or other sums payable in respect of the design, plans, calculations, drawings which are subject to copyright (other than the design, plans, calculations or drawings provided by the P.D) which are used in the Works shall be deemed to have been included in the Contract Sum.

7.13.4 The Contractor shall defend and indemnify the State Government from and against all claims, costs, damages, charges and proceedings whatsoever for or on account of infringement of any intellectual property rights in respect of any design, plans, calculations, drawings, documents, plant, equipment, machinery, material, methods or processes developed or used for or incorporated in the Works except where such infringement results from compliance with the P.D's instructions pursuant to Clause 23 of the Design and Build Contract.

7.13.5 Where any infringement results from compliance with the P.D's instructions pursuant to Clause 23 of the Design and Build Contract, any royalties, damages or other monies which the Contractor may be liable to pay to the persons entitled to such intellectual property rights shall be reimbursed by the State Government.

7.13.6 The Contractor shall indemnify the State Government from and against all claims, proceedings, damages, costs and expense which may be made against the State Government as a result of the use of such intellectual property rights or infringement by the Contractor of the same.

7.13.7 Except where otherwise specified, the Contractor shall pay all tonnage and other royalties, rent fees and other payments or compensation (if any) for getting stone, sand, gravel, clay or other materials required for the Works.

7.14 MAINTENANCE OF WORKS AND SERVICES

7.14.1 The Contractor shall maintain the whole of the Works and Services as listed in the scope of maintenance of works contained in the State Government's Requirements for a period of twenty-four (24) months from the date of the Practical Completion of the Works (hereinafter referred as the "**Maintenance Period**") and guarantee the same to be in good working conditions at all times. This maintenance shall include services and equipment provided by the manufacturer of the equipment installed and all materials and workmanship supplied by the Contractor.

7.14.2 The Contractor hereby expressly undertakes to remedy and supply/replace all defective parts of items caused by normal wear and tear, inclusive all consumable items at his own cost during the said twenty-four (24) months so that the whole of the Works and Services is maintained in the best efficient working order. This maintenance shall include regular and systematic checking, cleaning, servicing, testing, calibration and services as recommended by the manufacturer/supplier as required by the relevant authorities and necessary adjustment to the equipment. The Contractor shall also provide alternative/temporary substitutes to the equipment and services as required in the event of a breakdown of the plant. Any spare parts required for replacement shall be made readily available during the Maintenance Period.

7.14.3 Replacement made or required to be made during the Maintenance Period shall be subjected to a similar Maintenance Period from the date of replacement, provided that such Maintenance Period shall not exceed 6 months from the expiry date of the first Maintenance Period as aforesaid.

7.14.4 When in the opinion of the P.D the Contractor has satisfactorily completed the maintenance of the Works and Services as required under this clause, the P.D shall issue a certificate to that effect, and the date named in such certificate shall be the date on which the Contractor has completed the same. The said Certificate shall be referred to as the "Certificate of Completion of Maintenance".

7.15 SUB-CONTRACTING AND ASSIGNMENT

7.15.1 The Contractor shall not without the prior written consent of the P.D (which consent shall not be unreasonably delayed or withheld) sub-contract the design for all or any portion of the Works. Where the P.D consents to any sub-contract under this clause, such consent shall not in any way absolve the obligations of the Contractor under Clause 14.1(a) of the Design and Build Contract.

7.15.2 The Contractor shall not sub-contract the whole or any substantial part of the Works without the prior written consent of the P.D (which consent shall not be unreasonably delayed or withheld). Any such consent, if given, shall not relieve the Contractor from any liability or obligation under the Design and Build Contract and he shall be responsible for the due observance by such sub-contractors, of all the terms, stipulations and conditions under the Design and Build Contract.

7.15.3 The Contractor shall ensure that the Consultant employed for the design and supervision of the Works shall not assign or sub-contract the said design and supervision responsibility to other Consultant without prior written consent of the P.D.

7.16 EVENTS AND CONSEQUENCES OF DEFAULT BY THE CONTRACTOR

7.16.1 Default of Obligations

(a) Events of Default

In the event the Contractor –

(i) fails to commence Works at the Site within two (2) weeks after the Date of Possession;

(ii) suspends or abandons the carrying out of the Works or any part thereof for a continuous period of sixty (60) days;

(iii) fails to proceed regularly and diligently with the performance of his obligations under the Design and Build Contract;

(iv) fails to execute the Works in accordance with the Design and Build Contract;

(v) persistently neglects to carry out his obligations under the Design and Build Contract;

(vi) refuses or persistently neglects to comply with a written notice from the P.D in relation to any defective work or equipment, materials or goods or which do not meet the requirements of the Design and Build Contract;

(vii) fails to comply with the representations and warranties and undertaking given by Contractor under the Design and Build Contract;

(viii) fails to obtain the prior written consent of the P.D required under the provision of the Design and Build Contract in relation to sub-contracting and assignment; or

(ix) fails to comply with any terms and conditions of the Design and Build Contract,

then the State Government may give written notice to the Contractor specifying the default, and require the Contractor to remedy such default within fourteen (14) days of the receipt of the default notice or any period determined by the State Government.

(b) Termination

If the Contractor fails to remedy the breach within such period, the State Government shall have the right to forthwith terminate the Design and Build Contract by giving a written notice to that effect.

(c) Consequences of Termination

If the Design and Build Contract is terminated under Section 7.16.1(b) of this Information Memorandum,

(i) the Contractor shall –

(A) forthwith cease all operations on the Works;

(B) carry out any protection works so as to secure the Site, equipment, goods and materials therein against any deterioration, loss or damage and to do all things necessary so as to leave the Site in a clean and tidy condition;

(C) remove its personnel and workmen from the Site;

(D) vacate the Site within the time specified by the P.D and remove all temporary buildings, plant, tools, equipment, goods and unfixed materials which have not been paid by the State Government or valued under the Facility Payment Certificate, as specified by the P.D. Failing which, the State Government may (but without being responsible for any loss or damage) remove and sell any such property belonging to the Contractor, holding the proceeds, less all cost incurred, to the credit of the Contractor;

(E) either –

(aa) terminate all third party contracts entered into by the Contractor for the purposes of the Design and Build Contract;

(bb) assign to the State Government, if so required by the State Government, at no cost or expense to the State Government, the benefit of any agreement for the supply of materials or goods and/or for the execution of any work for the purposes of the Design and Build Contract; or

(cc) allow such third party to enter into a contract with the State Government or any other person deemed necessary by the State Government for the purpose of completing the Works,

PROVIDED THAT the State Government shall not be obliged to pay any third party for any materials or goods delivered or any work executed or services for the purposes of the Design and Build Contract (whether before or after the date of termination) for which the State Government has paid but the Contractor has failed to make payment to the third party;

(F) at no cost to the State Government, hand over to the State Government all plans, designs, drawings, specifications and other relevant documents relating to the Works;

(G) pay to the State Government any losses and damages suffered as a result of the termination of the Design and Build Contract in the manner provided under Clause 64 of the Design and Build Contract; and

(H) not be released from any of its obligations or liabilities under the Design and Build Contract.

(ii) the State Government shall –

(A) call upon the Performance Bond or forfeit the performance guarantee sum, and/or call upon the Design Guarantee Bond;

(B) enter and repossess the Site;

(C) be entitled to carry out and complete the Works on its own or employ any other person to carry out and complete the Works;

(D) be entitled to claim against the Contractor for any losses and damages suffered as a result of the termination of the Design and Build Contract in the manner provided under Section 7.20 of this Information Memorandum; and

(E) pay all sums due under the Facility Payment Certificates.

(iii) Notwithstanding any other provisions to the contrary in the Design and Build Contract, the Contractors maximum liability arising from or in connection with the aforesaid termination shall be limited to the amount of the Performance Bond issued by the Contractor under the Design and Build Contract.

For the avoidance of doubt, the parties agree that the Contractor shall not be entitled to any form of losses including loss of profit, damages, claims or whatsoever upon termination of the Design and Build Contract under this section.

(iv) Payment obligations including costs and expenditure incurred by the State Government and the Contractor shall be ascertained in accordance with Section 7.19 of this Information Memorandum.

7.16.2 General Default

(a) Events of Default

If at any time during the Construction Period and Defects Liability Period–

(i) the Contractor becomes bankrupt;

(ii) the Contractor becomes insolvent or compounds with or enters into an agreement or compositions with its creditors;

(iii) an order is made or resolution is effectively passed for the winding-up of the Contractor (except for the purpose of restructuring or amalgamation with the written consent of the State Government, which consent shall not be unreasonably withheld);

(iv) a provisional liquidator, receiver or manager of its business or undertaking duly appointed, or possession taken by or on behalf of creditors or debenture holders secured by a floating charge of any property comprised in or subject of the said floating charge; or

(v) execution is levied against a substantial portion of the Contractor's assets;

then the State Government shall have the right to terminate the Design and Build Contract forthwith by giving notice to that effect.

(b) Consequences of Termination

(i) In the event of termination of the Design and Build Contract under Section 7.16.2 of this Information Memorandum, Section 7.16.1(c) of this Information Memorandum shall apply.

(ii) Payment obligations including costs and expenditure incurred by State Government and the Contractor shall be ascertained in accordance with Section 7.19 of this Information Memorandum.

7.17 TERMINATION ON CORRUPTION, UNLAWFUL OR ILLEGAL ACTIVITIES

7.17.1 Termination

Without prejudice to any other rights of the State Government, if the Issuer, its personnel, servants or employees is conceived by a court of law for corruption or unlawful or illegal activities in relation to the Design and Build Contract or any other contract that the Contractor may have with the State Government, the State Government shall be entitled to terminate the Design and Build Contract at any time, by giving immediate written notice to that effect to the Contractor.

7.17.2 Consequences of Termination

Upon such termination under Section 7.17.1 of this Information Memorandum:

(a) the State Government shall be entitled to all losses, costs, damages and expenses including any incidental costs and expenses incurred by the State Government arising from such termination;

(b) Section 7.16.1(c)(i), (ii) and (iii) of this Information Memorandum shall apply; and

(c) the Contractor shall not be entitled to any form of losses including loss of profit, damages, claims or whatsoever upon termination of the Design and Build Contract.

7.18 TERMINATION ON NATIONAL INTEREST

7.18.1 **Termination**

(a) Notwithstanding any provision of the Design and Build Contract, the State Government may terminate the Design and Build Contract by giving not less than thirty (30) days written notice to that effect to the Contractor (without any obligation to give any reason thereof) if the State Government considers that such termination is necessary for national interest, national policy or national security.

(b) For the purposes of this clause, what constitutes "national interest", "national policy" and " national security", shall be solely made and determined by the State Government and such determination shall for all intent and purposes be final and conclusive and shall not be open to any challenge whatsoever.

7.18.2 **Consequences of Termination**

Upon such termination under Section 7.18.1 of this Information Memorandum:

(a) payment obligations including all costs and expenditure incurred by the State Government and the Contractor shall be ascertained in accordance with Section 7.19 of this Information Memorandum; and

(b) Section 7.16.1(c)(i), Section 7.16.1(c)(ii)(B), Section 7.16.1(c)(ii)(C), Section 7.16.1(c)(ii)(E), Section 7.16.1(c)(iii) and Section 7.16.1(c)(iv) of this Information Memorandum shall apply.

7.19 PAYMENT UPON SUSPENSION OR TERMINATION

7.19.1 If the Design and Build Contract is terminated under the Clause in relation to possession of Site under the Design and Build Contract, the Clause in relation to suspension of Works under the Design and Build Contract, Section 7.16.1, Section 7.16.2 or Section 7.18 of this Information Memorandum, the amount to be paid (in so far as such amounts or items have not already been covered by payments on account made to the Contractor) shall be the following:

(a) if the effective date of the termination falls on the same date as the date of an Interim Payment Certificate(s), the cumulative value of all the Interim Payment Certificate(s) up to the date of termination less such amount which have been valued under the Facility Payment Certificate;

(b) if the effective date of the termination falls on the date other than the date of the Interim Payment Certificate(s), the value shall be the aggregate or cumulative value of all preceding the Interim Payment Certificate(s) and the value of an additional Interim Payment Certificate to be determined based on the Section 7.25 of this Information Memorandum for the work carried out between the preceding Interim Payment Certificate to the date of termination less such amount which have been valued under the Facility Payment Certificate;

(c) if not included in the value of (a) and (b) above, the amounts payable in respect of any preliminary items so far as the Work or service comprised therein has been carried out or performed and a proper proportion of any such items which have been partially carried out or performed;

(d) the cost of material or goods reasonably ordered for the Works which have been delivered to the Contractor or of which the Contractor is legally liable to accept delivery (such materials or goods becoming the property of the State Government upon such payment being made to the Contractor);

(e) a sum being the amount of any expenditure reasonably incurred by the Contractor in so far as such expenditure has not been recovered by any other payments referred to in this sub-clause;

(f) the reasonable cost of any protection works and removal of equipment and site facilities pursuant to termination as provided under the Design and Build Contract; and

(g) all costs and expenditures incurred by the Contractor under its financing facilities including any financing charges on the outstanding indebtedness under the financing facilities, costs and fees related to accelerated repayment and other financing termination costs such as break funding costs, premium on bond or sukuk buyback;

PROVIDED THAT such amount to be paid by the State Government shall be confined only to those items as are clearly and expressly stated in paragraphs (a) – (g) above.

7.19.2 The Contractor shall not be entitled to any form of losses including loss of profit, damages, claims or whatsoever other than the stipulated under Section 7.19.1 (a) – (g) of this Information Memorandum. The amount agreed above by the State Government shall constitute a full and final settlement between the parties to the Contract.

7.20 EVENTS AND CONSEQUENCES OF DEFAULT BY THE STATE GOVERNMENT

Default of Obligations

(a) Events of Default

If the State Government:

(i) without any reasonable cause fails to perform or fulfil any of its obligation which adversely affects the Works, then the Contractor may issue a notice specifying the default by the State Government and requiring the State Government to remedy the same within the period specified therein taking into account the nature of the remedy to be carried out by the State Government or such other period as may be agreed by both parties from the date of receipt of such notice;

(ii) fails to pay any Deferred Payment Sum in accordance with the Deferred Payment Schedule as set out in Appendix 6 to this Information Memorandum or the terms in the Design and Build Contract then the Contractor may issue a notice specifying the default by the State Government.

(b) Termination

If:

(i) the State Government fails to remedy the default period specified in such notice issued under Section 7.20(a)(i) of this Information Memorandum within the stipulated period time therein; or

(ii) the State Government is issued with a notice under Section 7.20(a)(ii) of this Information Memorandum,

the Contractor shall have the right to forthwith terminate the Design and Build Contract by giving a written notice to that effect.

(c) Consequences of Termination

If:

(i) the Design and Build Contract is terminated under Section 7.20(b)(i) of the Design and Build Contract prior to the issuance of the Certificate of Practical Completion, Certificate of Acceptance or the Certificate of Completion of Making Good Defects, the State Government shall not later than six (6) months after the date of termination pay to the Contractor:

(a) if the effective date of the termination falls on the same date as the date of an Interim Payment Certificate(s), the cumulative value of all the interim Payment Certificate(s) up to the date of termination;

(b) if the effective date of the termination falls on the date other than the date of the Interim Payment Certificate(s), the value shall be the cumulative value of all preceding the Interim Payment Certificate(s); and the value of an additional Interim Payment Certificate to be determined based on Section 7.25 of this Information Memorandum for the work carried out between the preceding Interim Payment Certificate to the date of termination;

(c) the amounts payable in respect of any preliminary items so far as the Work or service comprised therein has been carried out or performed and a proper proportion of any such items which have been partially carried out or performed;

(d) the cost of material or goods reasonably ordered for the Works which have been delivered to the Contractor or of which the Contractor is legally liable to accept delivery (such materials or goods becoming the property of the State Government upon such payment being made to the Contractor);

(e) a sum being the amount of any expenditure reasonably incurred by the Contractor in so far as such expenditure has not been recovered by any other payments referred to in this sub-clause;

(f) the reasonable cost of any protection works and removal or equipment and site facilities pursuant to termination under the Design and Build Contract; and

(g) all costs and expenditures incurred by the Contractor under the financing facilities including any financing charges on the outstanding indebtedness under the financing facilities, costs and fees related to accelerated repayment or payment and other financing termination costs such as break funding costs, premium on bond or sukuk buyback;

and upon such payment the Contractor shall return all the Facility Payment Certificate which remains due and outstanding.

(ii) the Design and Build Contract is terminated under Section 7.20(b)(ii) of this Information Memorandum after the issuance of the Certificate of Practical Completion, Certificate of Acceptance or the Certificate of Completion of Making Good Defects, the State Government shall pay all outstanding Deferred Payment Sum and all costs and expenditures related to accelerated repayment or payment and other financing termination costs as result of the default, such as break funding costs, premium on bond or sukuk buyback.

(iii) the Design and Build Contract is terminated under Section 7.20(b)(ii) of this Information Memorandum prior to the issuance of the Certificate of Practical Completion, Certificate of Acceptance or the Certificate of Completion of Making Good Defects, the State Government shall pay in additional to all outstanding Deferred Payment Sum as at the date of the termination as may be due under Section 7.20(c)(ii) of this Information Memorandum, all such sums calculated based on the aggregate of all the sums under Section 7.20(c)(i)(a), (b), (c), (d), (e), (f) and (g) of this Information Memorandum less such sum which has been factored under the Facility Payment Certificate.

For the avoidance of doubt, unless otherwise as stipulated above, the Contractor shall not be entitled to any other form of losses including loss of profit, damages, claims or whatsoever upon termination of the Design and Build Contract.

7.21 SURVIVING RIGHTS

Any termination under the Design and Build Contract shall not affect the liability of either party to the Design and Build Contract for any of its acts or omissions during the period of the Design and Build Contract and both parties shall thereafter continue to be so liable and shall keep the other party to the Design and Build Contract indemnified and hold harmless in respect of any claims arising therefrom.

7.22 FORCE MAJEURE

7.22.1 Neither the State Government nor the Contractor shall be in breach of its obligations under the Design and Build Contract if it is unable to perform its obligation under the Design and Build Contract (or any part of thereof), other than the payment obligations as a result of the occurrence of an Event of Force Majeure.

7.22.2 An "**Event of Force Majeure**" is an event beyond the control of both parties which shall include:

(a) war (whether declared or not), hostilities, invasion, act of foreign enemies;

(b) insurrection, revolution, rebellion, military or usurped power, civil war, terrorism;

(c) natural catastrophe including but not limited to earthquakes, floods, subterranean spontaneous combustion or any operation of the forces of nature against which an experienced contractor could not reasonably have been expected to take precautions;

(d) nuclear explosion, radioactive or chemical contamination or radiation (unless caused by the negligence act, omission or default of the Contractor, its agents or personnel);

(e) pressure waves caused by aircraft or other aerial devices travelling at sonic or supersonic speeds; and

(f) riot, criminal damage, sabotage, strike, lock out, labour unrest, commotion or disorder, or other industrial disturbances (affecting the performance of the Design and Build Contract) which are not the fault of the Contractor or the State Government which causes, or can reasonably be expected to cause any party to fail to comply with its obligations.

PROVIDED THAT an Event of Force Majeure shall not include financial inability on the part of the Contractor to perform his obligations under the Design and Build Contract.

7.22.3 If an Event of Force Majeure occurs by reason of which either party is unable to perform any of its obligation under the Design and Build Contract (or any part thereof), the party shall inform the other party immediately of the occurrence of that Event of Force Majeure with full particulars thereof and the consequences thereof.

7.22.4 If either party considers the Event of Force Majeure to be of such severity or to be continuing for such period of time that it effectively frustrates the original intention of the Design and Build Contract, the parties shall forthwith take steps to discuss the circumstances and the consequences of such event and shall consider how best to achieve the objectives and shall, if appropriate, give consideration to any amendment of the Design and Build Contract and the terms and conditions of such amendments. Such steps may include the termination of the Design and Build Contract by mutual agreement of the Parties.

7.22.5 If the Design and Build Contract is terminated by an Event of Force Majeure pursuant to the above clause, all rights and obligations of the parties under the Design and Build Contract shall forthwith terminate and neither party shall have any claim against the other party and neither party shall be liable to each other save for any rights and liabilities accruing prior to the occurrence of the Event of Force Majeure.

7.22.6 Neither party shall be entitled to rely upon the provisions above if both parties reasonably determine that an Event of Force Majeure has not occurred.

7.22.7 For avoidance of doubt, the parties shall continue to perform those parts of those obligations not affected, delayed or interrupted by an Event of Force Majeure and such obligations shall, pending the outcome of this clause continue in full force and effect.

7.22.8 Delay

PROVIDED THAT the party affected by the Event of Force Majeure has complied with the requirement to provide notice in accordance with Section 7.22.3 of this Information Memorandum, the party affected by the Event of Force Majeure shall not be liable for any delay in performing its obligations under the Design and Build Contract to the extent that such delay has been caused by one or more of Event of Force Majeure and the time for completion of any obligation under the Design and Build Contract and the Date for Completion and/or Defects Liability Period shall be extended by the amount of delay caused by such Event of Force Majeure. If the parties do not agree as to the duration of the delay, the disagreement shall be dealt with pursuant to the Section 7.23 of this Information Memorandum.

7.23 ARBITRATION

7.22.1 If any dispute or difference shall arise between the State Government and the Contractor out of or in connection with the Design and Build Contract, then parties shall refer such matter, dispute or difference to the panel of officers consisting of the State Secretary as Chairman, 1 representative from the Government and 1 representative from the Contractor ("**Officers**") for a decision.

7.22.2 The decision of the Officers shall be in writing and shall subject to Section 7.22.4 of this Information Memorandum be binding on the Parties until the completion of the Works and shall forthwith be given effect to by the Contractor who shall proceed with the Works with all due diligence whether or not notice of dissatisfaction is given by him.

7.22.3 If the Parties –

(a) fail to receive a decision from the Officers within forty-five (45) days after being requested to do so; or

(b) is dissatisfied with any decision of the Officers,

then such dispute or difference shall be referred to arbitration within forty-five (45) days to an arbitrator to be agreed between the Parties and failing such agreement, to be appointed by the Director of the Regional Centre for Arbitration in Kuala Lumpur on the application of either party to the Design and Build Contract. Such arbitration shall be heard at the Kuala Lumpur Regional Centre for Arbitration and shall be conducted in accordance with the rules for arbitration of the Kuala Lumpur Regional Centre for Arbitration using the facilities and the system available at the Centre.

7.22.4 Upon every or any such reference the costs of such incidental to the reference and award shall be in the discretion of the arbitrator who may determine the amount thereof, or direct the amount to be taxed as between solicitor and client or as between party and any party, and shall direct by whom and to whom and in what manner the same be borne, award and paid.

7.22.5 The award of the arbitrator shall be final and binding on the parties.

7.22.6 In the event of the death of the arbitrator or his unwillingness or inability to act, then the State Government and the contractor upon agreement shall appoint another person to act as the arbitrator, and in the event the State Government and the contractor fail to agree on the appointment of an arbitrator, an arbitrator shall be appointed by the Director of the Regional Centre for Arbitration in Kuala Lumpur.

7.22.7 In this clause, “reference” shall be deemed to be reference to arbitration within the meaning of the Arbitration Act 2005.

7.22.8 The arbitration shall be governed by the Arbitration Act 2005 and the laws of Malaysia.

7.24 FINANCING RELATED PROVISIONS

7.24.1 **Assignment in Favour of Financiers**

The Contractor may assign to and create security in favour of the financiers in respect of the followings:

(a) All its rights, interest and title under the Design and Build Contract or any part thereof;

(b) All its rights, interest and title under the Design and Build Contract in respect of the Interim Payment Certificates and/or the Facility Payment Certificate (in part or in full) for the purpose of financing or refinancing;

(c) All its rights, interest and title under the Design and Build Contract in respect of the Contract Sum and Deferred Payment Sum, allowing for any variations or any other matters which would have resulted in an adjustment of the original Contract Sum and Deferred Payment Sum, for the purpose of financing or refinancing;

(d) All its rights, interest and title under the Design and Build Contract in respect of the amount payable to the Contractor by the State Government as a result of termination of the Design and Build Contract as more particularly set out in Section 7.19 of this Information Memorandum; and

(e) If requested by the financiers, all its rights, interest in or under insurances taken pursuant to the Design and Build Contract for the purpose of financing or refinancing.

7.24.2 **Substituted Entity**

(a) The appointment of Substituted Entity

(i) The State Government hereby acknowledges that the Contractor may grant to the financiers, as security for the financing of the Works, the rights to nominate up to three (3) contractors for selection by the State Government, to be appointed as the Substituted Entity to take over the Contract; and

(ii) Upon occurrence of any event of default under Section 7.16.1 and Section 7.16.2 of this Information Memorandum and if such event is capable of being remedied but not remedied by the Contractor in accordance with the terms of the Design and Build Contract, in such event, without prejudice to any other rights it may possess, the State Government shall give notice in writing to the Contractor, that it may terminate the Design and Build Contract unless within a period of one hundred and twenty (120) days after the date of such notice, the financiers nominate a contractor which satisfies the condition set out in Section 7.24.2(b) of this Information Memorandum (such company shall hereinafter be referred to as the "**Substituted Entity**"). If the financiers nominate a Substituted Entity within the period as aforesaid or within such longer period as the State Government with the occurrence of the State Government may approve, the parties to the Design and Build Contract shall enter into such agreements as may be necessary to effect the substitution.

