ANNUAL REPORT 2018

DOLPHIN INTERNATIONAL BERHAD

Contents

Financial Statements

Corporate Profile

The Dolphin group of companies ("Group"), founded in 1992, is currently operating in the palm oil milling machineries sector. The Group caters for the growing demand for process integration and automation solutions and services seeking to enhance productivity, safety and efficiency in palm oil mills. The product offerings of the Group include milling systems and software as well as the supply of parts and maintenance services. With the award of the Main Contractor Certification by the Ministry of Finance and Construction Industry Development Board in 1997, the Group also has the ability to undertake the provision of turnkey and mechanical and electrical solutions.

The Group's core competency and competitive edge is in having the technology and know-how to provide palm oil mills with products to form wholly integrated automation and control systems that offer improved efficiency, productivity and safety.

We design, develop, integrate and support technological products, services and solutions based on the needs and technical requirements of our customers in the palm oil industry. Our product development focuses on key themes that improve palm oil yield, improve mill safety and overall customer economics. Currently, the palm oil milling machineries sector is generally less automated with minimal sophisticated process controls compared to many other industries.

Our Products, Solutions and Services

We continuously seek to create innovative opportunities. The 5 key principles which the Group focuses on when designing and developing our products are as follows:

a) automate key functions for enhanced safety and efficiency;
b) reduce unplanned maintenance and operation down-time;
c) optimise palm oil recovery and reduce wastage;
d) real-time online monitoring and troubleshooting to identify and rectify process issues quickly; and
e) inception and adoption of evolving technology.

Our future plans and strategies to improve our future financial performance are:

a) continuous research & development as driver for future growth;
b) introduction of our Dolphin-branded consumable parts;
c) continuous efforts to expand customer base; and
d) construction and establishment of our own palm oil mill to showcase our products.

Our mission is to help our clients achieve the best results by embracing and harmonising science and technology, with a commitment to the environment and the communities serving the palm oil industry.

Corporate Information

Board of Directors

Kamaruddin Bin Osman
Chairman
(Senior Independent Non-Executive Chairperson)

Low Teck Yin
Group Managing Director

Hoh Yeong Cherng
Group Executive Director

Khor Han Leong
Group Executive Director

Dr. Abdul Azis Bin Ariffin
(Independent Non-Executive Director)

Lee Yow Fui
(Independent Non-Executive Director)

Audit and Risk Management Committee

Lee Yow Fui *(Chairman)*
Dr. Abdul Azis Bin Ariffin
Kamaruddin Bin Osman

Remuneration Committee

Kamaruddin Bin Osman *(Chairman)*
Low Teck Yin
Dr. Abdul Azis Bin Ariffin

Nomination Committee

Kamaruddin Bin Osman *(Chairperson)*
Dr. Abdul Azis Bin Ariffin

Company Secretary

Wong Youn Kim (MAICSA 7018778)

Registered Office

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel: +603-2241 5800
Fax: +603-2282 5022

Head Office/Principal Place of Business

No. 17 & 19, Jalan Puteri 5/20
Bandar Puteri
47100 Puchong
Selangor Darul Ehsan
Tel: +603-8062 2289
Fax: +603-8060 8613
Website: www.dolphinbhd.com
Email: dolphin@dolphineng.com

Auditors

Baker Tilly Monteiro Heng PLT
(LLP0019411-LCA & AF 0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel: +603-2297 1000
Fax: +603-2282 9980