(b) Conditions for appointment of Substitute Entity

For the purpose of Section 7.24.2(a) of this Information Memorandum, a Substituted Entity shall satisfy the following conditions:

(i) The contractor has been approved by the State Government;

(ii) The contractor is credible and financially a viable company; and

(iii) The contractor possesses the expertise and competency to remedy any existing defaults of the Contractor including the expertise to carry out the Works.

(c) Effect of Appointment

If a Substituted Entity is appointed in accordance with Section 7.24.2(a) of this Information Memorandum, then, with effect from the date of such appointment, the substituted entity shall for all purposes of the Design and Build Contract have the benefit of all rights, and shall assume all liabilities and obligations of the Contractor under the Design and Build Contract and thereafter all references in the Design and Build Contract to the Contractor shall be construed as references to the Substituted Entity.

(d) Consequences if Substituted Entity is not Appointed

If the financiers fail to nominate a Substituted Entity within the period stated in Section 7.24.2(a)(ii) of the Design and Build Contract, the State Government may terminate the Design and Build Contract in accordance with the provisions set out in the Design and Build Contract and all relevant provisions relating to the consequences of termination shall apply.

7.24.3 **Nominated Account**

All payments to be made to the Contractor under the Design and Build Contract shall be in Malaysian Ringgit and shall be paid by the State Government to a bank account nominated by the Contractor ("**Nominated Account**"), opened by the Contractor and maintained with a bank established in Malaysia, in accordance with the terms of the financing agreements. The State Government shall if requested by the financiers, enter into a payment undertaking with the financiers to remit or pay the Deferred Payment Sum or any other monies as may be due under the Design and Build Contract into the Nominated Account.

7.24.4 **Default in Payment**

(a) If the State Government fails to make payment of any Deferred Payment Sum due or any other payments due and payable to the Contractor under the Design and Build Contract, then the Contractor may issue a notice requiring the State Government to remedy the same within the period specified in the Design and Build Contract.

(b) If the State Government fails to remedy the default within the stipulated period set out in such notice, then the Contractor shall have the right to terminate the Design and Build Contract by giving a written notice to that effect. For the avoidance of doubt, the State Government shall pay all the amounts outstanding as per Section 7.19 of this Information Memorandum and all the cumulative value of all Interim Payment Certificate (which value have been issued under the Facility Payment Certificate) not later than six (6) months from the date of the termination. Upon payment thereof, all outstanding Facility Payment Certificate shall be returned to the State Government.

7.24.5 **Refinancing**

The Contractor may refinance any financing secured to fund the Works provided that the State Government and the Contractor shall negotiate in good faith to agree on the basis and method of the refinancing exercise.

7.24.6 **Novation**

For the purpose of financing, the Contractor may novate its rights and obligations under the Design and Build Contract subject to written consent from the State Government. This novation shall only be made to a special purpose vehicle for the purpose of fund raising, if required under the financing structure.

7.25 TERMS OF PAYMENT

7.25.1 The Contractor shall submit to the P.D. on a monthly basis and in such form as the P.D may prescribe, application for interim payment showing the amounts in which the Contractor's opinion are properly entitled to be paid. The submission shall include the following:

(a) the total value of the Works done up to the end of the preceding month;

(b) the amount of any valuations or variations or of the instructions by P.D. (Clause 24 of the Design and Build Contract);

(c) the values of any goods or unfixed materials delivered to or adjacent to the Site intended for use or to be incorporated into the Works;

(d) the amount in regard to the expenditure of Provisional Sums executed or expended (Clause 25 of the Design and Build Contract);

(e) the amount of GST payable on the value of Works done and the value of any goods or unfixed materials delivered to or adjacent to the Site for use or to be incorporated into the Works **("GST Liability")**;

(f) the supervision reports as required by the P.D. under Clause 13.1 of the Design and Build Contract;

(g) the financing costs forming the Deferred Payment Sum which shall be calculated as follows:

$$\textit{Financing Cost} = \textit{Work Completed to Date} \times \frac{\textit{Deferred Payment Sum}}{\textit{Contract Sum}}$$

Where the value of Work Completed to Date is the aggregate of Section 7.25.1 (a), (b), (d), (e), (f) and 90% of (c).

The term Provisional Sum means a sum for work to be executed or the supply of materials or goods which cannot be entirely foreseen, defined or detailed before the date of the letter of acceptance and the P.D. shall issue instruction to the Contractor in regard to the expenditure of such provisional sum.

7.25.2 The amount included in the monthly statement shall be the sum of the items referred to in Section 7.25.1 of this Information Memorandum less:

(a) the cumulative amount of payments made to the Contractor;

(b) the cumulative amount previously certified as due and payable to the Contractor;

(c) any other sums due to or claimed by the State Government under any provision of the Design and Build Contract or at law.

7.25.3 The P.D shall within fourteen (14) days from the date of receipt of application for Interim Payment certification, inspect and verify the Works, and make a valuation of the same and issue an Interim Payment Certificate stating the amount due to the Contractor. The Interim Payment Certificate (and the amount stated therein) shall be conclusive evidence of the amount due and owed to the Contractor from the State Government. The Interim payment Certificate shall be irrevocable and unconditional.

7.25.4 The amount stated as due in an Interim Payment Certificate shall be the aggregate of (i) the estimated total value of the Works done and properly executed and up to ninety (90) percent of the value of any goods or unfixed materials delivered to or adjacent to the Site intended for use or to be incorporated into the Works up to and including the date the valuation was made (ii) the GST and (iii) the financing cost due to and payable by the State Government to the Contractor calculated in accordance with Section 7.25.1(g) of this Information Memorandum, less the sum specified under Section 7.25.2 of this Information Memorandum. PROVIDED THAT such Certificate shall only include the value of the said goods or unfixed materials as and from such time as they are reasonably and properly and not prematurely delivered to or adjacent to the Site and adequately protected against weather, damage or deterioration.

7.25.5 Upon receipt of the Interim Payment Certificate by the Contractor, the Contractor shall stipulate:

(i) the amount due to the Contractor as stated in the Interim Payment Certificate;

(ii) the repayment dates/number of instalment payments allocated for the amount due in accordance with the Deferred Payment Schedule as set out in Appendix 6 to this Information Memorandum based on first-in first-out basis whereby the total amounts to be paid shall be commensurate with the Deferred Payment Sum as stated in the Deferred Payment Schedule as set out in Appendix 6 to this Information Memorandum,

in the facility payment certificate in the format as set out in Appendix 11 of the Design and Build Contract and submit the Facility Payment Certificate and the Interim Payment Certificate to the State Government.

7.25.6 Upon receipt by the State Government of the Facility Payment Certificate, the State Government shall within fourteen (14) days of receipt, endorse, approve and sign the Facility Payment Certificate and issue the Facility Payment Certificate to the Contractor.

7.25.7 Each Facility Payment Certificate issued shall contain an undertaking by the State Government that:

(i) the State Government acknowledges and undertakes to make payment of up the total amount due in each Facility Payment Certificate;

(ii) the State Government's undertaking shall be irrevocable and unconditional;

(iii) the State Government's undertaking shall be valid on the respective dates and in accordance with the Facility Payment Certificate.

7.25.8 The State Government shall pay the Contractor the amount certified as due to the Contractor in the Facility Payment Certificate on an annual basis as set out in Appendix 6 to this Information Memorandum with the first payment commencing from the forty ninth (49^{th}) month from the Date of Possession.

7.25.9 The Contractor shall have the right to assign the rights, benefits and interests under any Facility Payment Certificate to any entity and/or a financial institution and/or trustee as security in connection with a bona fide financing transaction whereby the State Government shall grant its consent to any such assignment.

7.26 LAW GOVERNING THE DESIGN AND BUILD CONTRACT

The Design and Build Contract shall be governed by and construed according to the laws of Malaysia.

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SECTION 8
INDUSTRY OVERVIEW

The information below is included for information purposes only and has not been independently verified by the Principal Adviser / Joint Lead Arrangers / Joint Lead Managers. All data and information below have been obtained from publicly available official sources of Malaysia. Neither the Issuer, any one of the Principal Adviser / Joint Lead Arrangers / Joint Lead Managers nor any other party will be held responsible for any information contained herein.

8.1 OVERVIEW AND OUTLOOK OF THE MALAYSIAN ECONOMY

8.1.1 <u>Overview</u>

The Malaysian economy grew by 4.5% in the first quarter of 2019

Overall GDP growth was moderate at 4.5% in the first quarter of 2019 (4Q 2018: 4.7%), driven mainly by the expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.1% (4Q 2018: 1.3%).

Domestic demand remained the key driver of growth

Domestic demand expanded by 4.4% in the first quarter (4Q 2018: 5.7%), driven by firm household spending amid weaker capital expenditure.

After three consecutive quarters of robust spending, private consumption growth moderated but remained strong at 7.6% (4Q 2018: 8.4%). This mainly reflected the normalisation in spending following the frontloading of purchases during the tax holiday period. Nonetheless, household spending continued to be supported by income and employment growth.

Public consumption expanded at a faster pace of 6.3% (4Q 2018: 4.0%), attributable to higher growth in spending on supplies and services.

Gross fixed capital formation contracted by 3.5% (4Q 2018: 0.6%), weighed down by weaker private and public sector investment. By type of assets, investment in structures declined by 1.3% (4Q 2018: 1.3%) amid subdued property market activity. Capital expenditure on machinery and equipment registered a larger contraction of 7.4% (4Q 2018: -1.3%), affected mainly by a decline in transport equipment spending. Investment in other types of assets also declined by 2.2% (4Q 2018: 4.5%) due mainly to lower research and development (R&D) spending.

Private investment growth slowed to 0.4% (4Q 2018: 5.8%). Investment activity was affected by heightened uncertainty surrounding global trade negotiations and prevailing weaknesses in the broad property segment. Nevertheless, spending on large multi-year projects provided some support to investment growth, particularly in the primary-related manufacturing and utilities services sub-sectors.

Public investment declined further by 13.2% (4Q 2018: -5.9%), on account of lower capital spending by the Federal Government and public corporations.

Moderation across most sectors partially offset by a rebound in growth of the agriculture sector

The services sector growth moderated as the wholesale and retail trade subsector registered slower growth following the post-tax holiday normalisation. However, this was partially offset by higher car sales following the release of new models. Growth in the finance and insurance subsector was sustained, supported by higher insurance premiums relative to claims which offset slower financing. The utilities subsector recorded an improvement given higher demand for electricity, particularly from households amid warmer weather conditions. The information and communication subsector remained supported by demand for data communication services.

Growth in the manufacturing sector moderated, mainly driven by the slowdown in the electronics and electrical ("**E&E**") and primary-related clusters. The slower growth in the E&E cluster was due to lower global demand for semiconductors. The implementation of stricter vehicle emission standards in the European Union and expiring tax rebates for cars in the People's Republic of China ("**PR China**") weighed on demand for automotive semiconductors. Growth in the primary related cluster also moderated as unplanned closure of gas facilities in Sarawak in February affected the production of refined petroleum products, particularly liquefied natural gas. Meanwhile, recovery in the production of palm-oil based products led to an improvement in the consumer-related cluster during the quarter.

The agriculture sector's growth rebounded due to the strong recovery in oil palm yields from the adverse weather last year. Additionally, natural rubber production improved as higher rubber prices spurred more tapping activities during the quarter.

Growth in the mining sector declined further as oil production was affected primarily by unplanned facility closures in Peninsular Malaysia and Sabah. Growth was also weighed by weaker natural gas production as operations were affected by unplanned closure of gas facilities in Sarawak.

The construction sector registered lower growth reflecting slower activities in the non-residential, civil engineering and special trade subsectors. The near completion of large petrochemical projects resulted in a lower growth for the civil engineering subsector. The special trade subsector's growth moderated due mainly to declining early works from transportation projects transitioning to mid-phase. In the non-residential and residential subsectors, growth remained weak due to the oversupply of commercial properties and a high number of unsold residential properties.

Headline inflation turned negative due mainly to lower domestic fuel prices

Headline inflation, as measured by the annual percentage change in the CPI, declined to -0.3% in the first quarter of 2019 (4Q 2018: 0.3%).

The decline was primarily due to lower domestic fuel prices, arising from the resumption of the managed float fuel pricing mechanism from 5 January 2019 amid lower global oil prices during the quarter. The lower price ceiling on RON95 petrol at RM2.08/ litre effective 2 March 2019 also helped contain the increase in domestic fuel prices in March.

The negative inflation during the quarter was not broad-based, with 81% of consumer items not experiencing price declines.

Core inflation, excluding the impact of consumption tax policy changes, was unchanged at 1.6%. While the steady expansion in economic activity was supported by continued employment and income growth, demand-driven inflationary pressures in the economy remained contained in the absence of excessive wage pressure and some degree of spare capacity in the capital stock.

Stable labour market conditions

Labour market conditions remained supportive of economic activity. Employment continued to expand albeit at a more moderate pace of 2.2% (4Q 2018: 2.4%), amid stable unemployment rate (3.3%; 4Q 2018: 3.3%). Strong net employment gains were recorded in the services sector.

Manufacturing sector wage growth remained firm at 7.0% (4Q 2018: 9.8%). Wage growth in export-oriented industries (7.7%; 4Q 2018: 10.8%) continued to outpace that of domestic-oriented industries (5.2%; 4Q 2018: 6.6%).

Higher current account surplus

The current account surplus of the balance of payments widened to RM16.4 billion in the first quarter (4Q 2018: RM10.8 billion), the highest since the first quarter of 2014 (RM19.8 billion). This was due to a higher goods surplus and smaller income and services deficits.

The goods surplus increased to RM33.8 billion (4Q 2018: RM32.7 billion) amid lower imports of production inputs and capital goods. This had offset lower exports in both manufacturing and commodity sectors. The services account registered a smaller deficit of RM1.8 billion (4Q 2018: -RM3.8 billion) owing mainly to lower net payments for foreign transportation services in tandem with more moderate trade activity. The travel account also recorded a higher surplus (RM7.9 billion; 4Q 2018: RM7.7 billion) due to lower outbound travel payments.

In the income accounts, the smaller primary income deficit (-RM10.1 billion; 4Q 2018: -RM12.9 billion) was mainly attributable to lower portfolio investment payments (RM4.7 billion; 4Q 2018: RM7.3 billion). The secondary income deficit amounted to RM5.5 billion (4Q 2018: -RM5.2 billion), on account of continued outward remittances by foreign workers.

Net outflow in the financial account

The financial account registered a net outflow of RM13.8 billion (4Q 2018: net outflow of RM6.1 billion), due mainly to the repayment of interbank borrowings by domestic financial institutions. Net inflows of direct and portfolio investments during the quarter partially offset higher net outflows in the other investment account.

The direct investment account registered a higher net inflow of RM16.3 billion (4Q 2018: net inflow of RM2.1 billion), supported by larger Foreign Direct Investment ("**FDI**") inflows of RM21.7 billion (4Q 2018: net inflow of RM12.9 billion). This partly reflected the divestment of a private healthcare company to a Japanese investor and the formation of a joint venture in the oil and gas sector. By sector, FDI was channelled mainly into the services sector, particularly the healthcare sub-sector, and the manufacturing sector. Direct investments abroad ("**DIA**") by Malaysian companies recorded a lower net outflow of RM5.5 billion (4Q 2018: net outflow of RM10.8 billion). DIA outflows were channelled primarily into the financial services sub-sector and the mining sector.

The portfolio investment account registered a net inflow of RM2.1 billion (4Q 2018: net outflow of RM5.8 billion). During the quarter, investor sentiments in the region improved, following the signalling by the US Federal Reserve for a pause in monetary policy normalisation, and signs of positive developments on trade negotiations between the United States and PR China. This was reflected in the turnaround in non-resident portfolio investments (1Q 2019: net inflow RM13.5 billion; 4Q 2018: net outflow RM2.5 billion), due mainly to higher purchases of domestic debt securities. Non-resident portfolio inflows were partially offset by residents' continued asset acquisition, amounting to a higher net outflow of RM11.4 billion (4Q 2018: net outflow RM3.3 billion).

The other investment account recorded a net outflow of RM31.9 billion (4Q 2018: net outflow of RM1.8 billion). This was attributable mainly to the repayment of inter-bank borrowings. Net errors and omissions amounted to +RM2.9 billion, or +0.7% of total trade. The international reserves of BNM amounted to USD103.0 billion as at end-March 2019, compared to USD101.4 billion as at end-December 2018.

Manageable external debt

Malaysia's external debt stood lower at RM903.7 billion, or 59.5% of GDP as at end-March 2019 (end-December 2018: RM924.9 billion or 63.9% of GDP). The decline was due mainly to net repayment of interbank borrowings and trade credits, and a reduction in non-resident deposits. There was also revaluation adjustment from the stronger ringgit against regional and major currencies during the first quarter of 2019. These were partially offset by a net issuance of bond and notes and higher non-resident holdings of domestic debt securities and intercompany loans.

The country's external debt remains manageable, given its currency and maturity profiles, and the presence of large external assets. Close to one-third of external debt is denominated in ringgit (32.7%; end-December 2018: 31.1%), mainly in the form of non-resident holdings of domestic debt securities (63.2% share) and in ringgit deposits (17.6% share) in domestic banking institutions. As such, these liabilities are not subject to valuation changes from the fluctuations in the ringgit exchange rate.

The remaining external debt of RM607.9 billion or 67.3% of total external debt is denominated in foreign currency ("**FC**") and comprised mostly offshore borrowings. As at end-March 2019, offshore borrowings declined to RM546.9 billion or 36.0% of GDP (end-December 2018: RM566.9 billion or 39.2% of GDP). The corporate sector accounted for slightly more than half of the FC-denominated external debt and is largely subject to prudential and hedging requirements.

By instrument, 35.4% (or RM215.3 billion) of FC-denominated external debt is accounted by interbank borrowings and FC deposits in the domestic banking system. 80.7% of the interbank borrowings are in the form of largely stable intragroup borrowings from related banks overseas, namely parent banks, regional offices and subsidiaries, reflecting banks' centralised liquidity and funding management practices. During the quarter, banks' FC-denominated short-term external debt declined by RM30.7 billion following net repayment of interbank borrowings. This primarily reflected lower funding needs of several foreign banks, including banks operating in Labuan International Banking and Financial Centre. Foreign-currency risk, measured in net open position of FC-denominated exposures remained low at 5.1% of banks' total capital, reflecting banks' continued vigilance in managing risks arising from their external borrowing.

Long-term bonds and notes issued offshore stood at RM157.6 billion as at end-March 2019, accounting for 25.9% of total FC-denominated external debt. These were mainly by non-financial corporations and channelled primarily to finance asset acquisitions abroad. The Federal Government also issued a Samurai bond amounting to RM7.4 billion during the quarter. Intercompany loans, which amounted to RM105.6 billion and accounted for 17.4% of FC-denominated external debt, are typically on flexible and concessionary terms. About 80% of these intercompany loans were obtained by multinational corporations (MNCs) from parent or affiliate companies abroad.

From a maturity perspective, 59.2% of the total external debt is skewed towards medium- to long-term tenure (end-December: 56.2%), suggesting limited rollover risks. Short-term external debt accounted for the remaining 40.8% of external debt. As at 30 April 2019, international reserves stood at USD103.4 billion, sufficient to finance 7.4 months of retained imports, and is 1.1 time the short-term external debt.

Of significance, reserves are not the only means for banks and corporations to meet their external obligations. The progressive liberalisation of foreign exchange administration rules has resulted in significant increase in non-reserves external assets. In particular, banks and corporations held roughly three-quarters of Malaysia's RM1.7 trillion external assets, which can be drawn down to meet their RM698.6 billion external debt obligations, without creating a claim on international reserves. While the flexible exchange rate remains the first line of defense, adequate international reserves and availability of substantial foreign currency external assets by banks and corporations continue to serve as important buffers against potential external shocks.

(Source: Developments in the Malaysian Economy in the First Quarter of 2019, BNM Quarterly Bulletin)

8.1.2 Outlook of the Malaysian economy

Domestic Economy

The outlook for the Malaysian economy remains resilient in the near term despite considerable external and domestic headwinds. Real GDP is projected to expand 4.8% and 4.9% in 2018 and 2019, respectively, supported mainly by domestic demand. Private sector expenditure, in particular, household spending will remain as the anchor of growth following a continuous increase in employment and wage amid benign inflation. Meanwhile, private investment will be supported by new and ongoing projects in the services and manufacturing sectors. On the contrary, public expenditure is expected to grow marginally in 2018 and contract in 2019 following the lower capital outlays by public corporations.

From the supply side, the services sector is expected to remain as the largest contributor, namely wholesale and retail trade, finance and insurance as well as information and communication subsectors, benefitting from steady consumer spending. The manufacturing sector is projected to register a firm growth primarily driven by continuous demand for E&E. Agriculture and mining sectors are expected to rebound in 2019 after recording a marginal contraction in 2018 following an increase in the production of CPO and liquefied natural gas. Meanwhile, the construction sector is expected to moderate following the near completion of infrastructure projects as well as property overhang, particularly in the non-residential segment.

Malaysia's external position is projected to remain resilient in line with steady global economic and trade performances. However, exports are expected to moderate mainly due to slower global trade and investment activities. At the same time, the current account surplus is expected to narrow following widening deficits in the services and income accounts.

(Source: Economic Outlook 2019, Chapter 1 – Economic Management and Prospects, Ministry of Finance Malaysia Economic Report 2018/2019)

8.2 OVERVIEW AND OUTLOOK OF THE INDUSTRY

Access to clean water and sewerage represents one of the most basic foundations of life. Malaysia today has already achieved impressive outcomes with close to 95.1% of its population having access to clean and treated water. The Government of Malaysia remains committed to expanding coverage and improving the quality of the water services industry nationwide. To achieve these objectives, the Water Services Industry Act ("**WSIA**") was introduced in 2006. The WSIA aims to protect long-term financial sustainability and enable continuous improvement of the industry. In addition, the Government of Malaysia remains committed to tackling the long-standing issue of non-revenue water, currently at a national average of 36.6%. The following strategies will be pursued during the Eleventh Malaysia Plan, 2016-2020 ("**Eleventh Plan**"):

(a) <u>Strategy D1: Raising the financial sustainability of the water services industry;</u>

<u>Strengthening the tariff setting mechanism</u>

Capital expenditure for water treatment and distribution will be financed through the Perbadanan Aset Air Berhad to reduce the amount of financial support required from the Government of Malaysia. The viability of this arrangement will need to be tied to a new tariff setting mechanism that promotes full cost recovery. This will ultimately ensure that water services operators are financially sustainable. A new tariff setting mechanism will also be implemented for sewerage service to cover operational cost. This will ensure that service operators are able to carry out scheduled maintenance, minimising incidences of non-compliance and safeguarding the environment.

<u>Implementing joint billing for water and sewerage services</u>

WSIA aims to integrate both water and sewerage services as a single industry. To this end, a joint billing exercise between water and sewerage services will be implemented based on a volumetric formula for sewerage tariffs. This is expected to increase collection rates by 20% to 30% for sewerage services, allowing operators to be financially sustainable.

(b) <u>Strategy D2: Expanding network and treatment plant capacity through infrastructure investment and use of efficient technology</u>

<u>Developing new treatment plants</u>

The Government of Malaysia will ensure water supply sustainability, especially in stressed areas, by constructing new treatment plants or upgrading existing ones. Focus will be given to states which have water supply reserve margins of less than 10% such as Kedah (0%), Selangor (4.5%), and Negeri Sembilan (7.5%).

With the completion of the Langat 2 WTP, the water supply reserve margin for Selangor will reach 14%. Similarly, the upgrading of Kulim High Tech WTP and Batu Kitang WTP will increase reserve margins for the Kulim High Tech Industrial Park in Kedah to 10% and for Kuching in Sarawak to 13%.

Increasing clean and treated water coverage

The Government of Malaysia aims to have 99% of the population served by clean and treated water by 2020. Alternative water supply systems such as rain water harvesting, tube wells, and gravity feed systems will be expanded in rural areas – particularly in Kelantan, Pahang, Sabah, and Sarawak. Efforts to expand connected water supply coverage in these states will continue, supplemented by these alternative systems. These systems will be tailored to local requirements, geographical considerations, and cost effectiveness considerations. Rain water harvesting systems will be adopted in remote areas with high rainfall while gravity feed systems will be adopted in highland areas with limited access.

Expanding connected sewerage services in rural areas

Connected sewerage services will be extended to rural areas through solutions tailored for population agglomerations of less than 5,000 people. This will reduce the use of individual septic tanks and pour flush, which are both major threats to the environment and public health, and result in a two million population-equivalent reduction. Priority will be given to areas bordering water sources and polluted rivers.

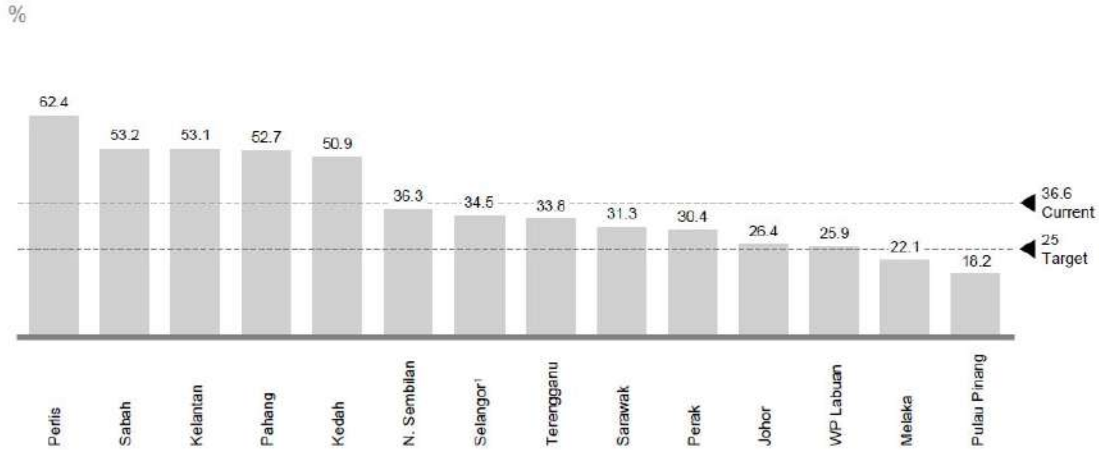
(c) Strategy D3: Increasing efficiency and productivity of water and sewerage services

Implementing a holistic non-revenue water ("**NRW**") reduction programme

During the Eleventh Plan, NRW will be reduced from 36.6% in 2013 to 25%, as shown in Exhibit 7-15, with the implementation of a holistic NRW reduction programme. The reduction of 11% in NRW will result in an additional revenue of up to RM410 million annually. One of the initiatives is to develop comprehensive district metering zones, which also include meter and pipe replacement programmes, and pressure control management. Enforcement on illegal tapping will also be given priority. Regulations to require contractors to only use trained workers in pipe works will be enforced.

Exhibit 7-15

Non-revenue water by states in 2013



[1] Selangor includes FT Kuala Lumpur and FT Putrajaya
Source: Suruhanjaya Perkhidmatan Air Negara

Rationalising and upgrading sewage treatment plants

In the Eleventh Plan, 3,000 small and inefficient sewage treatment plants will be rationalised through the construction of regional and centralised plants with larger capacities and efficient technologies. These plants will be considered for areas that have sufficient demand. In areas where such plants are not feasible, existing treatment plants will be upgraded with new mechanical and electrical components to ensure effluent levels are compliant with standards. This rationalisation is expected to reduce the cost of electricity bills and manpower by 50%. Alternative financing methods based on privatisation concepts will be further promoted as a new source of capital.

(d) Strategy D4: Strengthening the regulatory framework of the water services industry

A comprehensive policy will be prepared for implementing agencies, industry players, and relevant stakeholders to guide the water services industry towards sustainability. This is to promote better and more coordinated planning through an enhanced understanding of the supply and demand chain from all sources.

Developing the National Sewerage Master Plan

SPAN will develop the National Sewerage Master Plan to provide integrated and holistic longterm policy directions and strategic shifts for the sewerage services industry. The master plan will include strategic plans on identification of catchment areas, rationalisation of treatment plants, and funding mechanisms. It will also provide appropriate strategies to encourage migration from individual septic tanks and pour flush to standardised treatment systems to minimise pollution.

Promoting waste to wealth for sewerage

Waste to wealth initiatives will be actively promoted for sewerage service operators. These operators will be encouraged to tap sewage by-products. Guidelines will be introduced under the National Sewerage Master Plan to lay necessary requirements to support these initiatives. In addition, service operators will be encouraged to strengthen their standard operating procedures.

Establishing a water demand management master plan

The Ministry of Energy, Green Technology and Water will develop a master plan on water demand management, which will enable better demand management and provide tools to forecast water demand. Priority will be given to reduce the use of treated water for non-potable uses by using alternative water sources such as rain water harvesting, storm water, and treated waste water. The revision of tariffs will also be used as a water demand management tool. In addition, communications, awareness and education programmes will be intensified to promote the efficient and prudent use of water.

(*Source: Eleventh Malaysia Plan, Chapter 7: Strengthening infrastructure to support economic expansion*)

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SECTION 9
OTHER MATERIAL INFORMATION

9.1 CONFLICT OF INTEREST SITUATIONS AND APPROPRIATE MITIGATING MEASURES

9.1.1 Affin Hwang Investment Bank Berhad and HSBC Amanah Malaysia Berhad

Affin Hwang IB has been appointed the Principal Adviser and Facility Agent and Affin Hwang IB jointly with HSBC Amanah have been appointed as the Joint Lead Arrangers and Joint Lead Managers for the Proposed Sukuk *Wakalah* Programme. In addition, Affin Islamic Bank Berhad, Affin Hwang IB and HSBC Amanah are the financiers under the Interim Facilities. Part of the proceeds raised from the Proposed Sukuk *Wakalah* Programme will be utilised to pay the financial obligations under the relevant Interim Facilities.

In view of the above, there is a potential conflict of interest arising from Affin Hwang IB's role as the Principal Adviser and Facility Agent and Affin Hwang IB's and HSBC Amanah's roles as the Joint Lead Arrangers and Joint Lead Managers for the Proposed Sukuk *Wakalah* Programme.

Affin Hwang IB and HSBC Amanah have considered the factors involved and they believe their objectivity and independence, in carrying out their roles as the Principal Adviser, Facility Agent, Joint Lead Arrangers and Joint Lead Managers for the Proposed Sukuk *Wakalah* Programme, have been and will be maintained at all times for the following reasons:

(i) Affin Hwang IB is a licensed bank and its appointment as the Principal Adviser, Joint Lead Arranger, Joint Lead Manager and Facility Agent for the Proposed Sukuk *Wakalah* Programme is in its ordinary course of business;

(ii) HSBC Amanah is a licensed bank and its appointment as the Joint Lead Arranger and Joint Lead Manager for the Proposed Sukuk *Wakalah* Programme is in its ordinary course of business;

(iii) The roles of Affin Hwang IB and HSBC Amanah will be governed by the relevant agreements and documentation which shall clearly set out the rights, duties and responsibilities of Affin Hwang IB in its capacity as the Principal Adviser and Facility Agent, and Affin Hwang IB and HSBC Amanah in their capacity as Joint Lead Arrangers and Joint Lead Managers for the Proposed Sukuk *Wakalah* Programme; and

(iv) The conduct of Affin Hwang IB and HSBC Amanah are regulated strictly by the Financial Services Act 2013 or the Islamic Financial Services Act 2013 and by its own internal controls and checks.

In order to mitigate or address any such potential conflict of interest, the following measures have been/will be taken:

(i) The potential conflict of interest situation is brought to the attention of the board of directors of the Issuer;

(ii) Zul Rafique & partners acting as the independent legal counsel has been appointed to conduct a legal due diligence inquiry on the Issuer; and

(iii) The potential conflict of interest situation is disclosed in this Information Memorandum.

9.1.2 Zul Rafique & partners

Messrs Zul Rafique & partners is the solicitors to the Principal Adviser, Joint Lead Arrangers, Joint Lead Managers and Facility Agent for the Proposed Sukuk *Wakalah* Programme and the financiers under the Interim Facilities ("**Solicitors for PA/JLA/JLM/FA and Interim Facilities Financiers**") and the solicitors for KAJV with respect to the Design and Build Contract ("**Solicitors for KAJV**").

In view of the above, there is a potential conflict of interest arising from Messrs Zul Rafique & partners' role as the Solicitors for PA/JLA/JLM/FA and Interim Facilities Financiers and the Solicitors for KAJV.

Messrs Zul Rafique & partners has considered the factors involved and it believes that its objectivity and independence, in carrying out its roles as the Solicitors for PA/JLA/JLM/FA and Interim Facilities Financiers and the Solicitors for KAJV, have been and will be maintained at all times as the roles of Messrs Zul Rafique & partners have been clearly set out in the mandate letters issued by Messrs Zul Rafique & partners in relation to its role as Solicitors for PA/JLA/JLM/FA and Interim Facilities Financiers and the Solicitors for KAJV, respectively.

In order to mitigate or address any such potential conflict of interest, the following measures have been/will be taken:

(i) the potential conflict of interest situation has been brought to the attention of the board of directors of the Issuer; and

(ii) the potential conflict of interest situation is disclosed in this Information Memorandum.

9.1.3 FCA Capital Sdn Bhd ("FCA Capital")

FCA Capital Sdn Bhd has been appointed as the Financial Adviser for the Proposed Sukuk *Wakalah* Programme. FCA Capital is a subsidiary of FASK Holding Sdn Bhd, which is one of the shareholders of the Issuer.

In view of the above, there is a potential conflict of interest arising from FCA Capital's role as the Financial Adviser for the Proposed Sukuk *Wakalah* Programme.

FCA Capital has considered the factors involved and believes that objectivity and independence, in carrying out its role as the Financial Adviser for the Proposed Sukuk *Wakalah* Programme, have been and will be maintained at all times as the roles of FCA Capital as the Financial Adviser have been clearly set out in the mandate letter issued by FCA Capital to the Issuer dated 18 July 2016.

In order to mitigate or address any such potential conflict of interest, the following measures have been/will be taken:

(i) the potential conflict of interest situation has been brought to the attention of the board of directors of the Issuer; and

(ii) the potential conflict of interest situation is disclosed in this Information Memorandum.

9.1.4 Malaysian Trustee Berhad

Malaysian Trustees Berhad is the Sukuk Trustee and the Security Trustee for the Proposed Sukuk *Wakalah* Programme.

To the best of their knowledge, Malaysian Trustees Berhad confirms that they are not aware of any existing or potential conflict of interest situation in their capacity as the Security Trustee and the Sukuk Trustee for the Proposed Sukuk *Wakalah* Programme.

9.1.5 Deloitte PLT

Deloitte PLT is the independent auditors for the Proposed Sukuk *Wakalah* Programme

To the best of their knowledge, Deloitte PLT is not aware of any conflict of interest situation arising either in relation to the firm or the individual staff to be involved in relation to their engagement as the independent auditors under the Sukuk *Wakalah* Programme which would impair their ability to provide independent and unbiased letters and/or reports.

The Board of the Issuer acknowledged and confirmed that they have been informed and are aware of the situations as described above. Notwithstanding the above, the Board of the Issuer approves the above said arrangement and is agreeable to proceed with the establishment of the Proposed Sukuk *Wakalah* Programme and any issuances of Sukuk *Wakalah* thereunder in accordance with the present arrangement and terms herein.

9.2 MATERIAL CONTRACTS

As at 15 May 2019, there are no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Issuer.

9.3 MATERIAL LITIGATION

As at 15 May 2019, the Issuer is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board of the Issuer is not aware of any proceedings pending or threatened against the Issuer or of any fact likely to give rise to any proceedings which may adversely affect the Issuer's position or business.

9.4 MATERIAL CONTINGENT LIABILITIES

As at 15 May 2019, the Board of the Issuer is not aware of any material contingent liabilities, which may upon being enforceable, have a material adverse effect on the Issuer's financial position or business.

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Appendix 1

Cash Flow Projections and Assumptions

Konsortium KAJV Sdn Bhd
Cashflow Projections from year 2018 to year 2032

		Actual*	Actual + Projected**													
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Payment from State Government (Based on certified FPCs)				108,824,292	108,824,292	108,824,292	108,824,292	108,824,292	108,824,292	108,824,292	108,824,292	108,824,292	108,824,292	108,824,292	108,824,303	
GST Claimable			5,105,464													
Sukuk Proceeds			650,000,000	350,000,000												
Advances from Shareholders		32,372,883	18,040,000													
RC Drawdown		167,720,729	132,279,271													
Construction Cost ***		(185,677,119)	(468,494,015)	(142,941,791)												
Construction Cost (GST)		(5,238,000)														
Sales and Service Tax (SST)			(14,687,587)	(10,312,413)												
Contribution to Sinking Fund Account		(3,000,000)	(8,956,694)													
Sukuk Profit				(52,040,000)	(60,610,000)	(56,760,000)	(52,840,000)	(47,995,000)	(43,065,000)	(38,050,000)	(30,357,500)	(25,130,000)	(19,817,500)	(17,140,000)	(11,700,000)	(2,925,000)
Sukuk Redemption					(70,000,000)	(70,000,000)	(85,000,000)	(85,000,000)	(85,000,000)	(85,000,000)	(85,000,000)	(85,000,000)	(85,000,000)	(85,000,000)	(90,000,000)	(90,000,000)
RC Repayment				(300,000,000)												
Facility Fees		(2,400,000)														
RC Interest	7.00%	(2,857,776)	(21,000,000)	(10,500,000)												
PB Commission (during construction)	1.75%	(700,000)	(2,149,133)													
PB Commission (post construction)	1.50%			(600,000)	(600,000)	(600,000)										
Fees and Expenses			(19,000,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	
Interest income on Permitted Investments	3.00%			5,208,674	6,185,330	5,778,556	5,210,024	4,558,791	4,023,813	3,623,584	3,390,941	3,334,390	3,422,220	3,660,990	3,967,292	1,818,834
Net cashflow		**220,717**	**271,137,307**	**(52,661,238)**	**(16,500,378)**	**(13,057,152)**	**(24,105,684)**	**(19,911,917)**	**(15,516,895)**	**(10,902,124)**	**(3,442,267)**	**1,728,682**	**7,129,012**	**10,045,282**	**10,791,595**	**(91,106,166)**
Opening cash and bank balances		**158,773**	**379,490**	**271,516,797**	**218,855,558**	**202,355,180**	**189,298,029**	**165,192,345**	**145,280,428**	**129,763,533**	**118,861,410**	**115,419,143**	**117,147,824**	**124,276,836**	**134,322,119**	**145,113,714**
Closing cash and bank balances		**379,490**	**271,516,797**	**218,855,558**	**202,355,180**	**189,298,029**	**165,192,345**	**145,280,428**	**129,763,533**	**118,861,410**	**115,419,143**	**117,147,824**	**124,276,836**	**134,322,119**	**145,113,714**	**54,007,547**

*Actuals are based on management accounts.
**2019 includes actual cash flow for the 5 months period January to May 2019 and projected cash flow for the 7 months period June to December 2019.
***Construction cost includes cost of procurement of materials, payment to sub-contractors, consultancy fees, other direct and indirect expenditures, management fees and income tax.

Basis For Assumptions

1. The Company and the State Government of Terengganu have entered into a Design and Build Contract dated 13 December 2016 for the design, build and refurbishment of water treatment plants for the proposed water supply scheme in Kuala Terengganu Utara, Kuala Terengganu.

2. Payment from Government (Based on certified Facility Payment Certificate(s) ("FPC(s)"))

   The total deferred payment sum payable by the State Government of Terengganu ("State Government") to the Company as contractor upon completion of the Project pursuant to the Design and Build Contract amounts to RM1,305,891,515. Based on the deferred payment schedule, the total deferred payment sum is payable annually amounting to RM108,824,292 per annum commencing from the 49th month from the Project Commencement Date for eleven (11) years with the final amount of RM108,824,303 on the 12th year.

3. Goods and Services Tax

   Malaysia's Ministry of Finance announced that effective from 1 June 2018, the supply of goods and services made in Malaysia, as well as the import of goods and services which subject to the Goods and Services Tax ("GST") at the standard rate of 6%, will now be subject to GST at zero rate (0%). The Company has claimed input GST paid to subcontractors prior to this amendment, amounting to RM5,105,464 from the Royal Malaysian Customs Department, based on monthly returns filed, which they expect to receive in 2019.

4. Sales and Service Tax

   Malaysia's Ministry of Finance announced that from 1 September 2018, Sales and Services Tax ("SST") of 6% will become effective and to be administered by the Royal Malaysian Customs Department ("RMCD"). The Company acts to construct a water treatment plant, which is excluded from the definition of manufacture as per Section 3 of the Sales Tax Act, 2018 and hence not subject to SST. However, SST is applicable on imported and locally manufactured goods either at the time of importation or at the time the goods are sold or otherwise disposed of by the local manufacturer. Hence, the Company has made an allocation of RM14,687,587 and RM10,312,413 for the financial year 2019 and 2020 respectively, as advised by KAJV's technical team upon their assessment of an estimated amount of RM300 million worth of equipment that will be purchased by the sub-contractors towards construction of project.

5. Sukuk Proceeds, Profit, and Redemption

   The Sukuk Wakalah issuances under year 2019 to 2020 are based on the amount required to fund the construction costs of the Project and/or payment of outstanding amount under the Short Term Revolving Credit ("STRC") facility and Short Term Revolving Credit-i ("STRC-i") facility of up to RM300 million with a sub-limit Letter of Credit ("LC") facility of up to RM250 million under the interim facilities which were utilised to fund the construction costs of the Project and balance to pay fees and expenses in relation to the Sukuk Wakalah Programme, prefund the relevant profit payments required and prefund up to RM50 million into the reserve account under the interim facilities. Each Sukuk Wakalah tranche will be supported by Facility Payment Certificate(s) ("FPC(s)") which are assigned to the investors. The FPC(s) are irrevocable and unconditional undertakings by the State Government to make payments on the total amount due under each FPC(s) on the stipulated payment dates. In terms of the financing structure of the Project, the LC facility, STRC facility and STRC-i facility will be utilised to fund the construction costs and the amount of works completed will then be certified and endorsed by the project director via Interim Payment Certificate(s) ("IPC(s)").

The FPC(s) together with the supporting IPC(s) will then be submitted to the State Government for certification and endorsement, in which the FPC(s) will then be utilised to issue the Sukuk Wakalah.

The Sukuk Wakalah profit payments are computed based on total Sukuk Wakalah amount outstanding. Depending on the tenure of each tranche (ranges from 2 years to 12 years), the indicative profit rates of the Sukuk Wakalah ranges from 5.50% per annum to 6.50% per annum.

The Sukuk Wakalah Programme will be subject to the following redemption schedule:

Tranche	**Financial Year**	**Profit rate**	**Nominal sum per Sukuk Issuance (Up to RM'Million)**	**Anniversary year from the Project Commencement Date**
1	2021	5.5%	70.0	5.0
2	2022	5.6%	70.0	6.0
3	2023	5.7%	85.0	7.0
4	2024	5.8%	85.0	8.0
5	2025	5.9%	85.0	9.0
6	2026	6.0%	85.0	10.0
7	2027	6.1%	85.0	11.0
8	2028	6.2%	85.0	12.0
9	2029	6.3%	85.0	13.0
10	2030	6.4%	85.0	14.0
11	2031	6.5%	90.0	15.0
12	2032	6.5%	90.0	16.0
			1,000.0	

6. Revolving Credits

The Company has obtained STRC facility and STRC-I facility amounting to RM35 million and RM265 million respectively.

The outstanding amount of STRC facility and STRC-i facility as at 31 December 2018 amounts to RM167,720,729 which was utilised to part finance the construction works under the Project. The remaining amount under the facility limit amounting to RM132,279,271 is expected to be utilized in 2019 for the same purpose.

The outstanding amount under the STRC facility and STRC-i facility will be fully settled at the end of its tenure, during the financial year 2020 via proceeds from the Sukuk Wakalah Programme, and/or any other source of proceeds, income or monies generated or received by the Company.

The profit payments under the STRC facility and STRC-i facility are computed based on amount outstanding under the STRC facility and STRC-i facility. The profit rate for the STRC facility and STRC-i facility are assumed at 7.00% in the cash flow projections.

7. Construction Cost

The total construction cost of RM797,112,925 for the Project is based on a fixed lump sum amount which the State Government agrees to pay to the Company as contractor upon completion of the Project, excluding the financing cost of RM508,778,590, pursuant to the Design and Build Contract. As at 31 December 2018, the Company has completed construction works equivalent to an amount of RM185,677,119. The construction period of the project is for 48 months from Project Commencement Date. The management fee and corporate tax expenses have been included in the construction cost.

8. Advances from Shareholders

Advances from Shareholders represent interest free amounts received, on an as needed basis, to be utilised for construction works under the project.

9. Performance Bond

The Performance Bond ("PB") facility under the interim facilities is up to RM40 million. The tenure of the PB facility is up to seven (7) years (inclusive of a defects liability period of twenty-four (24) months and covering an additional twelve (12) months after completion of the defects liability period) from the Project Commencement Date. The commission for the PB facility is 1.75% per annum payable annually in advance (for period from Project Commencement Date to Project Completion Date) and 1.50% per annum payable annually in advance (for period from post completion of the Project throughout the tenure of the PB facility).

10. Contribution to Sinking Fund Account

Contribution to sinking fund account is based on the Performance Bond ("PB") facility agreement whereby an amount equivalent to 30% of the outstanding amount under the PB facility shall be built up progressively for a period of twelve (12) months commencing one (1) month from the date of issuance of the PB.

11. Fee and Expenses

Fees and expenses comprise of all the estimated fees and expenses incurred / to be incurred for the issuance of the Sukuk Wakalah Programme i.e. Principal Adviser fee, Joint Lead Arrangers fees, Joint Lead Managers fees, Financial Adviser fee, rating fee, trustee fee, accountants fee, solicitors fee, regulatory authorities fees, etc.

12. Interest Income on Permitted Investments

The funds held in the designated accounts are assumed to be invested in the permitted investments at a rate of return of 3.00% per annum.

13. Corporate Tax

The corporate tax payments have been included in construction cost as stated in note 7 above. The corporate tax payments are expected to be made in the respective year of assessment.

14. Ending cash and bank balances

    The ending cash and bank balances represent closing balances held by the Company for project activity.

Appendix 2

Audited Financial Statement of Issuer for FYE2018

Registration No.: 1182372-P

KONSORTIUM KAJV SDN. BHD.

(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2018

AZWATI HANIM & CO.
(NO: AF001962)
Chartered Accountants

Registration No.: 1182372-P

KONSORTIUM KAJV SDN. BHD.
(Incorporated in Malaysia)

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CORPORATE INFORMATION

DIRECTORS	:	AMIRUL AFIF BIN ABD AZIZ DATO' DR MOHD ABDUL KARIM BIN ABDULLAH DATO' NIK MOD AMIN BIN NIK ABD MAJID DATUK AWALAN BIN ABDUL AZIZ ROSLAND BIN OTHMAN
SECRETARY	:	CHONG BEE CHOO (F) MIA 18837
REGISTERED OFFICE	:	SW-03-38 COVA SQUARE JALAN TEKNOLOGI , KOTA DAMANSARA, 47810 PETALING JAYA, SELANGOR DARUL EHSAN
PRINCIPAL OFFICE	:	A-08-07, LEVEL 8 EMPIRE TOWER EMPIRE SUBANG JALAN SS16/1, SS16 47500 SUBANG JAYA SELANGOR
AUDITORS	:	AZWATI HANIM & CO. [AF001962] D-9-1A, JALAN PRIMA SAUJANA 2E SEKSYEN 2, TAMAN PRIMA SAUJANA 43000 KAJANG SELANGOR
PRINCIPAL BANKER	:	CIMB BANK BERHAD

KONSORTIUM KAJV SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are business of builders, construction, all type of hydraulic and water supply related engineering and technology works and services. There has no significant change in these activities during the financial year.

RESULTS

	RM
Profit for the year	18,817,143

DIVIDENDS

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

RESERVES AND PROVISIONS

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

SHARES AND DEBENTURES

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

SHARE OPTIONS

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

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

DIRECTORS

The directors of the Company in office at any time during the year or since the end of the year are:

Amirul Afif Bin Abd Aziz
Dato' Dr Mohd Abdul Karim Bin Abdullah
Dato' Nik Mod Amin Bin Nik Abd Majid
Datuk Awalan Bin Abdul Aziz
Rosland Bin Othman

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

According to the register of directors' shareholding under section 59 of the Companies Act, 2016, the interests of directors in office at the end of the year in the ordinary shares of the Company and its related corporations during the year are as follows:

	Number of Ordinary Shares			
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
The Company				
Direct Interest				
Fask Holding Sdn Bhd	350,000	-	-	350,000
Mirmas Holding Sdn Bhd	250,000	-	-	250,000
Serba Dinamik Sdn Bhd	400,000	-	-	400,000

None of the other directors in office at the end of the year have interest in shares of the Company or its related corporations during the year ended 31 December 2018.

DIRECTORS' REMUNERATIONS

The amounts of the remunerations of the directors or past directors of the Company comprising remunerations received/receivable from the Company during the year are as follows:

	2018
	RM
Allowance	111,000

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

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

OTHER STATUTORY INFORMATION

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

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

(b) to ensure that any current assets which were unlikely to be realised at their book values in the ordinary course of business have been written down to their estimated realisable values.

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

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

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

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

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

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

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

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

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

Registration No.: 1182372-P

In the opinion of the directors:

(a) the results of the operations of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature.

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

AUDITORS' REMUNERATIONS

Total amounts paid to or receivable by the auditors as remunerations for their services as auditors are as follows:

	2018
	RM
Statutory audit	32,000

AUDITORS

The retiring auditors, Messrs. Azwati Hanim & Co., have indicated their willingness to be re-appointed.

On behalf of the Board of Directors

Dato' Nik Mod Amin Bin Nik Abd Majid
Director

Datuk Awalan Bin Abdul Aziz
Director

Subang Jaya, Selangor
Date: 10 JUN 2019

Registration No.: 1182372-P

KONSORTIUM KAJV SDN. BHD.
(Incorporated in Malaysia)

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

The directors of Konsortium KAJV Sdn. Bhd. state that, in their opinion, the financial statements of the Company set out on pages thereon are drawn up in accordance with Malaysian Private Entities Reporting Standard 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 Company as at 31 December 2018 and financial performance of the Company for the year ended 31 December 2018.

On behalf of the Board of Directors

Dato' Nik Mod Amin Bin Nik Abd Majid	Datuk Awalan Bin Abdul Aziz
Director	**Director**

Subang Jaya, Selangor
Date: 10 JUN 2019

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

I, Amirul Afif Bin Abd Aziz, (IC: 670228-11-5369), the director primarily responsible for the financial management of Konsortium KAJV Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages thereon are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the above-named Amirul Afif Bin Abd Aziz)
at Bandar Baru Bangi in this day of)
10 JUN 2019

DATUK AWALAN BIN ABDUL AZIZ

Before me,

COMMISSIONER FOR OATHS

Registration No.: 1182372-P

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KONSORTIUM KAJV SDN. BHD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **KONSORTIUM KAJV SDN. BHD.**, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages thereon.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

AUDIT | ACCOUNTING | BUSINESS ADVISORY
Office : +603-8730 1425 Email : azwhan@yahoo.com
Fax : +603-8736 9222 Address : D-9-1A, Jalan Prima Saujana 2/E, Seksyen 2,Taman Prima Saujana, 43000, Kajang, Selangor.