Principal Banker

United Overseas Bank (M) Berhad

Share Registrar

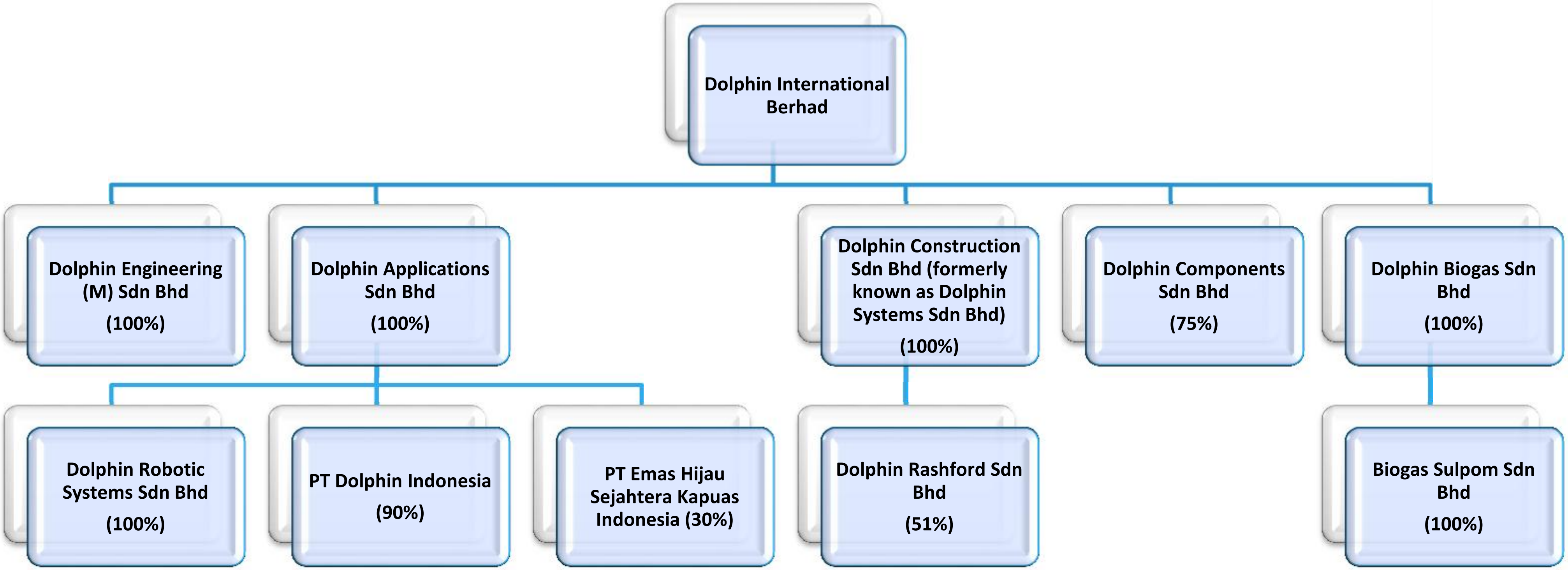
Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Tel: +603-7841 8000
Fax: +603-7841 8151/8152

Stock Exchange Listing

Bursa Malaysia Securities Berhad
Main Market
DOLPHIN (5265)