Registration No.: 1182372-P

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KONSORTIUM KAJV SDN. BHD.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

AUDIT | ACCOUNTING | BUSINESS ADVISORY
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Fax : +603-8736 9222 Address : D-9-1A, Jalan Prima Saujana 2/E, Seksyen 2,Taman Prima Saujana, 43000, Kajang, Selangor.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Company to cease to continue as a going concern.

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

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

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.

AZWATI HANIM & CO.
(NO: AF001962)
Chartered Accountants

AZWATI HANIM YAFEE BINTI AMAR
[NO. 2896/06/19(J)]
Partner

Kajang, Selangor
Date: 10 June 2019

Registration No.: 1182372-P

KONSORTIUM KAJV SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 RM	2017 RM
ASSETS			
NON-CURRENT ASSET			
Property, plant and equipment	3	454,935	334,038
CURRENT ASSETS			
Work in progress	4	154,859,371	-
Amount due from contract customer	5	159,936,187	115,109,074
Other receivables and deposits	6	57,835,010	4,642,099
Cash and bank balances		379,490	158,773
		373,010,058	119,909,946
TOTAL ASSETS		373,464,993	120,243,984
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	7	1,000,000	1,000,000
Retained earnings		20,821,349	2,004,206
SHAREHOLDERS' EQUITY		21,821,349	3,004,206
NON-CURRENT LIABILITY			
Hire purchase creditors	8	216,572	215,774
CURRENT LIABILITIES			
Amount due to shareholders	9	70,567,474	38,494,590
Trade payables	10	63,317,590	23,867,294
Other payables and accruals	11	555,855	54,042,519
Hire purchase creditors	8	94,686	58,601
Term loans	12	210,378,280	-
Current tax liabilities		6,513,187	561,000
		351,427,072	117,024,004
TOTAL LIABILITIES		351,643,644	117,239,778
TOTAL EQUITY AND LIABILITIES		373,464,993	120,243,984

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

KONSORTIUM KAJV SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
REVENUE	13	44,827,113	84,557,517
Cost of sales		(4,079,513)	(80,771,997)
Gross profit		40,747,600	3,785,520
Administration expenses		(7,963,237)	(364,675)
Other operating expenses		(1,345,464)	(994,601)
Profit from operations		31,438,899	2,426,244
Finance costs		(6,669,569)	(1,254,208)
Profit before tax	14	24,769,330	1,172,036
Income tax expense	15	(5,952,187)	(211,000)
Profit for the year		18,817,143	961,036

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

KONSORTIUM KAJV SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Share capital RM	Retained earnings RM	Total RM
As at 1 January 2017		1,000,000	1,043,170	2,043,170
Profit for the year		-	961,036	961,036
As at 31 December 2017		1,000,000	2,004,206	3,004,206
Profit for the year		-	18,817,143	18,817,143
As at 31 December 2018		1,000,000	20,821,349	21,821,349

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

KONSORTIUM KAJV SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		24,769,330	1,172,036
Adjustments for:			
Depreciation of property, plant and equipment		88,174	49,452
Interest expenses		6,666,435	1,254,208
Operating profit before working capital changes		31,523,939	2,475,696
Trade receivable		(44,827,113)	(84,557,517)
Other receivable, deposits and prepayments		(53,192,911)	(4,604,281)
Trade payable		39,450,296	21,335,551
Other payable and accruals		(53,486,664)	66,762,791
Work in progress		(154,859,371)	-
Cash (used in)/from operations		(235,391,824)	1,412,240
Interest paid		(6,666,435)	(1,254,208)
Net cash (used in)/from operating activities		(242,058,259)	158,032
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of property, plant and equipment		(209,071)	(383,490)
Net cash used in investing activity		(209,071)	(383,490)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of hire purchase creditors		36,883	274,375
Proceed from term loan repayment		210,378,280	-
Shareholders		32,072,884	-
Net cash from financing activities		242,488,047	274,375
Net increase in cash and cash equivalents		220,717	48,917
Cash and cash equivalents at beginning of the year		158,773	109,856
Cash and cash equivalents at end of the year		379,490	158,773
Cash and cash equivalents comprise:			
Cash and bank balances		379,490	158,773

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

KONSORTIUM KAJV SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

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

The registered office is located at SW-03-38 Cova Square, Jalan Teknologi, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business is located at A-08-07, Level 8, Empire Tower Empire Subang, Jalan SS16, 47500 Subang Jaya, Selangor.

The principal activities of the Company are business of builders, construction, all type of hydraulic and water supply related engineering and technology works and services. There been no significant changes in the nature of the activities during the year.

The financial statements of the Company are presented in the functional currency, which is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is Ringgit Malaysia as the sales and purchases are mainly denominated in Ringgit Malaysia and receipts from operations are usually retained in Ringgit Malaysia and funds from financing activities are generated in Ringgit Malaysia.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Malaysian Private Entities Reporting Standard ("MPERS") and the requirements of the Companies Act, 2016.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain assets and liabilities.

The principal accounting policies adopted are set out below:

2.1 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. After recognition as an asset, an item of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses, except for freehold land and buildings.

Except for freehold land and properties under construction which are not depreciated, depreciation is provided on a straight-line method so as to write off the depreciable amount of the following assets over their estimated useful lives, as follows:

	Rate
Computer	10%
Motor vehicles	10%
Office equipment	20%
Office renovation	20%

2.1 PROPERTY, PLANT AND EQUIPMENT (CONT')

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

If there is an indication of a significant change in factors affecting the residual value, useful life or asset consumption pattern since the last annual reporting date, the residual values, depreciation method and useful lives of depreciable assets are reviewed, and adjusted prospectively.

The carrying amounts of items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising from the derecognition of items of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the item, is recognised in profit or loss. Neither the sale proceeds nor any gain on disposal is classified as revenue.

2.2 IMPAIRMENT OF ASSETS, OTHER THAN INVENTORIES AND FINANCIAL ASSETS

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

When there is an indication that an asset may be impaired but it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset or a cash-generating unit is less than the carrying amount, an impairment loss is recognised to reduce the carrying amount to its recoverable amount. An impairment loss for a cash-generating unit is firstly allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then, to the other non-current assets of the unit pro rata on the basis of the carrying amount of each appropriate asset in the cash-generating unit. Impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case it is treated as a revaluation decrease.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less to sell, value in use and zero.

An impairment loss recognised in prior periods for an asset or the appropriate assets of a cash-generating unit is reversed when there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

2.3 WORK IN PROGRESS

Construction work in progress represents the cost which includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the contract activities based on normal operating capacity.

2.4 FINANCIAL ASSETS

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

On initial recognition, financial assets are measured at transaction price, include transaction costs for financial assets not measured at fair value through profit or loss, unless the arrangement constitutes, in effect, a financing transaction for the counterparty to the arrangement.

After initial recognition, financial assets are classified into one of three categories: financial assets measured at fair value through profit or loss, financial assets that are debt instruments measured at amortised cost, and financial assets that are equity instruments measured at cost less impairment.

i) Financial Assets At Fair Value Through Profit Or Loss

Financial assets are classified as at fair value through profit or loss when the financial assets are within the scope of Section 12 of the MPERS or if the financial assets are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort.

Changes in fair value are recognised in profit or loss.

If a reliable measure of fair value is no longer available for an equity instrument that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that instrument was reliably measurable is treated as the cost of the instrument, and it is measured at this cost amount less impairment until a reliable measure of fair value becomes available.

ii) Financial Assets That Are Debt Instruments Measured At Amortised Cost

After initial recognition, debt instruments are measured at amortised cost using the effective interest method. Debt instruments that are classified as current assets are measured at the undiscounted amount of the cash or other consideration expected to be received.

Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash receipts through the expected life of the financial assets or, when appropriate, a shorter period, to the carrying amount of the financial assets.

iii) Financial Assets That Are Equity Instruments Measured At Cost Less Impairment

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort, and contracts linked to such instruments that, if exercised, will result in delivery of such instruments, are measured at cost less impairment.

2.4 FINANCIAL ASSETS (CONT')

i) Impairment Of Financial Assets

At the end of each reporting period, the Company assesses whether there is any objective evidence that financial assets that are measured at cost or amortised cost, are impaired.

Objective evidence could include:

- significant financial difficulty of the issuer; or
- a breach of contract; or
- the lender granting to the borrower a concession that the lender would not otherwise consider; or
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial assets since the initial recognition of those assets.

For certain category of financial assets, such as trade receivables, if it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the assets are included in a group with similar credit risk characteristics and collectively assessed for impairment.

Impairment losses, in respect of financial assets measured at amortised cost, are measured as the differences between the assets' carrying amounts and the present values of their estimated cash flows discounted at the assets' original effective interest rate.

If there is objective evidence that impairment losses have been incurred on financial assets measured at cost less impairment, the amount of impairment losses are measured as the difference between the asset's carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

The carrying amounts of the financial assets are reduced directly, except for the carrying amounts of trade receivables which are reduced through the use of an allowance account. Any impairment loss is recognised in profit or loss immediately. If, in subsequent period, the amount of an impairment loss decreases, the previously recognised impairment losses are reversed directly, except for the amounts related to trade receivables which are reversed to write back the amount previously provided in the allowance account. The reversal is recognised in profit or loss immediately.

2.4 FINANCIAL ASSETS (CONT')

i) *Derecognition Of Financial Assets*

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are settled, or the Company transfers to another party substantially all of the risks and rewards of ownership of the financial assets.

On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses are recognised in profit or loss in the period of the transfer.

2.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows comprise cash and bank balances.

2.6 LIABILITIES AND EQUITY

i) *Classification Of Liabilities And Equity*

Financial liabilities and equity instruments are classified in accordance with the substance of the contractual arrangement, not merely its legal form, and in accordance with the definitions of a financial liability and an equity instrument.

ii) *Equity Instruments*

Ordinary shares are classified as equity.

Equity instruments are any contracts that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company, other than those issued as part of a business combination or those accounted for in paragraph 22.15A to 22.15B, are measured at the fair value of the cash or other resources received or receivable, net of transaction costs. If payment is deferred and the time value of money is material, the initial measurement shall be on a present value basis.

The Company accounts for the transaction costs of an equity as a deduction from equity. Income tax relating to the transaction costs is accounted for in accordance with Section 29 of the MPERS.

Distributions to owners are deducted from the equity. Related income tax is accounted for in accordance with Section 29 of the MPERS.

2.7 PROVISIONS

A provision is recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties are taken into account in reaching the best estimate of a provision. When the effect of the time value of money is material, the amount recognised in respect of the provision is the present value of the expenditure expected to be required to settle the obligation.

2.8 LEASES

i) Finance Leases

Leases of property, plant and equipment are classified as finance lease where substantially all the risks and benefits incidental to the ownership of the assets, but not the legal ownership, are transferred to the Company.

The Company initially recognises its rights of use and obligations under finance leases as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, determined at the inception of the leases. Any initial direct costs are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method. A finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as an expense in the period in which they are incurred.

The depreciation policy for depreciable leased assets is consistent with that of depreciable assets that are owned. If there is no reasonable certainty that the Company will obtained ownership by the end of the lease term, the leased assets are fully depreciated over the shorter of the lease terms and their useful life. At each reporting date, the Company assesses whether the assets leased under the finance lease are impaired.

2.9 FINANCIAL LIABILITIES

Financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial liabilities are measured at transaction price, include transaction costs for financial liabilities not measured at fair value through profit or loss, unless the arrangement constitutes, in effect, a financing transaction for the Company to the arrangement.

After initial recognition, financial liabilities are classified into one of three categories: financial liabilities measured at fair value through profit or loss, financial liabilities measured at amortised cost, or loan commitments measured at cost less impairment.

i) Financial Liabilities Measured At Fair Value Through Profit Or Loss

Financial liabilities are classified as at fair value through profit or loss when the financial liabilities are within the scope of Section 12 of the MPERS or if the financial liabilities are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort.

If a reliable measure of fair value is no longer available for an equity instrument that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that instrument was reliably measurable is treated as the cost of the instrument, and it is measured at this cost amount less impairment until a reliable measure of fair value becomes available.

2.9 FINANCIAL LIABILITIES (CONT')

i) Financial Liabilities Measured At Amortised Cost

After initial recognition, financial liabilities other than financial liabilities at fair value through profit or loss are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities are derecognised or impaired.

Effective interest method is a method of calculating the amortised cost of financial liabilities and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liabilities or, when appropriate, a shorter period, to the carrying amount of the financial liabilities.

ii) Loan Commitments Measured At Cost Less Impairment

Commitments to receive loan that meet the conditions of Section 11 of the MPERS are measured at cost less impairment.

iii) Derecognition Of Financial Liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amounts of the financial liabilities derecognised and the consideration paid is recognised in profit or loss.

2.10 REVENUE

i) Construction Contracts

When the outcome of a construction contract activity can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. Stage of completion is determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue are recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately, with a corresponding provision for an onerous contract.

2.11 INCOME TAX

Tax expense is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised in other comprehensive income.

2.11 INCOME TAX (CONT')

Tax payable on taxable profit for current and past periods is recognised as a current tax liability to the extent unpaid. If the amount paid in respect of the current and past periods exceeds the amount payable for those periods, the excess is recognised as a current tax asset.

Current tax assets and liabilities are measured at the amounts expected to be paid or recovered, using the tax rates and laws that have been enacted or substantially enacted by the reporting date.

Current tax liabilities and assets are offset if, and only if the Company has a legally enforceable right to set off the amounts and plan either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is provided in full on temporary differences which are the differences between the carrying amounts in the financial statements and the corresponding tax base of an asset or liability at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all deductible temporary differences that are expected to reduce taxable profit in the future and the carryforward of unused tax losses and unused tax credits.

Deferred tax liabilities and assets are not recognised in respect of the temporary differences associated with the initial recognition of an asset or a liability in a transaction that is not a business combination and at the time of the transactions, affects neither accounting profit nor taxable profit. Deferred tax liabilities are also not recognised for temporary difference associated with the initial recognition of goodwill.

Deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amounts of their assets and liabilities and are measured at the tax rates and laws that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the reporting date.

3 PROPERTY, PLANT AND EQUIPMENT

	As at 1 January 2018 RM	Additions RM	Disposals RM	As at 31 December 2018 RM
Cost				
Computer	14,455	-	-	14,455
Motor vehicle	338,497	137,141	-	475,638
Office equipment	4,433	35	-	4,468
Renovation	26,105	71,895	-	98,000
	383,490	209,071	-	592,561

3 PROPERTY, PLANT AND EQUIPMENT (CONT')

	As at 1 January 2018 RM	Charges for the year RM	Disposals RM	As at 31 December 2018 RM
Accumulated Depreciation				
Computer	1,445	1,446	-	2,891
Motor vehicle	47,715	76,854	-	124,569
Office equipment	74	74	-	148
Renovation	218	9,800	-	10,018
	49,452	88,174	-	137,626

	2018 RM	2017 RM
Carrying Amounts		
Computer	11,564	13,010
Motor vehicle	351,069	290,782
Office equipment	4,320	4,359
Renovation	87,982	25,887
	454,935	334,038

4 WORK IN PROGRESS

	2018 RM	2017 RM
At cost:		
Work-in-progress	154,859,371	-

Work in progress is valued on the basis of expenditure incurred and certified gross progress claim certificates up to 31 December. Work in Progress is not depreciated. The cost of work in progress includes material, labor and an allocation of constructions overhead, which is based on normal operating capacity.

5 AMOUNT DUE FROM CONTRACT CUSTOMER

	2018 RM	2017 RM
Progress billings	159,936,187	115,109,074

6 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 RM	2017 RM
Other receivables	13,858,746	4,209,340
Deposits	43,976,264	432,759
	57,835,010	4,642,099

Included in other receivables is RM8,450,000 (2017: RM0) owing by a company in which certain directors of the Company have interests. The outstanding amount is unsecured, interest-free and repayable on demand.

7 SHARE CAPITAL

	Number of shares			
	2018 Units	2017 Units	2018 RM	2017 RM
Issued and fully paid ordinary shares				
At beginning and end of the year	1,000,000	1,000,000	1,000,000	1,000,000

Pursuant to the Companies Act 2016 effective from 31 January 2017, the concept of authorised share capital and par value has been abolished. Amount standing to the credit of share premium account/capital redemption reserve are transferred to share capital as at that date.

Ordinary shares of the Company have no par value. The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

8 HIRE PURCHASE CREDITOR

	2018 RM	2017 RM
Minimum lease payments		
Not later than 1 year	87,876	70,800
Later than 1 years	258,294	233,517
	346,170	304,317
Future finance charges	(32,912)	(29,942)
Present value of finance lease	313,258	274,375
Present value of finance lease is analysed as follows:		
Not later than 1 year	94,686	58,601
Later than 1 years	216,572	215,774
	313,258	274,375

9 AMOUNT DUE TO SHAREHOLDERS

This amount is unsecured, interest-free and repayable on demand. No provisions for uncollectible receivables are required for the amounts of outstanding balances due from related companies.

10 TRADE PAYABLES

The normal trade credit terms granted to the Company ranges from 30 to 90 days.

11 OTHER PAYABLES AND ACCRUALS

	2018 RM	2017 RM
Other payables	498,937	54,009,618
Accruals	56,918	32,901
	555,855	54,042,519

12 TERM LOANS

	2018 RM	2017 RM
Other bank borrowings		
Current liabilities		
Secured:		
- Term loans	210,378,280	-

LOAN
Revolving loan is granted by a licensed bank to the Company to finance the construction project of the Company. The revolving loan is secured by way of:-

1. the appointed of the Security Trustee as the financiers
2. the Security Trustee reserves the right at any time if deemed to request for any further security to secure any or all banking facility at any time if and when required.

13 REVENUE

	2018 RM	2017 RM
Contract revenue	44,827,113	84,557,517

14 PROFIT BEFORE TAX

14.1 DISCLOSURE ITEMS

	2018 RM	2017 RM
This is stated after charging:		
Audit fee	32,000	25,000
Depreciation of property, plant and equipment	88,174	49,452
Directors' emoluments	111,000	-
Hire purchase interest	16,042	10,430
House rental	6,000	-
Office rental	50,109	74,167
Term loan interest	6,650,393	1,243,525
Staff cost (Note 14.2)	6,650,393	1,243,525

14 PROFIT BEFORE TAX (CONT')

14.2 STAFF COST

	2018 RM	2017 RM
Salaries, bonuses and allowances	1,062,248	802,310
Contribution to defined contribution plan		
EPF contribution	149,440	98,266
SOCSO contribution	9,518	5,476
Other employees benefits		
Staff welfare	180	-
	1,221,386	906,052

15 INCOME TAX EXPENSE

	2018 RM	2017 RM
Current tax expense		
Provision for taxation	5,952,187	211,000
Total income tax expense	5,952,187	211,000

16 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements of the Company were authorised for issue by the Board of Directors on

1 0 JUN 2019

Appendix 3

Audited Financial Statement of FASK Holding for FYE2017

Company No. 820617 - W

FASK HOLDING SDN. BHD.

(Incorporated in Malaysia)

FINANCIAL STATEMENTS

31ST DECEMBER 2017

NASHARUDDIN WONG & CO.
CHARTERED ACCOUNTANTS
(AF: 0981)

Company No. 820617 - W

FASK HOLDING SDN. BHD.

(Incorporated in Malaysia)

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FASK HOLDING SDN. BHD.

(Incorporated in Malaysia)

CORPORATE INFORMATION

BOARD OF DIRECTORS	Dato' Nik Mod Amin bin Nik Abd Majid Nik Nurul Diyanah binti Nik Mod Amin
COMPANY SECRETARY	Normala binti Embi (LS 007381)
REGISTERED OFFICE	B-03-10, Gateway Corporate Suite Gateway Kiaramas, No. 1 Jalan Desa Kiara, Mon't Kiara, 50480 Kuala Lumpur
PRINCIPAL PLACE OF BUSINESS	H-2-06 & H-2-07, Jalan SS6/16A Dataran Glomac, Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan
AUDITORS	Nasharuddin Wong & Co. (AF: 0981) Chartered Accountants (M) 3A01, Block A Pusat Dagangan Phileo Damansara 1 Jalan 16/11, Off Jalan Damansara 46350 Petaling Jaya Selangor Darul Ehsan
PRINCIPAL BANKER	CIMB Islamic Bank Berhad

Company No. 820617 - W

FASK HOLDING SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT - 31ST DECEMBER 2017

The Directors are pleased to submit their report together with the audited financial statements of the Group and the Company for the year ended 31st December 2017.

PRINCIPAL ACTIVITY

The Company has not commenced business as at 31st December 2017.

FINANCIAL RESULTS

	GROUP RM	COMPANY RM
Profit / (Loss) for the year	(1,669,295)	(916,345)
Accumulated profit / (loss) brought forward	(844,502)	(33,108)
Accumulated profit / (loss) carried forward	(2,513,797)	(949,453)

DIVIDENDS

The Directors do not propose to pay any dividend in respect of the current financial year.

DIRECTORS

The Directors who held office during the year since the date of last report are:

Dato' Nik Mod Amin bin Nik Abd Majid

Nik Nurul Diyanah binti Nik Mod Amin

DIRECTORS' BENEFITS

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

No Director has since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statement or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

DIRECTORS' INTEREST

According to the register of Directors' shareholding, the interests of Directors in office at the end of the financial year in the ordinary shares of the Company are as follows:

	Number of Ordinary Shares of RM 1 each in the Company Shareholdings in the name of the Director			
Name of Directors	**At 01.01.2017**	**Acquired**	**Sold**	**At 31.12.2017**
Dato' Nik Mod Amin bin Nik Abd Majid	1,000,001	-	-	1,000,001
Nik Nurul Diyanah binti Nik Mod Amin	1	-	-	1

The other Directors in office at the end of the financial year do not hold any shares in the Company and its related corporations duirng the financial year.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any shares or debentures during the financial year.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Before the income statement and the balance sheet were made out, the Directors took reasonable steps to ensure that any current assets, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Group and the Company misleading.

VALUATION METHODS

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

CONTINGENT LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amounts stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

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

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

AUDITORS

The auditors, Nasharuddin Wong & Co., have indicated their willingness to be re-appointed in accordance with Section 267(1) of the Companies Act, 2016.

The details of the auditors' remuneration are disclosed in Note 21 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors as part of the terms of its audit engagement againts any claims by third parties arising from the audit. No payment has been made to indemnify the auditors during or since the financial year.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATO' NIK MOD AMIN BIN NIK ABD MAJID
Director

NIK NURUL DIYANAH BINTI NIK MOD AMIN
Director

Kuala Lumpur
04 JUN 2018

Company No. 820617 - W

FASK HOLDING SDN. BHD.
(Incorporated in Malaysia)

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

We, Dato' Nik Mod Amin bin Nik Abd Majid and Nik Nurul Diyanah binti Nik Mod Amin, being two Directors of the Company, do hereby state on behalf of the Directors that in our opinion, the accompanying financial statements for the year ended 31st December 2017 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 Company as at 31st December 2017 and of the result and the cash flow of the Group and Company for the year then ended.

Signed on behalf of the board of Directors

DATO' NIK MOD AMIN BIN NIK ABD MAJID
Director

NIK NURUL DIYANAH BINTI NIK MOD
Director

Kuala Lumpur
04 JUN 2018

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

I, Dato' Nik Mod Amin bin Nik Abd Majid, being the Director primarily responsible for the accounting records and financial management of the Company, do solemnly and sincerely declare that the accompanying financial statements for the year ended 31st December 2017 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of Statutory Declaration Act, 1960.

Subscribed and solemnly declared by Dato' Nik Mod Amin bin Nik Abd Majid, I/C. No. 530805-03-5381 at Kuala Lumpur in Wilayah Persekutuan on 04 JUN 2018

Before me,

PESURUHJAYA SUMPAH
W 678
KAPT (B) AFFANDI
BIN AHMAD
1 JAN 2017 - 31 DIS 2018
MALAYSIA

No. 86, Jalan Putra
50350 Kuala Lumpur

COMMISSIONER FOR OATHS

Company No. 820617 - W

FASK HOLDING SDN. BHD.
(Incorporated in Malaysia)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of Fask Holding Sdn. Bhd., which comprise the statement of financial position as at 31st December 2017 of the Group and of the Company, and the statement of comprehensive income,statement of changes in equity and statement of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 28.

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 31st December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Private Entities Reporting Standard 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") (Ref: Note (a)), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' 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 Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Based on the work we have performed, we conclude that there is no material misstatement of the Directors' Report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (continued)

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 Private Entities Reporting Standard 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

i) 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.

ii) 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.

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

iv) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (continued)

v) 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 represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors' have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 6 to the financial statements, being accounts that have been included in the consolidated accounts.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 266 of the Act.

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.