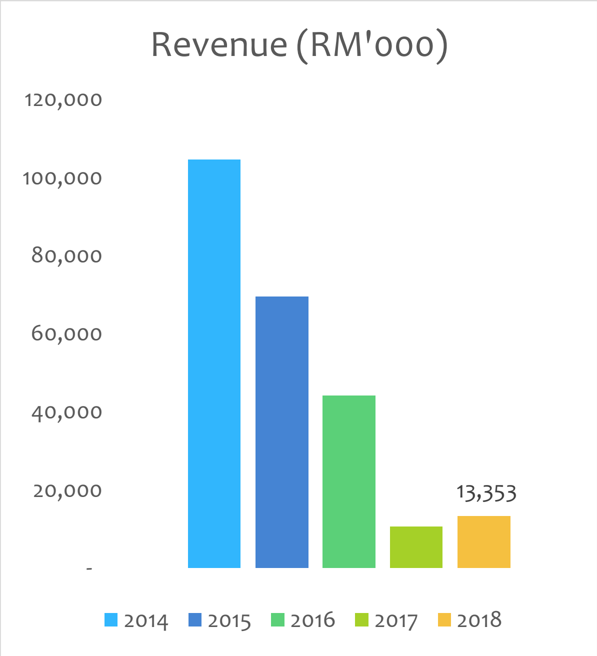
Corporate Structure

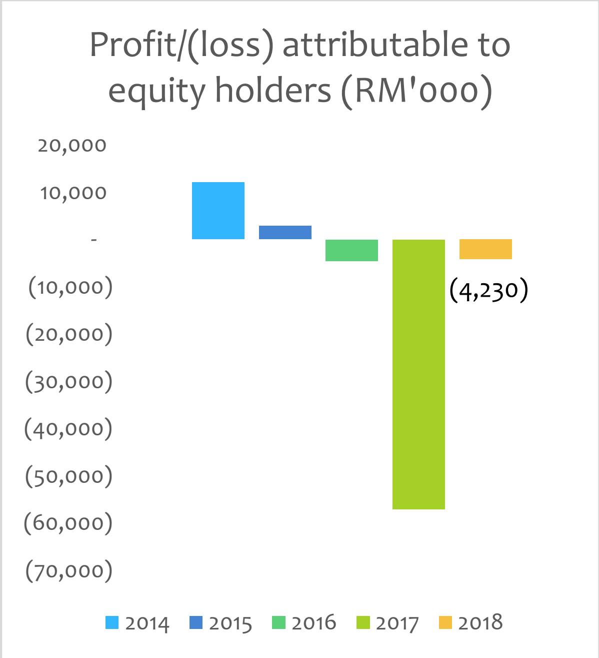
As At 26 April 2019



Group Financial Highlights

Financial Highlights





Five Years Group Financial Summary

Year Ended 31 December	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Revenue	104,585	69,441	44,136	10,641	13,353
Profit/(loss) before taxation	16,651	5,084	(4,519)	(57,941)	(4,389)
Profit/(loss) attributable to equity holders	12,129	2,860	(4,626)	(57,139)	(4,230)

Chairman's Statement

Valued Shareholders

It is my customary duty during this time of the year to present to you the Financial Statements for the year ended 31 December 2018 and the Annual Report of Dolphin International Berhad.

Overview

The Malaysian palm oil industry faced a challenging performance in 2018. Crude palm oil (CPO) production, exports of palm oil, CPO prices and total palm oil export earnings declined, while that of imports and closing palm oil stocks showed a significant increase. Meanwhile, yield of fresh fruit bunches (FFB) witnessed a significant decrease due to biological effect after experiencing high yield in 2017, coupled with the unpredictable rainy season, which affected harvesting.

In 2018, the prices of all palm oil products were traded lower. CPO price traded lower by 19.8%, averaging lower by RM550.50/tonne to RM2,232.50/tonne compared to RM2,783.00/tonne in 2017. The highest traded price for 2018 was in February at RM2,488.00/tonne, while the lowest was in December at RM1,794.50/tonne. The lower CPO price during the year was mainly due to the higher palm oil stocks arising from lower palm oil export demand coupled with weaker prices of other vegetable oil in the world market.

As a result of the deteriorated performance of the palm oil industry in 2018, the Group was unable to significantly improve its financial position.

Financial Performance

Despite the decline in the overall performance of the palm oil industry in 2018, the Group's revenue improved marginally from RM10.6 million in 2017 to RM13.3 million in 2018. The Group in turn also registered a Gross Profit of RM5.2 million in 2018 as opposed to a Gross Loss of RM2.2 million in 2017, mainly due to improved cost management and margins. Notwithstanding the aforementioned, the Group registered a Loss Before Interest and Tax of RM1.8million which included the effects of one-off and non-recurring items such as reversal of provision for doubtful debts, incidental costs for disposal of premises and one-off expenses due to corporate exercises amounting to RM0.6million.

General Outlook of the Palm Oil Industry

Based on the Malaysian Government's macroeconomic outlook, for 2019, the palm oil industry is forecasting at to turnaround 4.1% with higher output of palm oil backed by improvement in prices at RM2,400 per tonne coupled with an increase in matured areas which is expected to reach 5.5 million hectares. Palm oil closing stock is expected to decline to 2.2 million tonnes on account of higher exports to major trading partners. FFB yield per hectare is estimated to improve, while Oil Extraction Rate ("OER") is projected to remain steady through enhancement in crops grading procedure. Efforts to improve harvesting and transporting FFB with the continuous implementation of Palm Oil Industry Mechanisation Incentive Scheme (OPIMIS) is expected to enhance palm oil production and reduce dependency on foreign labour. Furthermore, initiatives to replace low yield and old trees with new and high-yield seedlings are expected to increase OER and FFB yield per hectare by 2020 to meet the rising demand from domestic downstream activities. In addition, further market diversification, particularly to ASEAN, parts of the African continent as well as Central and Eastern Europe is expected to augur well for the palm oil industry.

Appreciation

On behalf of the Board, we would like to express our sincere gratitude to the regulators, our shareholders, business partners, bankers and staff for their continued support in 2018. We trust that your support to the Group will continue in 2019.