NASHARUDDIN WONG & CO.
AF: 0981
Chartered Accountants

NASHARUDDIN BIN ABD. AZIZ
1675/05/19 (J)
Partner of the firm
Chartered Accountants (M)

Petaling Jaya
04 JUN 2018

Company No. 820617 - W

FASK HOLDING SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2017

		GROUP		COMPANY	
	Notes	2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
Property, plant and equipment	4	3,810,277	3,781,141	-	-
Development cost	5	2,000,000	2,000,000	-	-
Investment in subsidiaries	6	-	-	20,000,000	20,000,000
CURRENT ASSETS					
Inventories	7	4,515,966	8,369,395	-	-
Trade and other receivables	8	126,740,168	39,365,722	-	-
Amount due from directors	9	1,000,002	1,000,002	1,000,002	1,000,002
Amount due from affiliated Company	10	434,667	434,667	-	-
Amount due from related Company	11	9,183,620	410,912	-	-
Tax recoverable		37,166	251,625	-	-
Fixed deposits	12	3,354,792	2,795,537	-	-
Cash and bank balances	13	13,124,561	14,012,359	958	958
		158,390,942	66,640,219	1,000,960	1,000,960
CURRENT LIABILITIES					
Trade and other payables	14	78,440,019	394,109	5,181	1,300
Amount due to subsidiaries	15	-	-	1,480,910	-
Amount due to directors	10	29,070,112	12,839,641	32,766	32,766
Amount due to shareholder	16	1,000,000	1,000,000	-	-
Borrowings	17	2,291,781	2,245,012	1,494,735	1,538,462
Provision for taxation		595,000	59,884	-	-
		111,396,912	16,538,646	3,013,592	1,572,528
NET CURRENT ASSETS / (LIABILITIES)		46,994,030	50,101,573	(2,012,632)	(571,568)
		52,804,307	55,882,714	17,987,368	19,428,432
FINANCED BY :					
Share capital	18	1,000,002	1,000,002	1,000,002	1,000,002
Accumulated loss		(2,513,797)	(844,502)	(949,453)	(33,108)
SHAREHOLDERS' FUNDS		(1,513,795)	155,500	50,549	966,894
Minority interest		21,220,609	19,280,863	-	-
LONG TERM LIABILITY					
Borrowings	18	33,097,493	36,446,351	17,936,819	18,461,538
		52,804,307	55,882,714	17,987,368	19,428,432

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

Company No. 820617 - W

FASK HOLDING SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Notes	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Revenue	19	939,394,153	1,052,871,031	-	-
Cost of sales		(918,858,153)	(1,035,849,837)	-	-
Gross profit		20,536,000	17,021,194	-	-
Other operating income		216,553	(13,360)	-	-
Administration and operating costs		(20,014,174)	(17,003,729)	(3,880)	(3,995)
Profit / (Loss) from operations	20	738,379	4,105	(3,880)	(3,995)
Finance cost	21	(3,080,784)	(654,185)	(912,465)	(14)
Loss before taxation		(2,342,405)	(650,080)	(916,345)	(4,009)
Taxation	22	(567,678)	(274,511)	-	-
Loss after taxation		(2,910,083)	(924,591)	(916,345)	(4,009)
Minority interest		1,240,788	80,089	-	-
LOSS FOR THE YEAR		(1,669,295)	(844,502)	(916,345)	(4,009)

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

Company No. 820617 - W

FASK HOLDING SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2017

GROUP	SHARE CAPITAL RM	RETAINED PROFIT RM	TOTAL RM
Balance at 01.01.2016	1,000,002	-	1,000,002
Loss for the year	-	(844,502)	(844,502)
Balance at 31.12.2016	1,000,002	(844,502)	155,500
Loss for the year	-	(1,669,295)	(1,669,295)
Balance at 31.12.2017	1,000,002	(2,513,797)	(1,513,795)

COMPANY	SHARE CAPITAL RM	ACCUMULATED LOSS RM	TOTAL RM
Balance at 01.01.2016	1,000,002	(29,099)	970,903
Loss for the year	-	(4,009)	(4,009)
Balance at 31.12.2016	1,000,002	(33,108)	966,894
Loss for the year	-	(916,345)	(916,345)
Balance at 31.12.2017	1,000,002	(949,453)	50,549

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

Company No. 820617 - W

FASK HOLDING SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
AS AT 31ST DECEMBER 2017

		GROUP		COMPANY	
		2017	2016	2017	2016
	Notes	RM	RM	RM	RM
OPERATING ACTIVITIES					
Loss before taxation		(2,342,405)	(650,080)	(916,345)	(4,009)
Adjustments for non-cash items	23	3,614,623	1,301,646	912,465	14
		1,272,218	651,566	(3,880)	(3,995)
Changes in working capital					
Inventories		3,853,429	3,273,174	-	-
Debtors and other receivables		4,342,529	1,858,986	-	-
Creditors and other payables		(2,310,542)	4,872	1,484,791	4,023
		7,157,634	5,788,598	1,480,911	28
Interest paid		(3,614,623)	(1,301,646)	(912,465)	(14)
Tax paid		(214,459)	(338,128)	-	-
Net cash flow from operating activities		3,328,552	4,148,824	568,446	14
INVESTING ACTIVITY					
Addition of property, plant and equipment		(355,006)	(595,297)	-	-
Net cash flow from investing activity		(355,006)	(595,297)	-	-
FINANCING ACTIVITY					
Repayment of borrowings		(3,302,089)	(1,751,768)	(568,446)	-
Net cash flow from financing activity		(3,302,089)	(1,751,768)	(568,446)	-
CASH AND CASH EQUIVALENTS					
Net increase / (decrease)		(328,543)	1,801,759	-	14
At beginning of the year		16,807,896	15,006,137	958	944
At end of the year		16,479,353	16,807,896	958	958
CASH AND CASH EQUIVALENTS COMPRISE					
Fixed deposits		3,354,792	2,795,537	-	-
Cash and bank balances		13,124,561	14,012,359	958	958
		16,479,353	16,807,896	958	958

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

NOTES TO THE FINANCIAL STATEMENTS - 31ST DECEMBER 2017

1. CORPORATE INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at B-03-10, Gateway Corporate Suite, Gateway Kiaramas, No. 1, Jalan Desa Kiara, Mon't Kiara, 50480 Kuala Lumpur.

The Company has not commenced business as at 31st December 2017.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial statements of the Group and the Company have been prepared under historical cost convention unless otherwise indicated in the significant accounting policies.

b) Basis of consolidation

The Group financial statements include the audited financial statements of the Company and all of its subsidiaries.

Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

All intercompany transactions, balances and resulting unrealised gains are eliminated. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated using the acquisition method of accounting from the date control is transferred to the Group and are no longer consolidated from the date control ceases.

Minority interests are measured at their shares of the net assets of the subsidiaries.

c) Goodwill on consolidation

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(f). Goodwill arising on the acquisition of subsidiaries is presented separetely in the balance sheet while goodwill arising on the acquisition of associates is included within the carrying amount of the investments in associates.

Goodwill is amortised on a straight-line basis over its estimated useful life 20 years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Plant and equipment

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

Depreciation is provided on the straight line method in order to write off each asset over its estimated useful life. The principal rates used are as follows:

Building	-
Computer	20%
Furniture and fitting	20%
Motor vehicle	20%
Office equipment	20%
Renovation	33%

e) Investment in subsidiary Company

The Company's investments in subsidiary is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(h).

f) Investments

Investments in subsidiaries, associates, jointly controlled entities and other non current investments are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Marketable securities are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increase/decrease in the carrying amount of marketable securities are credited/charged to the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

g) Trade and other receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the year end.

h) Impairment of assets

The carrying values of assets, other than inventories, deferred tax assets and financial assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying value of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price or its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

h) **Impairment of assets (continued)**

An impairment loss is charged to the income statement immediately. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

i) **Income taxes**

Income tax on the profit or loss for the year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year. It is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities and their tax bases at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

j) **Hire purchase**

Plant and equipment acquired under hire purchase financing which transfer substantially all the risk and benefits of ownership to the Company are capitalised as plant and equipment and the corresponding obligation are treated as liabilities.

Hire purchase interest is recognised as an expense in the income statement over the hire purchase period so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

k) **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue from services

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

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

l) **Provisions**

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is a probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

m) **Intangible assets**

The Company had purchased intellectual property rights and amortised on a straight line basis over not more than 5 years. The Directors are of the opinion that the amount paid will benefit the Company from usage of the business ideas. The amount will be reviewed regularly to ensure the recoverable amount is higher of the carrying value of the value in use.

n) **Cash flow statements**

The Company adopt the indirect method in the preparation of cash flow statements.

Cash and cash equivalents consist of cash and bank balances including bank overdraft and deposits, which have an insignificant risk of changes in value.

Inventories consist of cash in hand of the Group and of the Company in notes and coins nominated in multi foreign currencies value in Ringgit Malaysia (RM). Exchange rate are taken as at balance sheet date.

o) **Financial Instruments**

Financial instruments include cash and bank balances, investments, receivables, payables and borrowings. The recognition methods adopted are disclosed in the respective accounting policy statements.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders or financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

p) **Foreign currencies transaction**

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which carried at fair value are translated using the exchange rate existed when the values were determined.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP	Building RM	Computer RM	Furniture and fitting RM	Motor vehicle RM	Office equipment RM	Renovation RM	Total RM
Net book value at 01.01.2017	911,003	246,309	86,019	1,770,036	396,720	371,054	3,781,141
Additions	-	173,025	91,047	338,497	120,571	105,840	828,980
Depreciation charge	-	(123,033)	(61,134)	(409,449)	(117,697)	(88,531)	(799,844)
Net book value at 31.12.2017	911,003	296,301	115,932	1,699,084	399,594	388,363	3,810,277
NET BOOK VALUE AT 31.12.2017							
Cost	911,003	6,074,034	544,757	2,849,724	1,242,894	1,888,296	13,510,708
Accumulated depreciation	-	(5,777,733)	(428,825)	(1,150,640)	(843,300)	(1,499,933)	(9,700,431)
Net book value	911,003	296,301	115,932	1,699,084	399,594	388,363	3,810,277
NET BOOK VALUE AT 31.12.2016							
Cost	911,003	5,901,009	453,710	2,511,227	1,122,323	1,782,456	12,681,728
Accumulated depreciation	-	(5,654,700)	(367,691)	(741,191)	(725,603)	(1,411,402)	(8,900,587)
Net book value	911,003	246,309	86,019	1,770,036	396,720	371,054	3,781,141

5. DEVELOPMENT COST

The development cost represents the cost of development and management of the Franchise Management system and provisions of its related services charged by a shareholder of the Company. The system has not been utilised to date.

6. INVESTMENT IN SUBSIDIARY COMPANIES

6.1. The interest in subsidiary company is as follows :-

	COMPANY	
	2017	2016
	RM	RM
At cost:		
Unquoted shares in Malaysia, at cost	20,000,000	20,000,000

6.2. The subsidiary company which is incorporated in Malaysia is as follows :-

Name	Effective Equity Interest		Principle activity
	2017	2016	
Fask Capital Sdn. Bhd.	91.30%	91.30%	Franchiser business

7. INVENTORIES

	GROUP / COMPANY	
	2017	2016
	RM	RM
Inventories : cash in hand	4,515,966	8,369,395

Inventories consist of cash in hand of the Group and of the Company in notes and coins nominated in multi foreign currencies value in Ringgit Malaysia (RM). Exchange rate are taken as at balance sheet date.

8. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables	74,165,937	5,941,425	-	-
Other receivables	51,797,759	33,182,254	-	-
Deposits	754,951	238,043	-	-
Prepayments	21,521	4,000	-	-
	126,740,168	39,365,722	-	-

(a) The Group's normal trade credit terms ranges from 30 to 90 days. Other credit terms are assessed and approved on a case by case basis.

9. AMOUNT DUE FROM / (TO) DIRECTORS

The amount due to Directors are unsecured, interest free and there is no fixed terms of repayment.

10. AMOUNT DUE FROM AFFILIATED COMPANY

The amount due from affiliated Company is unsecured, interest free and there is no fixed terms of repayment.

11. AMOUNT DUE FROM RELATED COMPANY

The amount due from related Company is unsecured, interest free and there is no fixed terms of repayment.

12. FIXED DEPOSITS

	GROUP	
	2017 RM	2016 RM
Fixed deposits	3,354,792	2,795,537

a) Fixed deposits are pledged as security for facilities obtained by the Company.

b) The interest rate for the Group as at 31st December 2016 was 7.86% (2015 : 7.85%)

14. CASH AND CASH EQUIVALENT

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash at bank	13,124,561	14,012,359	958	958

15. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables	23,867,294	-	-	-
Other payables	54,572,725	394,109	5,181	1,300
	78,440,019	394,109	5,181	1,300

15. AMOUNT DUE TO SUBSIDIARY COMPANIES

The amount due to subsidiary Companies are unsecured, interest free and there is no fixed terms of repayment.

16. AMOUNT DUE TO SHAREHOLDER

The amount due to shareholder is unsecured, interest free and there is no fixed terms of repayment.

17. BORROWINGS

	GROUP / COMPANY	
	2017 RM	2016 RM
Current		
Term loan	2,020,619	2,064,178
Hire purchase creditor	271,162	180,834
	2,291,781	2,245,012
Non current		
Term loan	31,901,769	35,543,658
Hire purchase creditor	1,195,724	902,693
	33,097,493	36,446,351
Total borrowings	35,389,274	38,691,363

17. **BORROWINGS (continued)**

a) The weighted average effective interest rates are as follows:

	GROUP / COMPANY 2017	GROUP / COMPANY 2016
Hire purchase creditor	9.655%	9.785%

b)

	2017	2016
Minimum hire purchase payments		
- not later than 1 year	299,094	180,834
- between 2 to 5 years	1,192,676	1,011,046
- later than 5 years	68,108	-
	1,559,878	1,191,880
Future finance charges on hire purchase	(92,992)	(108,353)
Present value of hire purchase	1,466,886	1,083,527
Present value of hire purchase:		
- not later than 1 year	271,162	180,834
- between 2 to 5 years	1,130,085	902,693
- later than 5 years	65,639	-
	1,466,886	1,083,527

The hire purchase financing is effectively secured as the rights to the assets acquired under hire purchase revert to the hire purchase creditors in the event of default.

c) The maturity structure of the borrowings is as follows:

GROUP / COMPANY	Not later than 1 year RM	Later than 1 year and not later than 5 years RM	Later than 5 years RM	Total RM
At 31st December 2017				
Term loan	2,020,619	14,688,625	17,213,144	33,922,388
Hire purchase creditor	271,162	1,130,085	65,639	1,466,886
	2,291,781	15,818,710	17,278,783	35,389,274
At 31st December 2016				
Term loan	2,064,178	16,324,284	19,219,374	37,607,836
Hire purchase creditor	180,834	902,693	-	1,083,527
	2,245,012	17,226,977	19,219,374	38,691,363

18. SHARE CAPITAL

	GROUP / COMPANY			
	2017		2016	
	No. of shares	RM	No. of shares	RM
Authorised				
Ordinary shares of RM 1 each	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid-up				
Ordinary shares of RM 1 each	1,000,002	1,000,002	1,000,002	1,000,002

19. REVENUE

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Sales of goods and services	101,917,585	16,484,484	-	255,000
Sales of foreign currencies	837,476,568	1,036,386,547	-	-
	939,394,153	1,052,871,031	-	255,000

20. PROFIT / (LOSS) FROM OPERATIONS

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
The profit / (loss) from operations is stated:				
After charging:				
Auditors' remuneration	71,650	40,105	3,500	3,200
Depreciation	750,392	634,101	-	-
Directors' allowance	10,200	8,700	-	-
Directors' benefit	21,840	20,855	-	-
Directors' remuneration	1,805,335	1,390,600	-	-
Rental of motor vehicle	-	25,200	-	25,200
Rental of office	1,356,040	975,295	-	-
Rental of photocopy machine	54,794	63,518	-	-
Rental of water dispenser	140	-	-	-
Staff cost	4,366,745	1,907,397	-	-

20. PROFIT / (LOSS) FROM OPERATIONS (continued)

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
And crediting:				
Bank guarantee interest	-	5,190	-	-
Dividend interest	1,682	35,957	-	-
Fixed deposit interest	9,255	11,468	-	-
Gain on disposal	-	16,000	-	-
Interest income	37,728	-	-	-
Investment interest	60,000	60,000	-	-
Remittance service fees	18,541	3,114	-	-

21. FINANCE COST

	GROUP / COMPANY 2017 RM	GROUP / COMPANY 2016 RM
Bank charges	9,675	15,341
Hire purchase interest	72,292	32,754
Profit sharing	832,834	583,006
Term loan interest	2,165,983	23,070
	3,080,784	654,171

22. TAXATION

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Current year taxation	567,678	274,511	-	-

Tax reconciliation

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

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Profit / (Loss) before taxation	(2,342,405)	(650,080)	(916,345)	(4,009)
Tax calculated at a tax rate of 25%	(585,601)	(162,520)	(229,086)	35,380
Deferred tax adjustments	1,674,405	436,025	229,086	(35,380)
Tax charge	1,088,804	273,505	-	-

Subject to the agreement by the Inland Revenue Board, the Company has sufficient tax credit under Section 108(6) of the Income Tax Act, 1967 to frank the payment of dividend out of all its accumulated profits as at 31st December 2017.

23. ADJUSTMENTS FOR NON-CASH ITEMS

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Depreciation	750,392	634,101	-	-
Interest expenses	3,080,784	654,185	912,465	14
Interest income	(216,553)	13,360	-	-
	3,614,623	1,301,646	912,465	14

24. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main area of financial risk faced by the Group and the policy in respect of the major arrears of treasury activity are set out as follows:

Credit Risk

The management has in place a credit risk policy to monitor and minimise the exposure of default. Trade receivables are monitored on an ongoing basis.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure of credit risk for the Group was represented by the carrying amount of each financial asset.

Interest Rate Risk

The Group's interest rate risk relates to interest-bearing borrowings. The Group ensure that it obtains borrowings at competitive interest rates under the most favourable terms and conditions.

It is the Group's policy to place cash deposit on a short-term basis and therefore allows the Group to respond to significant changes of interest rates promptly. This has minimised the Group's interest rate exposure on interest-bearing investments.

Market risk

Market risk is the potential loss which can arise for positions held by the Company due to adverse changes in the level of market prices or price influencing parameters in the financial markets. The adverse changes can occur in interest rate, foreign exchange and equity markets. The Company regularly reviews these risks and takes proactive measure to mitigate the potential impact of such risks.

Fair Values

The carrying values of the financial assets and liabilities of the Group at the balance sheet date approximate their fair value.

25. EMPLOYEES

The number of employees in the Group and in the Company at the end of the financial year were 289 (2016 : 207) and Nil (2016 : Nil) respectively.

26. COMPARATIVE FIGURES

Certain comparative figures for previous year have been reclassified to conform with the current financial statements presentation.

27. **DATE OF AUTHORISATION FOR ISSUE**

The financial statements were authorised for issue by the Board of Directors on 04 JUN 2018

FASK HOLDING SDN. BHD.
(Incorporated in Malaysia)

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2017

	2017 RM	2016 RM
Revenue	-	-
Less: Cost of services		
Purchases	-	-
Gross profit	-	-
Add: Other income		
Other income	-	-
Less: Detailed administration and operating costs		
Accounting fees	300	300
Auditors' remuneration	2,500	1,000
Filing fees	-	350
Printing and stationery	-	1,252
Secretarial fees	1,080	1,020
Service tax	-	73
	3,880	3,995
Less: Finance cost		
Bank charges	-	14
Term loan interest	912,465	-
	912,465	14
LOSS FOR THE YEAR	(916,345)	(4,009)

Appendix 4

Audited Financial Statement of Mirmas Holding for FYE2018

Registration No.: 812207-T

MIRMAS HOLDING SDN. BHD.

(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2018

AZWATI HANIM & CO.
(NO: AF001962)
Chartered Accountants

Registration No.: 812207-T

MIRMAS HOLDING SDN. BHD.
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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CORPORATE INFORMATION

DIRECTORS	:	DATO' NIK MOD AMIN BIN NIK ABD MAJID DATUK AWALAN BIN ABDUL AZIZ DATUK MAT NOOR BIN NAWI AMIRUL AFIF BIN ABD AZIZ
SECRETARY	:	CHONG BEE CHOO (F) MIA18837
REGISTERED OFFICE	:	SW-03-38 COVA SQUARE JALAN TEKNOLOGI, KOTA DAMANSARA, 47810 PETALING JAYA SELANGOR DARUL EHSAN
PRINCIPAL OFFICE	:	A-08-07, LEVEL 8, EMPIRE TOWER, EMPHIRE SUBANG JALAN SS16/1, SS16 47500 SUBANG JAYA, SELANGOR DARUL EHSAN
AUDITORS	:	AZWATI HANIM & CO. (AF001962) D-9-1A, JALAN PRIMA SAUJANA 2E SEKSYEN 2, TAMAN PRIMA SAUJANA 43000 KAJANG SELANGOR DARUL EHSAN
PRINCIPAL BANKER	:	CIMB BANK BERHAD

MIRMAS HOLDING SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are to carry out all types of hydraulic and water supply engineering and technology works and services. There have been no significant changes in these activities during the financial year.

RESULTS

	RM
Profit for the year	811,600

DIVIDENDS

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

RESERVES AND PROVISIONS

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

SHARES AND DEBENTURES

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

SHARE OPTIONS

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

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

DIRECTORS

The directors of the Company in office at any time during the year and since the end of the year up to the date of this report are:

Dato' Nik Mod Amin Bin Nik Abd Majid
Datuk Awalan Bin Abdul Aziz
Datuk Mat Noor Bin Nawi
Amirul Afif Bin Abd Aziz

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

According to the register of directors' shareholdings under section 59 of the Companies Act 2016, the interests of directors in office at the end of the year in the ordinary shares of the Company and its related corporations during the year are as follows:

	Number of Ordinary Shares			
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
Direct Interest				
Dato' Nik Mod Amin Bin Nik Abd Majid	1,750,000	-	-	1,750,000
Datuk Awalan Bin Abdul Aziz	1,750,000	-	-	1,750,000
Datuk Mat Noor Bin Nawi	500,000	-	-	500,000
Amirul Afif Bin Abd Aziz	1,000,000	-	-	1,000,000

DIRECTORS' REMUNERATIONS

The amounts of the remunerations of the directors or past directors of the Company comprising remunerations received/receivable from the Company during the year, as follows:

	2018
	RM
Allowances	222,000

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

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

OTHER STATUTORY INFORMATION

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

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

(b) to ensure that any current assets which were unlikely to be realised at their book values in the ordinary course of business have been written down to their estimated realisable values.

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

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

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

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

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

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

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

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

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

In the opinion of the directors:

(a) the results of the operations of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature.

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

Registration No.: 812207-T

AUDITORS' REMUNERATIONS

Total amounts paid to or receivable by the auditors as remunerations for their services as auditors are as follows:

	2018
	RM
Statutory audit	8,500
Other services	-
	8,500

AUDITORS

The retiring auditors, Messrs. Azwati Hanim & Co., have indicated their willingness to be re-appointed.

Approved by the Board and signed on behalf of the Directors

Dato' Nik Mod Amin Bin Nik Abd Majid
Director

Datuk Awalan Bin Abdul Aziz
Director

Subang Jaya, Selangor
Date: 10 JUN 2019

Registration No.: 812207-T

MIRMAS HOLDING SDN. BHD.
(Incorporated in Malaysia)

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

The directors of Mirmas Holding Sdn. Bhd. state that, in the opinion of the directors, the financial statements of the Company set out on pages thereon are drawn up in accordance with Malaysian Private Entities Reporting Standard 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 Company as at 31 December 2018 and financial performance of the Company for the year ended 31 December 2018.

Approved by the Board and signed on behalf of the Directors

Dato' Nik Mod Amin Bin Nik Abd Majid
Director

Datuk Awalan Bin Abdul Aziz
Director

Subang Jaya, Selangor
Date: 10 JUN 2019

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

I, Datuk Awalan Bin Abdul Aziz (IC No.; 670228-11-5369), the director primarily responsible for the financial management of Mirmas Holding Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages thereon are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the above-named Datuk Awalan Bin Abdul Aziz)
at Bandar Baru Bangi in the State of Selangor this)
day of 10 JUN 2019

DATUK AWALAN BIN ABDUL AZIZ

Before me,

COMMISSIONER FOR OATHS

Registration No.: 812207-T

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MIRMAS HOLDING SDN. BHD. (Registration No.: 812207-T)

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mirmas Holding Sdn. Bhd., which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages thereon.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

AUDIT | ACCOUNTING | BUSINESS ADVISORY
Office : +603-8730 1425 Email : azwhan@yahoo.com
Fax : +603-8736 9222 Address : D-9-1A, Jalan Prima Saujana 2/E, Seksyen 2,Taman Prima Saujana, 43000, Kajang, Selangor.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MIRMAS HOLDING SDN. BHD. (Registration No.: 812207-T)

(Incorporated in Malaysia)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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Registration No.: 812207-T

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MIRMAS HOLDING SDN. BHD. (Registration No.: 812207-T)
(Incorporated in Malaysia)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Company to cease to continue as a going concern.

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

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

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.

AZWATI HANIM & CO.
(NO: AF001962)
Chartered Accountants

AZWATI HANIM YAFEE BINTI AMAR
[NO. 2896/06/19 (J)]
Partner

Kajang, Selangor
Date: 10 June 2019

AUDIT | ACCOUNTING | BUSINESS ADVISORY
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MIRMAS HOLDING SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 RM	2017 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	31,566	9,357
Development cost	4	4,495,450	4,495,450
Investment in unquoted share	5	17,650,000	3,205,000
		22,177,016	7,709,807
CURRENT ASSETS			
Amount due from shareholders	6	-	1,240,908
Trade receivables	7	177,303	2,178,504
Other receivables and deposits	8	34,268	94,189
Amount due from related companies	9	50,326,530	22,930,100
Cash and bank balances		877,803	954,427
		51,415,904	27,398,128
TOTAL ASSETS		73,592,920	35,107,935
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	10	5,000,000	5,000,000
Retained earnings		3,458,828	2,647,228
SHAREHOLDERS' EQUITY		8,458,828	7,647,228
CURRENT LIABILITIES			
Amount due to shareholders		11,947,153	-
Trade payables	11	1,261,364	1,312,483
Other payables and accruals	12	36,466,178	162,792
Amount due to related companies	9	14,711,085	25,355,282
Current tax liabilities		748,312	630,150
		65,134,092	27,460,707
TOTAL LIABILITIES		65,134,092	27,460,707
TOTAL EQUITY AND LIABILITIES		73,592,920	35,107,935

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

MIRMAS HOLDING SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
REVENUE	13	3,407,667	4,113,346
Cost of sales		(941,608)	(3,708,291)
Gross profit		2,466,059	405,055
Other operating income		-	4,200,000
Administration expenses		(1,430,248)	(1,085,741)
Other operating expenses		(106,049)	(1,439)
Profit before tax	14	929,762	3,517,875
Income tax expense	15	(118,162)	(630,150)
Profit for the year		811,600	2,887,725

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

MIRMAS HOLDING SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Share capital RM	Retained earnings / (accumulated losses) RM	Total RM
As at 1 January 2017		5,000,000	(240,497)	4,759,503
Profit for the year		-	2,887,725	2,887,725
As at 31 December 2017		5,000,000	2,647,228	7,647,228
Profit for the year		-	811,600	811,600
As at 31 December 2018		5,000,000	3,458,828	8,458,828

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

MIRMAS HOLDING SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		929,762	3,517,875
Adjustments for:			
Depreciation of property, plant and equipment		3,309	1,439
Operating profit before working capital changes		933,071	3,519,314
Receivables		2,061,122	(6,837,389)
Payables		36,252,267	390,574
Net cash from/(used in) operating activities		39,246,460	(2,927,501)
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of plant, property and equipment		(25,518)	(10,796)
Net cash used in investing activity		(25,518)	(10,796)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		-	4,600,000
Investment in unquoted share		(14,445,000)	(2,955,000)
Development cost		-	(26,764)
Related companies		(38,040,627)	-
Shareholders		13,188,061	-
Net cash (used in)/from financing activities		(39,297,566)	1,618,236
Net decrease in cash and cash equivalents		(76,624)	(1,320,061)
Cash and cash equivalents at beginning of the year		954,427	2,274,488
Cash and cash equivalents at end of the year		877,803	954,427
Cash and cash equivalents comprise:			
Cash and bank balances		877,803	954,427

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

MIRMAS HOLDING SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

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

The registered office is located at SW-03-38 Cova Square, Jalan Teknologi, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business is located at A-08-07, Level 8, Empire Tower, Empire Subang, Jalan SS16/1, SS16, 47500 Subang Jaya, Selangor Darul Ehsan.

The principal activities of the Company are to carry out all types of hydraulic and water supply engineering and technology works and services.

The financial statements of the Company are presented in the functional currency, which is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is Ringgit Malaysia as the sales and purchases are mainly denominated in Ringgit Malaysia and receipts from operations are usually retained in Ringgit Malaysia and funds from financing activities are generated in Ringgit Malaysia.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Malaysian Private Entities Reporting Standard ('MPERS') and the requirements of the Companies Act 2016.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain assets and liabilities.

The principal accounting policies adopted are set out below:

2.1 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. After recognition as an asset, an item of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses, except for freehold land and buildings.

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

	Rate
Computer and peripherals	20%

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

If there is an indication of a significant change in factors affecting the residual value, useful life or asset consumption pattern since the last annual reporting date, the residual values, depreciation method and useful lives of depreciable assets are reviewed, and adjusted prospectively.

The carrying amounts of items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising from the derecognition of items of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the item, is recognised in profit or loss. Neither the sale proceeds nor any gain on disposal is classified as revenue.

2.2 INVESTMENT

Investment are stated at cost and provision is only made where, in the opinion of directors, there is a permanent diminution in value. Permanent diminution in the value of an investment is recognised as an expense in the period in which the diminution is identified.

2.3 IMPAIRMENT OF ASSETS, OTHER THAN INVENTORIES AND FINANCIAL ASSETS

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

When there is an indication that an asset may be impaired but it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset or a cash-generating unit is less than the carrying amount, an impairment loss is recognised to reduce the carrying amount to its recoverable amount. An impairment loss for a cash-generating unit is firstly allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then, to the other non-current assets of the unit pro rata on the basis of the carrying amount of each appropriate asset in the cash-generating unit. Impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case it is treated as a revaluation decrease.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell, value in use and zero.

An impairment loss recognised in prior periods for an asset or the appropriate assets of a cash-generating unit is reversed when there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

2.4 FINANCIAL ASSETS

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

On initial recognition, financial assets are measured at transaction price, include transaction costs for financial assets not measured at fair value through profit or loss, unless the arrangement constitutes, in effect, a financing transaction for the counterparty to the arrangement.

After initial recognition, financial assets are classified into one of three categories: financial assets measured at fair value through profit or loss, financial assets that are debt instruments measured at amortised cost, and financial assets that are equity instruments measured at cost less impairment.

i) Financial Assets At Fair Value Through Profit Or Loss

Financial assets are classified as at fair value through profit or loss when the financial assets are within the scope of Section 12 of the MPERS or if the financial assets are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort.

Changes in fair value are recognised in profit or loss.

If a reliable measure of fair value is no longer available for an equity instrument that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that instrument was reliably measurable is treated as the cost of the instrument, and it is measured at this cost amount less impairment until a reliable measure of fair value becomes available.

ii) Financial Assets That Are Debt Instruments Measured At Amortised Cost

After initial recognition, debt instruments are measured at amortised cost using the effective interest method. Debt instruments that are classified as current assets are measured at the undiscounted amount of the cash or other consideration expected to be received.

Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash receipts through the expected life of the financial assets or, when appropriate, a shorter period, to the carrying amount of the financial assets.

iii) Financial Assets That Are Equity Instruments Measured At Cost Less Impairment

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort, and contracts linked to such instruments that, if exercised, will result in delivery of such instruments, are measured at cost less impairment.

iv) Impairment Of Financial Assets

At the end of each reporting period, the Company assesses whether there is any objective evidence that financial assets that are measured at cost or amortised cost, are impaired.

Objective evidence could include:

- significant financial difficulty of the issuer; or

- a breach of contract; or

- the lender granting to the borrower a concession that the lender would not otherwise consider; or

- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial assets since the initial recognition of those assets.

For certain category of financial assets, such as trade receivables, if it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the assets are included in a group with similar credit risk characteristics and collectively assessed for impairment.

Impairment losses, in respect of financial assets measured at amortised cost, are measured as the differences between the assets' carrying amounts and the present values of their estimated cash flows discounted at the assets' original effective interest rate.

If there is objective evidence that impairment losses have been incurred on financial assets measured at cost less impairment, the amount of impairment losses are measured as the difference between the asset's carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

The carrying amounts of the financial assets are reduced directly, except for the carrying amounts of trade receivables which are reduced through the use of an allowance account. Any impairment loss is recognised in profit or loss immediately. If, in subsequent period, the amount of an impairment loss decreases, the previously recognised impairment losses are reversed directly, except for the amounts related to trade receivables which are reversed to write back the amount previously provided in the allowance account. The reversal is recognised in profit or loss immediately.

v) Derecognition Of Financial Assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are settled, or the Company transfers to another party substantially all of the risks and rewards of ownership of the financial assets.

On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses are recognised in profit or loss in the period of the transfer.

2.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows comprise cash and bank balances, short-term bank deposits and other short-term, highly liquid investments that have a short maturity of three months or less from the date of acquisition, net of bank overdrafts.

2.6 FINANCIAL LIABILITIES AND EQUITY

i) Classification Of Financial Liabilities And Equity

Financial liabilities and equity instruments are classified in accordance with the substance of the contractual arrangement, not merely its legal form, and in accordance with the definitions of a financial liability and an equity instrument.

ii) Equity Instruments

Ordinary shares are classified as equity.

Equity instruments are any contracts that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company, other than those issued as part of a business combination or those accounted for in paragraph 22.15A to 22.15B, are measured at the fair value of the cash or other resources received or receivable, net of transaction costs. If payment is deferred and the time value of money is material, the initial measurement shall be on a present value basis.

The Company accounts for the transaction costs of an equity as a deduction from equity. Income tax relating to the transaction costs is accounted for in accordance with Section 29 of the MPERS.

Distributions to owners are deducted from the equity. Related income tax is accounted for in accordance with Section 29 of the MPERS.

2.7 PROVISIONS

A provision is recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties are taken into account in reaching the best estimate of a provision. When the effect of the time value of money is material, the amount recognised in respect of the provision is the present value of the expenditure expected to be required to settle the obligation.

2.8 FINANCIAL LIABILITIES

Financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial liabilities are measured at transaction price, include transaction costs for financial liabilities not measured at fair value through profit or loss, unless the arrangement constitutes, in effect, a financing transaction for the Company to the arrangement.

After initial recognition, financial liabilities are classified into one of three categories: financial liabilities measured at fair value through profit or loss, financial liabilities measured at amortised cost, or loan commitments measured at cost less impairment.

i) Financial Liabilities Measured At Fair Value Through Profit Or Loss

Financial liabilities are classified as at fair value through profit or loss when the financial liabilities are within the scope of Section 12 of the MPERS or if the financial liabilities are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort.

If a reliable measure of fair value is no longer available for an equity instrument that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that instrument was reliably measurable is treated as the cost of the instrument, and it is measured at this cost amount less impairment until a reliable measure of fair value becomes available.

ii) Financial Liabilities Measured At Amortised Cost

After initial recognition, financial liabilities other than financial liabilities at fair value through profit or loss are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities are derecognised or impaired.

Effective interest method is a method of calculating the amortised cost of financial liabilities and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liabilities or, when appropriate, a shorter period, to the carrying amount of the financial liabilities.

iii) Loan Commitments Measured At Cost Less Impairment

Commitments to receive loan that meet the conditions of Section 11 of the MPERS are measured at cost less impairment.

iv) Derecognition Of Financial Liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amounts of the financial liabilities derecognised and the consideration paid is recognised in profit or loss.

2.9 REVENUE

i) Rendering Of Services

Revenue from rendering of services is measured by reference to the stage of completion of the transaction at the reporting date.

ii) Construction Contracts

When the outcome of a construction contract activity can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. Stage of completion is determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue are recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately, with a corresponding provision for an onerous contract.

2.10 EMPLOYMENT BENEFITS

i) Short-Term Employment Benefits

Short-term employment benefits, such as wages, salaries and other benefits, are recognised at the undiscounted amount as a liability and an expense when the employees have rendered services to the Company.

The expected cost of accumulating compensated absences are recognised when the employees render services that increase their entitlement to future compensated absences. The expected cost of non-accumulating compensated absences, such as sick and medical leaves, are recognised when the absences occur.

The expected cost of accumulating compensated absences are measured at the undiscounted additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

The expected cost of profit-sharing and bonus payments are recognised when the Company has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the Company has no realistic alternative but to make the payments.

ii) Defined Contribution Plan

Contributions payable to the defined contribution plan are recognised as a liability and an expense when the employees have rendered services to the Company.

2.11 BORROWING COSTS

All borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

2.12 INCOME TAX

Tax expense is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised in other comprehensive income.

Tax payable on taxable profit for current and past periods is recognised as a current tax liability to the extent unpaid. If the amount paid in respect of the current and past periods exceeds the amount payable for those periods, the excess is recognised as a current tax asset.

Current tax assets and liabilities are measured at the amounts expected to be paid or recovered, using the tax rates and laws that have been enacted or substantially enacted by the reporting date.

Current tax liabilities and assets are offset if, and only if the Company has a legally enforceable right to set off the amounts and plan either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is provided in full on temporary differences which are the differences between the carrying amounts in the financial statements and the corresponding tax base of an asset or liability at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all deductible temporary differences that are expected to reduce taxable profit in the future and the carryforward of unused tax losses and unused tax credits.

Deferred tax liabilities and assets are not recognised in respect of the temporary differences associated with the initial recognition of an asset or a liability in a transaction that is not a business combination and at the time of the transactions, affects neither accounting profit nor taxable profit. Deferred tax liabilities are also not recognised for temporary difference associated with the initial recognition of goodwill.

Deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amounts of their assets and liabilities and are measured at the tax rates and laws that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the reporting date.

3 PROPERTY, PLANT AND EQUIPMENT

	As at 1 January 2018 RM	Additions RM	Disposals RM	As at 31 December 2018 RM
Cost				
Computer and peripherals	10,796	25,518	-	36,314

	As at 1 January 2018 RM	Charges for the year RM	Disposals RM	As at 31 December 2018 RM
Accumulated Depreciation				
Computer and peripherals	1,439	3,309	-	4,748

	2018 RM	2017 RM
Carrying Amounts		
Computer and peripherals	31,566	9,357

4 DEVELOPMENT COSTS

	2018 RM	2017 RM
Development cost	4,495,450	4,495,450

Development cost is cost related to technological knowledge acquired from outside Malaysia.

In the opinion of the Directors, the development cost is not impaired as the technology will be installed when the project reach completion which is approximately in year 2020. Cost will be amortised upon installation.

5 INVESTMENT IN UNQUOTED SHARES

	2018 RM	2017 RM
Unquoted shares, at cost	3,205,000	3,205,000
Add: Prior year understated investment	14,445,000	-
	17,650,000	3,205,000

Details of the investment are as follows;

Company's name	Paid up share capital	Effective interest (%)	Year ended	Principal activities
Konsortium KAJV Sdn. Bhd.	1,000,000	25	31 December 2018	Water treatment plants

6 AMOUNT DUE FROM SHAREHOLDERS

This amount is unsecured, interest-free and repayable on demand.

7 TRADE RECEIVABLES

	2018 RM	2017 RM
Trade receivables	177,303	2,178,504
Less: Impairment losses	-	-
	177,303	2,178,504

Included in trade receivables is RM177,303 (2017: RM2,178,504) owing by a company in which certain directors of the Company have interests.

8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 RM	2015 RM
Other receivables	115,290	73,471
Deposits	21,718	20,718
	137,008	94,189

9 AMOUNT DUE FROM / (TO) RELATED COMPANIES

This amount is unsecured, interest-free and repayable on demand. No provisions for uncollectible receivables are required for the amounts of outstanding balances due from related companies.

10 SHARE CAPITAL

	Number of shares			
	2018	2017	2018	2017
	Units	Units	RM	RM
Issued and fully paid ordinary shares				
At beginning and end of the financial year	5,000,000	5,000,000	5,000,000	5,000,000

Pursuant to the Companies Act 2016 effective from 31 January 2017, the concept of authorised share capital and par value has been abolished. Amount standing to the credit of share premium account/capital redemption reserve are transferred to share capital as at that date.

Ordinary shares of the Company have no par value. The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

11 TRADE PAYABLES

Included in trade payables is RM1,594 (2017: RM1,594) owing by a company in which certain directors of the Company have interests.

The normal trade credit terms granted to the Company ranges from 30 to 90 days.

12 OTHER PAYABLES AND ACCRUALS

	2018	2017
	RM	RM
Other payables	51,068,832	19,421
Accruals	76,106	143,371
	51,144,938	162,792

Included in other payables is RM8,450,000 (2017: RM NIL) owing to a company in which certain directors of the Company have interests. The outstanding amount is unsecured, interest-free and repayable on demand.

13 REVENUE

	2018	2017
	RM	RM
Rendering of services	3,407,667	4,113,346

14 PROFIT/(LOSS) BEFORE TAX

14.1 DISCLOSURE ITEMS

	2018 RM	2017 RM
This is stated after charging:		
Audit fee	8,500	7,232
Depreciation of property, plant and equipment	3,309	1,439
Directors' emoluments	222,000	180,000
Salaries, allowances and bonus	596,647	424,642

15 INCOME TAX EXPENSE

	2018 RM	2017 RM
Current financial year	118,162	630,150

16 RELATED PARTY TRANSACTIONS

16.1 SERVICES PROVIDED TO;

	2018 RM	2017 RM
Entities in which the Company has interests	3,407,667	4,113,346

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

17 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements of the Company were authorised for issue by the Board of Directors on 10 June 2019.

Appendix 5

Audited Financial Statement of Serba Dinamik for FYE2018

Serba Dinamik Sdn. Bhd.

(Company No. 266724 - K)
(Incorporated in Malaysia)

Financial statements
for the year ended 31 December 2018

Serba Dinamik Sdn. Bhd.
(Company No. 266724 - K)
(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2018

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

Principal activities

The Company is principally engaged in providing operation and maintenance services, engineering, procurement, construction and commissioning as well as technical training.

There have been no significant changes in the nature of these activities during the year.

Ultimate holding company

Serba Dinamik Holdings Berhad, which is incorporated in Malaysia is regarded by the Directors as the Company's ultimate holding company, during the year and until the date of this report.

Results

	RM'000
Profit for the year	59,982

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review, except for those disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the amount of dividends paid by the Company as reported in the Directors' Report were:

i) A fourth interim of 1.679 sen per ordinary share totalling RM939,840, in respect of financial year ended 31 December 2017 paid on 30 March 2018;

ii) A first interim of 12.500 sen per ordinary share totalling RM7,000,000, in respect for the financial year 31 December 2017 declared on 23 May 2018 and paid on 29 June 2018;

Company No.
266724 - K

Dividend (continued)

iii) A second interim of 11.296 sen per ordinary share totalling RM6,326,289, in respect for the financial year ended 31 December 2018 declared on 29 August 2018 and paid on 28 September 2018; and

iv) A third interim of 7.400 sen per ordinary share totalling RM4,143,624, in respect for the financial year ended 31 December 2018 declared on 27 November 2018 and paid on 27 December 2018.

On 27 February 2019, the Board of Directors declared a fourth interim dividend of 17.088 sen per ordinary share totalling RM9,569,280 in respect of the financial year ended 31 December 2018.

Directors of the Company

Directors who served since the date of the last report are:

Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah
Abdul Kadier Sahib
Dato' Awang Daud Bin Awang Putera
Abu Bakar Bin Hamzah

Directors' interests in shares

As the Company is a wholly owned subsidiary of Serba Dinamik Group Berhad and Serba Dinamik Holdings Berhad, the interests of Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah, Abdul Kadier Sahib and Dato' Awang Daud Bin Awang Putera, who are also directors of Serba Dinamik Holdings Berhad, the ultimate holding company, in the shares of the Company and of its related corporations, are shown in the directors' report of the ultimate holding company.

The other Director holding office at 31 December 2018 does not have any interest in the shares of the Company and of its related corporations during and at the end of the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements of the Company and of its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interest in companies which traded with the Company in the ordinary course of business as disclosed in Note 24 to the financial statements.

Company No.
266724 - K

Directors' benefits (continued)

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were neither changes in the issued and paid-up capitals of the Company, nor issuances of debentures by the Company, during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs for Officers and Auditors

a. Directors and officers

The Directors and officers of the Company are covered by Directors' and Officers' Liability Insurance ("DOL Insurance") secured through its ultimate holding company on a group basis for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the DOL Insurance effected for the Directors and officers of the Group was RM1.16 million.

The insurance premium for the DOL Insurance paid by its ultimate holding company during the financial year amounted to RM63,569.

b. Auditors

Any indemnity given to or insurance effected for the auditors of the Company is to be made to the extent as permitted under Section 289 of the Companies Act 2016. There is no amount of such indemnity given or insurance effected for its auditors during the year.

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

i) there are no bad debts to be written off and no provision need be made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

Company No.
266724 - K

Other statutory information (continued)

At the date of this report, the Directors are not aware of any circumstances:

i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or

ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

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

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

ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2018 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Company No.
266724 - K

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 17 to the financial statement.

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

....

Abdul Kadier Sahib

....

Dato' Awang Daud Bin Awang Putera

Shah Alam,

Date: 16 April 2019

Serba Dinamik Sdn. Bhd.
(Company No. 266724 - K)
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2018

	Note	2018 RM'000	2017 RM'000 Restated
Assets			
Property, plant and equipment	3	698,428	302,556
Investment in subsidiaries	4	8,548	6,544
Investment in associates	5	46,220	46,220
Total non-current assets		753,196	355,320
Inventories	6	495,407	223,017
Contract assets	7	17,034	37,337
Trade and other receivables	8	360,676	364,999
Deposits and prepayments	9	11,413	27,088
Cash and cash equivalents	10	152,588	108,326
		1,037,118	760,767
Asset classified as held for sale	11	16,000	-
Total current assets		1,053,118	760,767
Total assets		1,806,314	1,116,087
Equity			
Share capital	12	56,000	56,000
Retained earnings		273,229	231,657
Equity attributable to owners of the Company		329,229	287,657
Liabilities			
Trade and other payables	15	56,501	-
Loans and borrowings	13	70,965	40,249
Deferred tax liabilities	14	31,414	15,618
Total non-current liabilities		158,880	55,867

Company No.
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Statement of financial position as at 31 December 2018 (continued)

	Note	2018 RM'000	2017 RM'000 Restated
Liabilities			
Loans and borrowings	13	90,801	201,203
Trade and other payables	15	1,186,742	532,916
Contract liabilities	7	18,559	-
Current tax payable		22,103	38,444
Total current liabilities		1,318,205	772,563
Total liabilities		1,477,085	828,430
Total equity and liabilities		1,806,314	1,116,087

The notes on pages 13 to 89 are an integral part of these financial statements.

Serba Dinamik Sdn. Bhd.
(Company No. 266724 - K)
(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Revenue	16	979,641	953,051
Cost of contracts with cusstomers		(829,222)	(788,444)
Gross profit		150,419	164,607
Other operating expenses		(11,748)	(22,136)
Other operating income		3,040	3,726
Administrative expenses		(37,554)	(40,404)
Results from operating activities	17	104,157	105,793
Finance costs	18	(21,101)	(13,764)
Finance income	18	10,456	3,726
Net finance costs		(10,645)	(10,038)
Profit before tax		93,512	95,755
Taxation	19	(33,530)	(44,329)
Profit/Total comprehensive income for the year		59,982	51,426

The notes on pages 13 to 89 are an integral part of these financial statements.

Serba Dinamik Sdn. Bhd.
(Company No. 266724 - K)
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2018

	Non-distributable		*Distributable*	
	Share capital RM'000	**Capital redemption reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2017	55,000	1,000	199,367	255,367
Profit and total comprehensive income for the year	-	-	51,426	51,426
Transfer in accordance with Section 618(2) of the Companies Act 2016	1,000	(1,000)	-	-
Dividends paid to owner of the Company(Note 21)	-	-	(19,136)	(19,136)
At 31 December 2017/ 1 January 2018	56,000	-	231,657	287,657
Profit and total comprehensive income for the year	-	-	59,982	59,982
Dividends paid to owner of the Company (Note 21)	-	-	(18,410)	(18,410)
At 31 December 2018	56,000	-	273,229	329,229
	(Note 12.1)	(Note 12.1)		

The notes on pages 13 to 89 are an integral part of these financial statements.

Serba Dinamik Sdn. Bhd.
(Company No. 266724 - K)
(Incorporated in Malaysia)

Cash flow statement for the year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000 restated
Cash flows from operating activities			
Profit before tax		93,512	95,755
Adjustments for:			
Depreciation of property, plant and equipment	3	39,255	29,201
Finance costs	18	21,101	13,764
Finance income	18	(10,456)	(3,726)
Gain on disposal of property, plant and equipment		-	-
Unrealised foreign exchange (gain)/loss		(336)	6,164
Loss on disposal of financial assset		2,781	-
Operating profit before changes in working capital		145,857	141,158
Changes in working capital:			
Inventories		(272,390)	(3,126)
Trade and other receivables		33,713	(243,514)
Deposits and prepayments		(17,679)	19,695
Trade and other payables		568,828	329,274
Contract assets		20,303	(13,629)
Contract liabilities		18,559	-
Cash generated from operations		497,191	229,858
Interest or profit paid		(3,612)	(992)
Tax paid		(33,634)	(17,138)
Net cash from operating activities		459,945	211,728
Cash flows from investing activities			
Acquisition of property, plant and equipment [Note (i)]		(291,580)	(142,815)
Acquisition of associate		-	(34,000)
Profit/Interest received		10,456	3,726
Decrease in deposits pledged to banks		12,734	5,278
Increase in other investment		(16,000)	-
Acquisition of subsidiaries		-	-
Net cash used in investing activities		(284,390)	(167,811)

Company No.
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Cash flow statement for the year ended 31 December 2018 (continued)

	Note	2018 RM'000	2017 RM'000 restated
Cash flows from financing activities			
Net (repayments of)/proceed from loans and borrowings*	13(iii)	(73,536)	3,055
Repayment of finance lease liabilities	13(iii)	(7,714)	(1,477)
Profit/Interest paid		(17,489)	(12,772)
Dividends paid	21	(18,410)	(19,136)
Net cash used in financing activities		(117,149)	(30,330)
Net increase in cash and cash equivalents		58,406	13,587
Cash and cash equivalents at beginning of year		18,713	5,126
Cash and cash equivalents at end of year [Note (ii)]		77,119	18,713

* *Net of unrealised foreign exchange differences*

Notes:

(i) Acquisition of property, plant and equipment

During the year, the Company acquired property, plant and equipment by the following means:

	2018 RM'000	2017 RM'000
Paid in cash	291,580	142,815
In the form of finance lease (Note 13 (iii)	2,974	8,876
In the form of payables (Note 15)	140,573	-
Total (see Note 3)	435,127	151,691

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Cash flow statement for the year ended 31 December 2018 (continued)

Notes: (continued)

(ii) Cash and cash equivalents

Cash and cash equivalents included in the cash flows statement comprise the following amounts in the statement of financial position:

	2018 RM'000	2017 RM'000
Term deposits placed with licensed banks	66,307	79,041
Cash in hand and at banks	86,281	29,285
Total (see Note 10)	152,588	108,326
Less: Bank overdrafts (Note 13)	(9,162)	(10,572)
Less: Pledged deposits (Note 10)	(66,307)	(79,041)
	77,119	18,713

Serba Dinamik Sdn. Bhd.
(Company No. 266724 - K)
(Incorporated in Malaysia)

Notes to the financial statements

Serba Dinamik Sdn. Bhd. is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of its registered office and principal place of business are as follows:

Registered office
No 67, Sublot 239, Lot 2713, Ground to 3rd Floor, Jalan Tanjung Batu, Kemena Commercial Centre, 97000 Bintulu, Sarawak.

Principal place of business

- Bintulu:	No 67, Sublot 239, Lot 2713, Ground to 3rd Floor, Jalan Tanjung Batu, Kemena Commercial Centre, 97000 Bintulu, Sarawak.
- Shah Alam:	7-5, Pusat Dagangan UMNO Shah Alam, Lot 8 Persiaran Damai, Seksyen 11, 40100 Shah Alam, Selangor Darul Ehsan.
- Labuan:	Lot No.33 Ranch-Rancha, Light Industrial Estate, Off Jalan Rancha Rancha Jalan Arsat, 87000 Federal Territory of Labuan.
- Paka:	Lot 11285, Taman Industri Paka, 23100 Paka, Dungun, Terengganu Darul Iman.

The Company is principally engaged in providing operation and maintenance services, engineering, procurement, construction and commissioning as well as technical training.

The immediate and ultimate holding company during the year are Serba Dinamik Group Berhad and Serba Dinamik Holdings Berhad respectively, both incorporated in Malaysia. Serba Dinamik Holdings Berhad is listed on the main market of Bursa Malaysia Securities Berhad.

These financial statements were authorised for issue by the Board of Directors on 16 April 2019.

1. Basis of preparation

(a) Statement of compliance

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

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1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRS / Amendment / Interpretation	Effective date
MFRS 16, *Leases*	1 January 2019
Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 119, *Employee benefits - Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*	1 January 2019
IC Interpretation 23, *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 3, *Business Combinations (Annual Improvement to MFRS Standards 2015 – 2018 Cycle)*	1 January 2020
Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*	1 January 2020
MFRS 17, *Insurance Contracts*	1 January 2021
Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Yet to be determined

The Company plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2019 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2019 except for Amendments to MFRS 11 and Amendments to MFRS 119, which are presently assessed as not applicable to the Company.

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1. Basis of preparation (continued)

(a) Statement of compliance (continued)

- from the annual period beginning on 1 January 2020 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2020.

The Company does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Company.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Company except as mentioned below:

MFRS 16, *Leases*

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

MFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The adoption of MFRS 16 will result in a change in accounting policy. Based on the assessment, the Company does not expect the application of MFRS 16 to have a significant impact on its financial statements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than disclosed in Note 2.

The financial statement of the Company is prepared on the assumption that the Company is going concern, notwithstanding that as of 31 December 2018, the Company's current liabilities exceeded its current assets by RM265,087. The validity of the going concern assumption is dependent on its holding company to provide continuous financial backing to support the Company to meet its' obligation when due.

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1. **Basis of preparation** (continued)

(b) Basis of measurement (continued)

At the time of this report, there is no reason for the Directors' to believe that there is any significant uncertainty that the holding company will not continue their financial support. Accordingly, the financial statement do not include any adjustments relating to the recoverability and classification of recorded assets amount or to the amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than revenue recognition from construction contracts as disclosed in Note 16.4

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Company, unless otherwise stated.

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2. Significant accounting policies (continued)

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customer* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

(i) Financial instruments;
(ii) Revenue recognition; and
(iii) Impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 27.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting right are considered when assessing control any when such rights are substantive. The Company also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries are measured in the Company's statement of finance position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments include transaction costs.

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2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

As the Company is itself a wholly owned subsidiary of another parent company incorporated in Malaysia and produces consolidated financial statements that comply with Malaysia Financial Reporting Standards, by virtue of the exemption in paragraph 4 of MFRS 10, *Consolidated Financial Statements*, no consolidated financial statements have been prepared by the Company. Copies of the consolidated financial statements of Serba Dinamik Holdings Berhad can be obtained at its registered office at No. 8-5, Pusat Dagangan UMNO Shah Alam, Lot 8, Persiaran Damai Seksyen 11, 40100 Shah Alam, Selangor Darul Ehsan.

(ii) Associates

Associates are entities in which the Company has significant influence, but not control, over their financial and operating policies.

When the Company ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Company's interest in an associate decrease but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

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2. Significant accounting policies (continued)

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

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

(i) Recognition and initial measurement

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

Current year

A financial asset (unless it is a trade receivables without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

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2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

Previous financial year

Financial instrument was recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

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

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2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Current financial year (continued)

(a) Amortised cost (continued)

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets [see note 2(k)(i)] where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment [see note 2(k)(i)].

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2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Previous financial year

In the previous financial year, financial assets of the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that were held for trading, including derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument) or financial assets that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Company No.
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2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Previous financial year (continued)

(b) Held-to-maturity

Held-to-maturity investments category comprised debt instruments that were quoted in an active market and the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments were subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that were not quoted in an active market.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that were not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

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2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Previous financial year (continued)

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment assessment [see Note 2(h)(i)].

Financial liabilities

Current financial year

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

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel; or
(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

Current financial year (continued)

(a) Fair value through profit or loss (continued)

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that were derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business construction or financial liabilities that were specifically designated into this category upon initial recognition.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Previous financial year (continued)

Derivatives that were linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

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2. **Significant accounting policies** (continued)

(c) **Financial instruments** (continued)

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Company, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(v) Derecognition

A financial asset or a part thereof is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

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

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2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "administrative expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Assets under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Plant and machinery	10 years
Motor vehicles	5 years
Furniture, fittings and office equipment	10 years
Tools and equipment	10 years
Office renovation	10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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2. **Significant accounting policies** (continued)

(e) **Leased assets** (continued)

(i) Finance lease (continued)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

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2. Significant accounting policies (continued)

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is determined on the first-in first-out cost basis. The cost of inventories includes expenditure in acquiring the inventories and bringing them to their existing location and condition.

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

(g) Non-current asset held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

(h) Contract asset/Contract liability

A contract asset is recognised when the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* [see note 2(h)(i)].

A contract liability is stated at cost and represents the obligation of the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(i) Contract cost

(i) Incremental cost of obtaining a contract

The Company recognises incremental costs of obtaining contracts when the Company expects to recover these costs.

2. Significant accounting policies (continued)

(i) Contract cost (continued)

(ii) Cost to fulfill a contract

The Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment

(i) Financial assets

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

Current financial year

The Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets (if any). Expected credit losses are a probability-weighted estimate of credit losses.

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2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Financial assets (continued)

Current financial year (continued)

The Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company are exposed to credit risk.

The Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Company assess whether financial assets carried at amortised is credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) *Financial assets* (continued)

Current financial year (continued)

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery amounts due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and associates) were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset had been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

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2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Previous financial year (continued)

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale was not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories [refer Note 2(f)] and deferred tax assets [refer Note 2(r)]) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purpose. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amounts of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial period in which the reversals are recognised.

(m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

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2. Significant accounting policies (continued)

(m) Equity instruments (continued)

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions with equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liabilty is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

Contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(o) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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2. Significant accounting policies (continued)

(o) Provisions (continued)

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Site restoration

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(p) Revenue and other income

(i) Revenue

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

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

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

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2. Significant accounting policies (continued)

(p) Revenue and other income (continued)

(i) ***Revenue*** (continued)

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

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

(ii) ***Rental income***

Rental income is recognised in profit or loss as it accrues, based on rates agreed with tenants.

(iii) ***Government grants***

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(ii) ***Dividend income***

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) ***Interest income***

Interest income is recognised in profit or loss as it accrues, taking into account the effective yield on the asset.

(ii) ***Management fees***

Management fees are recognised in profit or loss as it accrues at contracted rates.

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2. Significant accounting policies (continued)

(q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that affects neither accounting neither taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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2. Significant accounting policies (continued)

(r) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extend that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(s) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Fair value measurements

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

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

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2. Significant accounting policies (continued)

(t) Fair value measurements (continued)

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company 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.

Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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3. Property, plant and equipment

	Freehold land RM'000	Long-term leasehold land (Unexpired lease term > 50 years) RM'000	Short-term leasehold land (Unexpired lease term < 50 years) RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Tools and equipment RM'000	Office renovation RM'000	Assets under construction: Land use rights RM'000	Assets under construction: Other assets RM'000	Total RM'000
Cost												
At 1 January 2017	3,723	3,100	936	11,643	58,602	14,406	4,133	159,775	2,434	-	-	258,752
Additions	-	20,154	-	1,303	20,086	8,156	625	45,354	389	-	55,624	151,691
At 31 December 2017/ 1 January 2018	3,723	23,254	936	12,946	78,688	22,562	4,758	205,129	2,823	-	55,624	410,443
Additions	-	-	-	2	70,895	-	767	99,143	1,152	196,544	68,101	436,604
Adjustment	-	-	-	-	-	(1,477)	-	-	-	-	-	(1,477)
At 31 December 2018	3,723	23,254	936	12,948	149,583	21,085	5,525	304,272	3,975	196,544	123,725	845,570
Depreciation												
At 1 January 2017	-	80	242	1,487	15,587	8,589	2,321	49,124	1,256	-	-	78,686
Depreciation for the year (Note 16)	-	137	17	241	6,889	2,847	357	18,496	217	-	-	29,201
At 31 December 2017/ 1 January 2018	-	217	259	1,728	22,476	11,436	2,678	67,620	1,473	-	-	107,887
Depreciation for the year (Note 16)	-	26	-	257	11,110	2,987	417	24,160	298	-	-	39,255
At 31 December 2018	-	243	259	1,985	33,586	14,423	3,095	91,780	1,771	-	-	147,142
Carrying amounts												
At 31 December 2017	3,723	23,037	677	11,218	56,212	11,126	2,080	137,509	1,350	-	55,624	302,556
At 31 December 2018	3,723	23,011	677	10,963	115,997	6,662	2,430	212,492	2,204	196,544	123,725	698,428

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3. **Property, plant and equipment** (continued)

3.1 Leased property, plant and equipment

The carrying amount of the property, plant and equipment under finance leases are as follows:

	Carrying amounts	
	2018	2017
	RM'000	RM'000
Plant and machinery, tools and equipment	6,427	6,595
Motor vehicles	5,847	7,600
	12,274	14,195

3.2 Security

The assets under finance leases are charged to secure the finance lease liabilities of the Company (see Note 13).

The following property, plant and equipment are charged as security for certain borrowings of the Company (see Note 13).

	Carrying amounts	
	2018	2017
	RM'000	RM'000
Buildings	10,963	11,218
Leasehold land	1,161	12,720

4. Investment in subsidiaries

	2018	2017
	RM'000	RM'000
Unquoted shares, at cost	8,548	6,544

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4. Investment in subsidiaries (continued)

Detail of the subsidiaries are as follows:

Subsidiary	Country of incorporation	Principal activity	Effective ownership interest 2018 %	2017 %
Quantum Offshore Limited**	United Kingdom	Engineering, manufacturing and rotating equipment services	100	100
Serba Dinamik Construction Sdn. Bhd. (formerly known as Top Luxury Sdn. Bhd.)	Malaysia	Construction activities	100	100
Supreme Vista Industries Sdn. Bhd. **	Malaysia	Dormant	100	-

On 1 January 2016, the Company had entered into a sale of shares agreement for the acquisition of 100% equity interest in Supreme Vista Industries Sdn. Bhd. for a cash consideration of RM2,004,255. The acquisition was completed during the year, hence the full consideration, which was previously classified as deposits has been reclassified as to investment in subsidiaries.

The Company is a wholly-owned subsidiary of Serba Dinamik Holdings Berhad and produces consolidated financial statements for public use that comply Malaysian Financial Reporting Standards, by virtue of the exemption in paragraph 4 of MFRS 10, *Consolidated Financial Statements*, no consolidated financial statements have been prepared by the Company. Copies of consolidated financial statements can be obtained at its registered office at No. 8-5, Pusat Dagangan UMNO Shah Alam, Lot 8, Persiaran Damai Seksyen 11, 40100 Shah Alam, Selangor Darul Ehsan.

** *Not audited by member firm of KPMG International.*

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5. Investment in associates

	2018 RM'000	2017 RM'000
Unquoted shares, at cost	46,220	46,220

Details of the associates, which are incorporated in Malaysia, are as follows:

Associate	Principal activity	Effective ownership interest 2018 %	 2017 %
Adat Sanjung Sdn. Bhd. *	Investment holding	30	30
Konsortium Amanie JV Sdn. Bhd.*	Developer of water treatment plant	40	40

* *Not audited by member firms of KPMG International.*

As the Company is a wholly-owned subsidiary of Serba Dinamik Holdings Berhad, and by exemption in Paragraph 4 of MFRS10, *Consolidated Financial Statements*, the investment in associates have not been accounted for using the equity method as no consolidated financial statements have been prepared by the Company.

6. Inventories

	2018 RM'000	2017 RM'000
At cost		
Spare parts and consumables	5,161	6,066
Materials on site	490,246	216,951
	495,407	223,017
Recognised in profit or loss		
Inventories recognised as cost of contracts with customers	470,942	536,260

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7. Contract balances

	2018 RM'000	2017 RM'000 Restated
Contract assets	17,034	37,337
Contract liabilities	(18,559)	-

7.1 Contract assets/(liabilities)

The contract assets primarily relate to the Company's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 60 days.

The contract liabilities primarily relate to the advance consideration received from a customer for construction contract, which revenue is recognised overtime during the construction period.

Significant changes to contract assets and contract liabilities balances during the period are as follows:

	2018 RM'000	2017 RM'000
Contract assets at the beginning of the period not transferred to trade receivables due to change in time frame	(37,337)	-

7.2 Impairment assessment on contract assets

Credit risk on contract assets arose from O&M and EPCC projects undertaken by the Company. As at end of the reporting period, the maximum exposure to credit risk arising from contract assets is represented by the carrying amount in the statement of financial position. Management has taken reasonable steps to ensure the contract assets are not credit impaired. As the contract assets are of similar nature with the trade receivables, credit risk management, policies and processes of managing the risk are the same to those disclosed in Note 22.3 (a)(i).

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8. Trade and other receivables

		2018 RM'000	2017 RM'000 Restated
Trade			
Trade receivables	8.1	211,779	280,155
Amount due from associates	8.2	771	11,882
		212,550	292,037
Non-trade			
Other receivables		31,942	4,600
Amount due from related companies	8.2	100,288	39,735
Amount due from associates	8.2	13,341	15,050
GST receivables		2,555	13,577
		148,126	72,962
Total		360,676	364,999

8.1 Trade receivables denominated in foreign currencies comprise the following amounts:

	2018 RM'000	2017 RM'000
United States Dollar ("USD")	1,961	8,214

8.2 Amounts due from related companies and associates are unsecured, interest free and repayable on demand.

8.3 The Company entered into a non-recourse Receivables Purchase Framework Agreement with a licensed bank, of which the Company may request the bank to purchase any receivables offered. An amount of RM104,544,732 has been derecognised from the statement of financial statement as at reporting date, as the Company has transferred substantially all the risk and reward, primary credit risk to the said bank.

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9. Deposits and prepayments

	2018 RM'000	2017 RM'000
Deposits for:		
- land	138	15,697
- investment	3,135	3,794
- others	3,421	1,664
	6,694	21,155
Prepayments	4,719	5,933
	11,413	27,088

Included in deposits is the amount paid to E&E Gas Sdn Bhd of RM3,000,000 for the subscription of the preference shares. On 31 October 2018, the Company entered into a Subscription Agreement to subscribe 366,013 ordinary shares of RM43.71 each representing approximately 42.26% equity interest in E&E Gas Sdn. Bhd. At the same time, the Company will also subscribe 10,445,000 redeemable convertible preference shares for a consideration of RM10,445,000.

10. Cash and cash equivalents

	2018 RM'000	2017 RM'000
Cash and bank balances	86,281	29,285
Deposits placed with licensed banks	66,307	79,041
	152,588	108,326

10.1 Deposits are pledged as security for banking facilities granted to the Company (see Note 13).

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10. Cash and cash equivalents (continued)

10.2 Cash and bank balances include the following balances denominated in foreign currency:

	2018 RM'000	2017 RM'000
USD	508	594

11. Asset classified as held for sale

On 31 October 2018, the Company entered into a Subscription Agreement to subscribe 366,013 ordinary shares of RM43.71 each representing approximately 42.26% equity interest in E&E Gas Sdn. Bhd. The purchase consideration of RM15,998,428 is to be settled via transfer of this parcel of land held under SDSB with land size of approximately 10 acres. The completion of the subscription agreement and the transfer of land is expected to be completed by first half of 2019.

	2018 RM'000	2017 RM'000
Land	16,000	-

12. Capital and reserves

12.1 Share capital

	2018		2017	
	Amount RM'000	**Number of shares**	**Amount RM'000**	**Number of shares**
Ordinary shares				
Issued and fully paid				
Opening balance	56,000	55,000	55,000	55,000
Transfer from capital redemption reserve in accordance with Section 618(2) of the Companies Act 2016 (Note i)	-	-	1,000	-
Closing balance	56,000	55,000	56,000	55,000

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12. Capital and reserves (continued)

12.1 Share capital (continued)

Note i: Included in share capital is capital redemption reserve amounting to RM1,000,000 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of the transition.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

13. Loans and borrowings

	2018 RM'000	2017 RM'000
Non-current		
Term loans (Islamic)	62,424	26,477
Term loans	1,336	2,003
	63,760	28,480
Finance lease liabilities	7,205	11,769
	70,965	40,249

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13. Loans and borrowings (continued)

	2018 RM'000	2017 RM'000
Current		
Bank overdrafts (Islamic)	5,819	2,808
Bank overdrafts	3,343	7,764
	9,162	10,572
Bankers' acceptances	269	300
Term loans (Islamic)	744	665
Term loans	187	1,063
	931	1,728
Revolving credits (Islamic)	74,627	118,354
Revolving credits	1,560	65,822
Finance lease liabilities	4,252	4,427
	90,801	201,203
Total	161,766	241,452

(i) Security

The bank overdrafts, bankers' acceptances and revolving credits facilities of the Company are secured by the following:

(a) legal charges over on leasehold land and certain buildings of the Company (see Note 3.2).
(b) secured by the facility agreement and term deposits (see Note 10).

The term loans are secured by the following:

(a) general and supplemental facility agreement.
(b) first and second legal charges over leasehold land and certain buildings of the Company (see Note 3.2).
(c) legal charges over plant and machinery as well as tools and equipment of the Company (see Note 3.1).
(d) legal charges over assets belong to Directors of the Company.
(e) corporate guarantee from the holding company.

Finance lease liabilities are secured on the respective finance lease assets (see Note 3.1).

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13. Loans and borrowings (continued)

(ii) Finance lease liabilities

	2018			2017		
	Future minimum lease payments RM'000	**Interest RM'000**	**Present value of minimum lease payments RM'000**	**Future minimum lease payments RM'000**	**Interest RM'000**	**Present value of minimum lease payments RM'000**
Less than one year	4,820	624	4,196	5,455	1,028	4,427
Between one and two years	3,379	391	2,988	4,450	506	3,944
Between two and five years	4,479	257	4,222	7,816	373	7,443
More than five years	52	1	51	458	76	382
	12,730	1,273	11,457	18,179	1,983	16,196

The revolving credits and revolving credit (Islamic) are secured by the following:

(a) secured by term deposits (see Note 10);
(b) corporate guarantee from the holding company.

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13. Loans and borrowings (continued)

(iii) Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1.1.2017 RM'000	Net change from financing cash flows RM'000	Acquisition of new leases RM'000	At 31.12.2017/ 1.1.2018 RM'000	Net change from financing cash flows RM'000	Acquisition of new leases RM'000	At 31.12.2018 RM'000
Term loans (Islamic)	6,204	20,938	-	27,142	36,026	-	63,168
Term loans	4,902	(1,836)	-	3,066	(1,543)	-	1,523
Finance lease liabilities	8,797	(1,477)	8,876	16,196	(7,713)	2,974	11,457
Revolving credits (Islamic)	123,134	(4,780)	-	118,354	(43,727)	-	74,627
Revolving credits	77,089	(11,267)	-	65,822	(64,262)	-	1,560
Bankers' acceptances	300	-	-	300	(31)	-	269
	220,426	1,578	8,876	230,880	(81,250)	2,974	152,604

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13. Loans and borrowings (continued)

(iv) Significant covenants on loans and borrowings

The Company is required to maintain a gearing ratio not exceeding 2.00 times in respect of the banking facilities granted by three (2017: two) licensed banks to the Company. The total outstanding borrowings of the Company with the said banks as at 31 December 2018 are RM32,699,342 (2017: RM66,982,985). One of the licensed banks imposed additional loan covenant as follow:

(i) maximum PE ratio of not more than 2.0 times; and
(ii) debt service coverage ratio of at least 1.35 times.

As at reporting date, the Company has not breached the covenant.

The Islamic term loans, bank overdrafts, and revolving credits facilities of RM63,168,147, RM5,819,233 and RM74,626,240 respectively are Islamic facilities under Bai' Inah contract.

14. Deferred tax liabilities

Movements in deferred tax liabilities during the year are as follows:

	At 1.1.2017 RM'000	Recognised in profit or loss RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss RM'000	At 31.12.2018 RM'000
Property, plant and equipment	14,280	1,338	15,618	15,796	31,414
		(Note 19)		(Note 19)	

15. Trade and other payables

	Note	2018 RM'000	2017 RM'000
Non-current			
Trade and other payables	15.1	56,501	-
Current			
Trade			
Trade payables and trade accruals	15.2	53,859	163,645

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15. Trade and other payables (continued)

	Note	2018 RM'000	2017 RM'000
Non-trade			
Other payables	15.1	124,252	25,256
Amount due to holding companies	15.3	997,834	332,075
Amount due to subsidiary		2,476	2,641
Amount due to related companies		568	-
Accrued expenses		7,726	9,299
		1,132,856	369,271
Total		1,243,216	532,916

15.1 Included in other payables is RM140,573,000 payable as land owners' entitlement arising form the following:

(a) The Company had entered into a Joint Venture Agreement ("JVA A") with a third party ("the Land Owner A") on 28 November 2018 to develop a land (the project is hereinafter referred to as "the Proposed Development" and the land, as "the Project Land A").

Through the JVA A, Land Owner A shall contribute the Project Land A for the Proposed Development and SDSB shall undertake the Proposed Development pursuant to and in accordance with the provision of the JVA A. SDSB shall be solely responsible for the entire costs and expenses of the Proposed Development and obtaining all funds and necessary financing in respect thereof.

Pursuant to the JVA A, Land Owner A shall be entitled to a minimum return of RM24,195,402 and a guaranteed return of RM21,775,862. The guaranteed return is payable based on a milestone payment schedule with last payment due in November 2020.

(b) The Company had also entered into another Joint Venture Agreement ("JVA B") with a third party ("the Land Owner B") on 28 November 2018 to develop a land (the Proposed Development in (a) and the land, as "the Project Land B").

Through the JVA B, Land Owner B shall contribute the Project Land B for the Proposed Development and the Company shall undertake the Proposed Development pursuant to and in accordance with the provision of the JVA B. SDSB shall be solely responsible for the entire costs and expenses of the Proposed Development and obtaining all funds and necessary financing in respect thereof.

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15. Trade and other payables (continued)

15.1 (b) Pursuant to the JVA B, Land Owner B shall be entitled to a minimum return of RM75,270,000 and a guaranteed return of RM75,302,545. The guaranteed return is payable based on milestone payment schedule with last payment due in January 2021.

15.2 Trade and other payables denominated in foreign currencies include the following amounts:

	2018 RM'000	2017 RM'000
USD	2,702	5,028

15.3 Amount due to holding companies are interest free, unsecured and repayable on demand.

16. Revenue and cost of contract with customers

Revenue

	2018 RM'000	2017 RM'000
Operation and maintenance	824,911	876,617
Engineering, procurement, construction and commissioning		
- contract revenue	54,634	42,906
- others	97,874	6,491
	152,508	49,397
Others	2,222	27,037
Total revenue from contracts with customers	979,641	953,051

Cost of contracts with customers

	2018 RM'000	2017 RM'000
Cost of sales/services	779,338	764,904
Construction cost	49,884	23,540
	829,222	788,444

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16. Revenue and cost of contract with customers (continued)

16.1 Disaggregation of revenue

	O&M		*EPCC*		*Others*		*Total*	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Primary geographical markets								
Malaysia	765,244	795,299	150,708	49,397	2,222	27,037	918,174	871,733
United Arab Emirates	10,597	-	-	-	-	-	10,597	-
Bahrain	7,745	-	-	-	-	-	7,745	-
Other countries	41,325	81,318	1,800	-	-	-	43,125	81,318
	824,911	876,617	152,508	49,397	2,222	27,037	979,641	953,051
Timing and recognition								
Overtime	824,911	876,617	152,508	49,397	2,222	27,037	979,641	953,051

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16. Revenue and cost of contract with customers (continued)

16.2 Nature of goods and services

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Warranty
O&M	Revenue is recognised over-time when customer receives benefits as entity performs.	Credit period of 90 days from invoice date.	Not applicable.	Generally, the warranty on the maintenance service covers a period of 3 to 12 months after the services have been satisfactorily performed.
EPCC	Revenue is recognised overtime using the cost incurred method.	Based on agreed milestones.	There would be liquidated and ascertained damages for late delivery.	Defect liability period of 12 to 24 months is given to the customers.
EPCC - others	Revenue is recognised over-time when customer receives benefits as entity performs.	Credit period of 90 days from invoice date.	Not applicable.	Not applicable.
Others	Revenue is recognised over-time when customer receives benefits as entity performs.	Credit period of 90 days from invoice date.	Not applicable.	Not applicable.

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16. Revenue and cost of contract with customers (continued)

16.3 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unfulfilled (or partially unfulfilled) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
EPCC	187,946	248,511	177,310	613,767

16.4 Significant judgements and assumptions arising from revenue recognition

The Company applied the following judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised. For construction contracts, the Company measured the performance of construction work done by comparing the actual costs incurred with the estimated total costs required to complete the construction. Significant judgements are required to estimate the total contract costs to complete. In making these estimates, management relied on professionals' estimates and also on past experience of completed projects. A change in the estimates will directly affect the revenue to be recognised.

17. Results from operating activities

	2018 RM'000	2017 RM'000
Results from operating activities are arrived at after charging:		
Auditors' remuneration:		
- Audit fees		
- KPMG Malaysia	95	105
- Non-audit fees		
- Affiliate of KPMG Malaysia	171	40
Directors' remuneration		
- Fee	-	108
Depreciation of property, plant and equipment (Note 3)	39,255	29,201
Loss on disposal of financial assets	2,781	-
Unrealised foreign exchange gain	336	-

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17. Results from operating activities (continued)

	2018 RM'000	2017 RM'000
Results from operating activities are arrived at after charging: (continued)		
Personnel expenses (including key management personnel):		
- contributions to state plans	521	461
- wages, salaries and others	21,795	15,859
Foreign exchange loss:		
- realised	1,738	1,882
- unrealised	-	6,164

18. Finance income and costs

	2018 RM'000	2017 RM'000
Profit and interest income		
Interest income of financial assets that are not at fair value through profit or loss:		
- term deposits	4,386	3,726
- others	6,070	-
	10,456	3,726
Profit and interest cost		
Interest cost and profit of financial liabilities that are not at fair value through profit or loss:		
- finance leases	1,513	532
- term loans, revolving credits and bankers' acceptances	15,976	12,240
- bank overdrafts	302	255
- trade interest	3,310	737
	21,101	13,764

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19. Taxation

Recognised in profit or loss

	2018 RM'000	2017 RM'000
Income tax expense		
Malaysian - current year	13,643	14,686
- prior year	4,091	28,305
	17,734	42,991
Deferred tax expense (Note 14)		
- current year	16,165	3,960
- prior year	(369)	(2,622)
	15,796	1,338
Total taxation	33,530	44,329

Reconciliation of taxation

	2018 RM'000	2017 RM'000
Profit for the year	59,982	51,426
Taxation	33,530	44,329
Profit excluding tax	93,512	95,755
Income tax at 24% (2017: 24%)	22,442	22,981
Non-deductible expenses	11,405	3,901
Profit of foreign source not subject to Malaysian tax	(4,039)	(8,236)
	29,808	18,646
Under provision in prior years	3,722	25,683
	33,530	44,329

In prior year, Lembaga Hasil Dalam Negeri ("LHDN") has conducted tax investigation on the Company in relation to Year of Assessment 2010 to 2015. The tax investigation has been settled subsequent to year end, with total tax settlement of RM45 million, of which constitute additional tax payable of RM29 million and tax penalty of RM16 million. As at 31 December 2018, the outstanding tax payment for the additional tax payable and tax penalty are amounting to RM3,628,580 (2017: RM16,933,374) and RM1,996,420 (2017: RM9,316,626) respectively. The Company has agreed on an instalment plan with LHDN for a monthly installment of RM1,875,000.

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20. Compensations to key management personnel

Compensations paid/payable to key management personnel are as follows:

	2018 RM'000	2017 RM'000
Directors of the Company		
- salary	-	193
- fees	-	14
- other short-term employee benefits	-	30
	-	237
Other key management personnel		
- fees/remunerations	681	760
- other short-term employee benefits	126	75
	807	835
	807	1,072

Other key management personnel comprise persons other than the Directors of group entities, having authority and responsibility for planning, directing and controlling the activities of the group entities either directly or indirectly.

21. Dividends

Dividends recognised by the Company:

2018	Sen per share	Total amount RM'000	Date of payment
Fourth interim 2017	1.679	940	30 March 2018
First interim	12.500	7,000	29 June 2018
Second interim	11.296	6,326	28 September 2018
Third interim	7.400	4,144	27 December 2018
		18,410	

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21. Dividends (continued)

2017	Sen per share	Total amount RM'000	Date of payment
First interim	13.549	7,452	30 April 2017
Second interim	8.136	4,475	1 August 2017
Third interim	13.107	7,209	12 December 2017
		19,136	

On 26 February 2018, the Board of Directors declared a fourth interim dividend of 17.088 sen per ordinary share totalling RM9,569,280 in respect of the financial year ended 31 December 2018.

22. Financial instruments

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Fair value through profit or loss ("FVTPL"); and
(ii) Amortised cost ("AC").

2018	Carrying amount RM'000	AC RM'000
Financial assets/(liabilities)		
Trade and other receivables*	358,121	358,121
Cash and cash equivalents	152,588	152,588
Loans and borrowings	(161,766)	(161,766)
Trade and other payables	(1,243,243)	(1,243,243)

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22. **Financial instruments** (continued)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

(i) Loans and receivables ("L&R"); and
(ii) Financial liabilities measured at amortised cost ("FL").

2017	**Carrying amount RM'000**	**L&R/ (FL) RM'000**
Financial assets/(liabilities)		
Trade and other receivables*	351,422	351,422
Cash and cash equivalents	108,326	108,326
Loans and borrowings	(241,452)	(241,452)
Trade and other payables	(532,916)	(532,916)

* *Excluding amount receivable from Royal Malaysian Customs Department.*

22.2 Net gains and losses arising from financial instruments

The table below provides an analysis of financial instruments categorised as follows:

	2018 RM'000	**2017 RM'000**
Net gains/(losses) on:		
Financial asset at fair value through profit or loss	10,456	3,726
Financial liabilities measured at amortised cost	(21,437)	(13,764)
	(10,981)	(10,038)

22.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

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22. Financial instruments (continued)

22.3 Financial risk management (continued)

(a) Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers and investment in debt securities.

Trade receivables

(i) Risk management objectives, policies and processes for managing the risk

The customers of the Company are principally involved in the oil and gas industry. The Company uses aging analysis to monitor the credit quality of the receivables.

(ii) Risk management objectives, policies and processes for managing the risk

At each reporting date, the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The Company provides unsecured loans and advances to subsidiaries and monitors the results of the subsidiaries regularly. The subsidiaries have been reporting strong financial performance and are able to repay the loans and advances in due course.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position and the Company do not recognise any allowance for impairment loss.

There are no significant changes as compared to previous year.

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22. Financial instruments (continued)

22.3 Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables (continued)

(ii) Exposure to credit risk, credit quality and collateral (continued)

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

As at end of the reporting period, there are no significant concentrations of credit risk other than the amount due from two (2017: one) counterparties(y) of RM192,390,587 (2017: RM82,948,863).

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	2018 RM'000	2017 RM'000
Malaysia	210,697	299,986
Middle east	1,853	64
	212,550	300,050

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22. Financial instruments (continued)

22.3 Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables (continued)

(iii) Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 90 - 150 days. Above 90 days past due after credit term, the Company will start to initiate a structured debt recovery process which is monitored by the account receivables team.

In managing credit risk of trade receivables, the Company manages it's debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The trade receivables that are neither past due nor impaired, past due but not impaired are disclosed as below:

2018	Gross carrying RM'000	Loss allowance RM'000	Net RM'000
Not past due	196,513	-	196,513
Past due 0 - 30 days	258	-	258
Past due 31 - 120 days	4,733	-	4,733
Past due more than 120 days	11,046	-	11,046
	212,550	-	212,550

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22. Financial instruments (continued)

22.3 Financial risk management (continued)

(b) Liquidity risk (continued)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 December 2017 was as follow:

2017	**Gross carrying RM'000**	**Loss allowance RM'000**	**Net RM'000**
Not past due	257,856	-	257,856
Past due 0 - 30 days	822	-	822
Past due 31 - 120 days	12,110	-	12,110
Past due more than 120 days	21,249	-	21,249
	292,037	-	292,037

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

Risk management objectives, policies and processes for managing the risk

The Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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22. Financial instruments (continued)

22.3 Financial risk management (continued)

(b) Liquidity risk (continued)

(i) Maturity analysis

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

2018	Carrying amount RM'000	Contractual profit/ interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Bank overdrafts (Islamic) - secured	5,819	8.00 - 9.00	5,819	5,819	-	-	-
Bank overdrafts - secured	3,343	8.00 - 9.00	3,343	3,343	-	-	-
Bankers acceptances - secured	269	3.50	269	269	-	-	-
Revolving credits (Islamic) - secured	74,627	3.00 - 9.10	74,627	74,627	-	-	-
Revolving credits - secured	1,560	7.85 - 9.10	1,560	1,560	-	-	-
	85,618		85,618	85,618	-	-	-

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22. Financial instruments (continued)

22.3 Financial risk management (continued)

(b) Liquidity risk (continued)

(i) Maturity analysis (continued)

2018	Carrying amount RM'000	Contractual profit/ interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Subtotal	85,618		85,618	85,618	-	-	-
Term loans (Islamic) - secured	63,168	7.20 - 15.50	64,274	1,075	31,046	31,369	784
Term loans - secured	1,523	4.65 - 8.60	1,747	266	551	519	411
Finance lease liabilities - secured	11,457	1.05-4.62	12,730	4,820	3,379	4,479	52
Trade and other payables	1,186,742		1,186,742	1,186,742	-	-	-
Grand total	1,348,508		1,351,111	1,278,521	34,976	36,367	1,247

Company No.
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22. Financial instruments (continued)

22.3 Financial risk management (continued)

(b) Liquidity risk (continued)

(i) Maturity analysis (continued)

2017	Carrying amount RM'000	Contractual profit/ interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Bank overdrafts (Islamic) - secured	2,808	8.00 - 9.00	2,808	2,808	-	-	-
Bank overdrafts - secured	7,764	8.00 - 9.00	7,764	7,764	-	-	-
Bankers acceptances - secured	300	3.50	300	300	-	-	-
Revolving credits (Islamic) - secured	118,354	3.00 - 9.10	118,354	118,354	-	-	-
Revolving credits - secured	65,822	7.85 - 9.10	65,822	65,822	-	-	-
Term loans (Islamic) - secured	27,142	7.20-15.50	31,548	1,046	27,523	1,137	1,842
Term loans - secured	3,066	4.65-8.60	3,399	1,182	1,009	630	578
Finance lease liabilities - secured	16,196	1.05-4.62	17,886	6,636	4,625	6,618	7
Trade and other payables	532,916		532,916	532,916	-	-	-
	774,368		780,797	736,828	33,157	8,385	2,427

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22. Financial instruments (continued)

22.3 Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Company's financial position or cash flows.

Currency risk

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of the Company. The currency giving rise to this risk are primarily U.S. Dollar ("USD").

(i) Exposure to foreign currency risk

The Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

Balance denominated in USD

	2018 RM'000	**2017 RM'000**
Trade receivables	1,961	8,214
Cash and cash equivalents	508	594
Trade payables	(2,702)	(5,028)
Net exposure in the statements of financial position	(233)	3,780

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22. Financial instruments (continued)

22.3 Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

(ii) Currency risk sensitivity analysis

A 10% (2017: 10%) strengthening of the Ringgit Malaysia ("RM") against USD at the end of the reporting period would have decreased equity and post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remained constant.

	Profit or loss	
	2018	**2017**
	RM'000	**RM'000**
USD	(18)	287

A 10% (2017: 10%) weakening of Ringgit Malaysia ("RM") against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest and profit rates risk

The Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest and profit rates. For the Islamic and conventional facilities respectively, the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest and profit rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest or profit rate risk. The Company is also exposed to interest or profit rate risk on the term deposits placed with licensed banks. Investments in equity securities and short term receivables and payables are not significantly exposed to interest or profit rate risk

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22. Financial instruments (continued)

22.3 Financial risk management (continued)

(c) Market risk (continued)

Interest and profit rates risk (continued)

(i) Risk management objectives, policies and processes for managing the risk

The Company monitors its exposure to changes in interest and profit rates on a regular basis. Borrowings are negotiated with a view to securing the best possible terms including rates of interest and profit rate, to the Company.

(ii) Exposure to interest and profit rates risk

The interest and profit rates profile of the Company's significant interest-bearing financial instruments based on carrying amounts as at the end of the reporting period are as follows:

	2018 RM'000	2017 RM'000
Fixed rate instruments		
Financial liabilities	(21,635)	(26,768)
Financial assets	66,307	79,041
	44,672	52,273
Floating rate instruments		
Financial liabilities	(140,905)	(214,684)

(iii) Interest and profit rates risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

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22. Financial instruments (continued)

22.3 Financial risk management (continued)

(c) Market risk (continued)

(iii) Interest and profit rate risk sensitivity analysis (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest and profit rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2018		2017	
	100 bp increase RM'000	**100 bp decrease RM'000**	**100 bp increase RM'000**	**100 bp decrease RM'000**
Floating rate instruments	(1,071)	1,071	(1,632)	1,632

Other price risk

Equity price risk arises from the Company's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

There is no sensitivity analysis performed as any change will be insignificant to the Company.

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22. Financial instruments (continued)

22.4 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate fair values due to the relatively short term nature of these financial instruments.

The table below analyses non-current financial instruments carried out fair value and those not carried at fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value		Carrying
	Level 3	Total	amount
2018	**RM'000**	**RM'000**	**RM'000**
Financial liabilities			
Term loans (Islamic)	62,424	62,424	62,424
Term loans	1,336	1,336	1,336
Finance lease liabilities	7,205	7,205	7,205
	70,965	70,965	70,965
2017			
Financial liabilities			
Term loans (Islamic)	26,477	26,477	26,477
Term loans	2,003	2,003	2,003
Finance lease liabilities	11,769	11,769	11,769
	40,249	40,249	40,249

Policy on transfer between levels

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

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

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22. Financial instruments (continued)

22.4 Fair value information (continued)

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year.

Level 3 fair value

Level 3 fair value is estimated using observable inputs for the financial assets and liabilities .

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and input used
Term loans and finance lease liabilities	Discounted cash flow using a rate based on the current market rate of borrowing at the reporting date.

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23. Capital management

The Company's objectives when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Company's strategy, was to maintain the debt-to-equity ratio not exceeding 2.00 times. The debt-to-equity ratios at 31 December 2018, were as follows:

	2018 RM'000	2017 RM'000
Total loans and borrowings (Note 13)	161,766	241,452
Less: Cash and cash equivalents (Note 10)	(152,588)	(108,326)
	9,178	133,126
Total equity	329,229	287,657
Debt-to-equity ratios	0.03	0.46

There was no change in the Company's approach to capital management during the financial year.

The Company is also required to maintain a maximum debt-to-equity ratio of 2.00 to comply with bank covenants, failing which, the banks may call an event of default. The Company has not breached this covenant.

24. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

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24. **Related parties** (continued)

Identity of related parties (continued)

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and entity that provides key management personnel services to the Company. The key management personnel includes all the Directors of the Company, and certain members of senior management of the Company.

Significant related party transactions

The Company has related party relationship with its holding companies, its subsidiaries, associates and key management personnel.

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the transactions below are show in the statement of financial position.

Transactions with holding company

	2018 RM'000	**2017 RM'000**
Nature of transaction		
Management fee payable	70,494	44,998

Transactions with related companies

	2018 RM'000	**2017 RM'000**
Nature of transaction		
Purchase of parts and materials	2,428	895
Subcontractors charges	7,010	18,510

Transactions with associates

	2018 RM'000	**2017 RM'000**
Nature of transaction		
Revenue from engineering, procurement, construction and commissioning	(67)	(53,332)
Contract revenue	(54,634)	(42,906)

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24. Related parties (continued)

Transactions with companies/corporations in which certain substantial shareholders have or are deemed to have substantial interests

	2018 RM'000	2017 RM'000
Nature of transactions		
Services rendered	13,010	13,002
Management fee receivables	(54,813)	(96,237)

The balance with holding company and related companies are disclosed in the Notes 8 and 15 to the financial statements.

The above transactions are based on negotiated terms. All the outstanding balances are unsecured and expected to be settled in cash.

25. Capital commitments

	2018 RM'000	2017 RM'000
Land and buildings		
Contracted but not provided for	607,572	400,000

26. Subsequent event

On 15 March 2019, the Company entered into a shares sale agreement to acquire the entire equity interest in Sg Rek Sdn. Bhd. for a total cash consideration of RM8,000,000.

27. Significant changes in accounting policies

During the year, the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Company have elected not to restate the comparatives.

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27. Significant changes in accounting policies (continued)

27.1 Impacts on financial statements

The following tables summarise the impacts arising from the adoption of MFRS 15 and MFRS 9 on the Company's financial statements.

(a) Statement of financial position

	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
31 December 2017			
Contract assets	-	37,337	37,337
Trade and other receivables	402,336	(37,337)	364,999
Others	713,751	-	713,751
Total assets	1,116,087	-	1,116,087

(b) Statement of cash flows

	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
For the year ended 31 December 2017			
Profit before tax	95,755	-	95,755
Adjustments for:			
Changes in contract assets	-	(13,629)	(13,629)
Changes in trade and other receivables	(237,448)	13,629	(223,819)
Others	353,421	-	353,421
Net cash from operating activities	211,728	-	211,728

27. Significant changes in accounting policies (continued)

27.2 Accounting for financial instruments

(a) Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement.*

ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- the designation of certain investments in equity instruments not held for trading as at FVOCI.

iii) If an investment in a debt security had low credit risk at date of initial application of MFRS 9, the Company has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

iv) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

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27. Significant changes in accounting policies (continued)

27.2 Accounting for financial instruments (continued)

b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018:

		1 January 2018		
	31 December 2017 RM'000	Remeasurement RM'000	Reclassification to new MFRS 9 category AC RM'000	FVTPL RM'000
Category under MFRS 139				
Financial assets				
Loan and receivables				
Trade and other receivables	364,999	-	364,999	-
Cash and cash equivalents	108,326	-	108,326	-
	473,325	-	473,325	-
Available for sale financial asset				
Other investment	16,000	-	16,000	-

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27. Significant changes in accounting policies (continued)

27.2 Accounting for financial instruments (continued)

b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

	31 December 2017 RM'000	1 January 2018 Remeasurement RM'000	Reclassification to new MFRS 9 category AC RM'000	FVTPL RM'000
Category under MFRS 139 (continued)				
Financial liabilities				
Group				
Loan and receivables				
Trade and other payables	532,916	-	532,916	-
Loans and borrowings	241,452	-	241,452	-
	774,368	-	774,368	-

27. Significant changes in accounting policies (continued)

27.2 Accounting for financial instruments (continued)

(b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. No allowance for impairment was recognised in operating retained earnings of the Company at 1 January 2018 respectively on transition to MFRS 9.

(ii) Reclassification from available for sale to fair value through profit or loss

These are equity instruments which are not held for strategic purposes. As a result, the other investments are now reclassified from available-for-sale to fair value through profit or loss.

27.3 Accounting for revenue

27.3.1 Changes in revenue recognition

In the adoption of MFRS 15, the following practical expedients as permitted by the standard have been adopted:

(a) For completed contracts, the Company does not restate contracts that:

(i) begin and end within the same annual reporting period; or
(ii) are completed contracts at the beginning of the earliest period presented.

If this practical expedient is not applied, revenue for the current year is expected to be higher because performance obligations where revenue was recognised previously could have been recognised in the current year.

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27. **Significant changes in accounting policies** (continued)

27.3 Accounting for revenue (continued)

27.3.1 Changes in revenue recognition (continued)

(b) For completed contracts that have variable consideration, the Company uses the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.

The Company is unable to estimate the effects arising from the application of this practical expedient.

(c) For contracts that were modified before the beginning of the earliest period presented, the Company does not retrospectively restate the contract for those contract modifications. Instead, the Company reflects the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:

(i) identifying the satisfied and unsatisfied performance obligations;
(ii) determining the transaction price; and
(iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.

The application of this practical expedient is not expected to have material impact to the Company.

(d) For comparatives, the Company does not disclose the amount of consideration allocated to the remaining performance obligations and an explanation of when the Company expects to recognise revenue.

The following are the changes in revenue recognition:

Type of revenue	**Previous year's revenue recognition**	**Current year's revenue recognition**
O&M	The Company previously recognised revenue for these contracts when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition would be deferred until the return period lapsed or a reasonable estimate of returns could be made.	Under MFRS 15, revenue is recognised over-time as the customer receives and consumes the benefits provided as the entity performs.

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27. Significant changes in accounting policies (continued)

27.3 Accounting for revenue (continued)

27.3.1 Changes in revenue recognition (continued)

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
EPCC	If the outcome of a construction contract could be estimate reliably, then contract revenue was recognised in proportion to stage of the contract. The stage of completion was assessed with reference to surveys of work performed. Otherwise, contract revenue was recognised only to the extent of contract costs incurred that were likely to be recoverable. Contract expenses were recognised as they were incurred. An expected loss on a contract was recognised immediately in profit or loss. Advances received were included in deferred revenue.	Under MFRS 15, revenue is recognised over-time by reference to the cost incurred over the estimated cost. The related cost are recognised in profit or loss when they are incurred. Advances received from contract customer are now included in contract liabilities.
Others	The Company previously recognised revenue for these contracts when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition would be deferred until the return period lapsed or a reasonable estimate of returns could be made.	Under MFRS 15, revenue is recognised over-time when customer receives and consumes benefits as entity performs.

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27. Significant changes in accounting policies (continued)

27.3 Accounting for revenue (continued)

27.3.1 Presentation of contract assets and contract liabilities

When adopting MFRS 15, the Company has changed the presentation of certain amounts in the financial positions.

Upon transition to MFRSs, it requires separate presentation of contract balances in the statement of financial position. Contract balances generally comprise:

- Contract assets are mainly the right to consideration for works completed but yet billed to customers. Contract assets represents the excess of cumulative revenue recognised (net of variable consideration) over cumulative billings to-date.

- Contract liabilities are the obligations to transfer goods or services to the customers which the Company has received the consideration or has billed the customers in advance of the performance.

Serba Dinamik Sdn. Bhd.
(Company No. 266724 - K)
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 6 to 89 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 Company as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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

....
Abdul Kadier Sahib
Director

....
Dato' Awang Daud Bin Awang Putera
Director

Shah Alam,

Date: 16 April 2019

Serba Dinamik Sdn. Bhd.
(Company No. 266724 - K)
(Incorporated in Malaysia)

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

I, **Syed Nazim Bin Syed Faisal**, the Officer primarily responsible for the financial management of Serba Dinamik Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 6 to 89 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Syed Nazim Bin Syed Faisal**, NRIC: 801112-08-5943, MIA CA 27418, at Shah Alam in the State of Selangor Darul Ehsan on 16 APR 2019

....
Syed Nazim Bin Syed Faisal

Before me:

PESURUHJAYA SUMPAH
B 433
MOHD YUNUS B. JAMIL
23.10.2018 - 22.10.2019
MALAYSIA

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SERBA DINAMIK SDN. BHD.

(Company No. 266724 - K)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Serba Dinamik Sdn. Bhd., which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 89.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company 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 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 Company to cease to continue as a going concern.

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

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

Other Matter

This report is made solely to the member 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.

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Nicholas Chia Wei Chit
Approval Number: 03102/03/2020 J
Chartered Accountant

Kuching,

Date: 16 April 2019

Appendix 6

Deferred Payment Schedule under Design and Build Contract

Yearly Payment	Payment Date	Payment Amounts from State Government to Contractor
1st Payment	The payment commencement date being the forty ninth (49th) month from the Date of Possession ("**Payment Commencement Date**")	RM108,824,292.00
2nd Payment	The date of filing, twelve (12) months from the Payment Commencement Date	RM108,824,292.00
3rd Payment	The date of filing, twenty four (24) months from the Payment Commencement Date	RM108,824,292.00
4th Payment	The date of filing, thirty six (36) months from the Payment Commencement Date	RM108,824,292.00
5th Payment	The date of filing, forty eight (48) months from the Payment Commencement Date	RM108,824,292.00
6th Payment	The date of filing, sixty (60) months from the Payment Commencement Date	RM108,824,292.00
7th Payment	The date of filing, seventy two (72) months from the Payment Commencement Date	RM108,824,292.00
8th Payment	The date of filing, eighty four (84) months from the Payment Commencement Date	RM108,824,292.00
9th Payment	The date of filing, ninety six (96) months from the Payment Commencement Date	RM108,824,292.00
10th Payment	The date of filing, one hundred eight (108) months from the Payment Commencement Date	RM108,824,292.00
11th Payment	The date of filing, one hundred twenty (120) months from the Payment Commencement Date	RM108,824,292.00
12th Payment	The date of filing, one hundred thirty two (132) months from the Payment Commencement Date	RM108,824,303.07
	Total Amount	**RM1,305,891,515.07**

ISSUER

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