KAMARUDDIN BIN OSMAN
Chairman
29 April 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

DESCRIPTION OF OUR GROUP'S BUSINESS

Dolphin International Berhad ("DIB" or "the Company") is a public listed Company listed on the Main Market of Bursa Malaysia Securities Berhad. The principal activity of the Company is investment holding while its subsidiaries are involved in the sale, design, engineering, development and integration of electro-automation, pneumatic, hydraulic, hardware and software systems and related proprietary products for the palm oil milling sector.

The operational activities of DIB and its subsidiaries ("Group") are in turn broadly segmented into provision of milling systems and solutions and supply of parts and maintenance services.

FINANCIAL REVIEW

Revenue

The Group's revenue increased marginally from RM10.6 million (FYE2017) to RM13.3 million (FYE2018) mainly attributable to ongoing projects.

Gross Profit

The Group's financial performance improved from RM2.2 million gross loss (FYE2017) to a gross profit of RM5.2 million due to improved cost management and margins registered in the FYE2018.

Other Income

Other Income increased by 56% from RM0.6 million (FYE2017) to RM0.9 million (FYE2018) mainly due to the impact of MFRS 9 fair value gain on financial liabilities amortised at cost.

Administrative Expenses

Administrative expenses decreased by 85% from RM53.7 million (FYE2017) to RM7.8 million (FYE2018) mainly due to impairment loss on receivables, provision for foreseeable lossess and provision for liquidated ascertained damages in year 2017.

Loss Before Interest and Tax ("LBIT")

The Group's LBIT include the effects of one-off and non-recurring items such as reversal of provision for doubtful debts, incidental costs for disposal of premises and one-off expenses due to corporate exercises.

If we were to exclude the above one off and non-recurring expenses, the Group's adjusted LBITDA for 2018 would be RM0.6 million. Notwithstanding the above, the Group's adjusted LBITDA for 2018 is lower compares with the previous year's corresponding adjusted LBITDA of RM10.2 million.

Finance Cost

Finance cost increased by 4% from RM2.5 million (FYE2017) to RM2.6 million (FYE2018) due to the impact of MFRS 9 fair value loss on financial liabilities amortised at cost in the financial year 2018. If we were to exclude the MFRS 9 impact, the Group's adjusted Finance cost for 2018 would be RM2.0 million.

Capital Management

The gearing ratio of the Group as at 31 December 2018 was 298.9% compared with 230.9% as at 31 December 2017 due to increase in borrowings for an internal project that will generate recurring income to the Group for 16 years.

Prospects

Based on the deteriorated performance of the palm oil industry in 2018, the Group's focus on its new business strategies to supplement its traditional contracting business with recurring income models becomes even more important. In this respect, the Group's prospects are considered to be good given that it has secured two (2) projects of this nature which upon completion, would be able to generate income which is more consistent with a medium to long term tenure.

Notwithstanding the aforesaid, the Group also expects strong prospects for its products and systems that specifically cater to palm oil milling environmental compliance requirements.

Biogas

As mentioned under the Group's prospects above and previous year, the Group had foray into the Biogas segment for palm oil mills is an extension of its existing products and services, which will enable the Group to generate additional and more consistent income streams from the sale of renewable energy under the Sustainable Energy Development Authority ("SEDA") initiative.

Summary

The Group is confident that these initiatives will contribute positively to the Group's financial performance in the medium to longer term.

Profile of Board of Directors

Kamaruddin Bin Osman
Malaysian, Male, Aged 74
Senior Independent Non-Executive Chairperson
Date of Appointment: 28 May 2014

Areas of Expertise
Palm oil industry

Working Experience:
- Pineapple Cannery of Malaya Sdn Bhd (PCM);
- Malaysian Can Company Sdn Bhd
- The Development Authority for Pahang Tenggara (DARA)
- Sawira Sdn Bhd
- PT Ganda Prima
- Committee Member of the Palm Oil Millers Association of Malaysia
- Shareholder and Director of C.T. Golf Landscaping Sdn Bhd

Present:
- Senior Independent Non-Executive Chairperson
- Member of the Audit and Risk Management Committee
- Member of the Nomination Committee
- Chairman of the Remuneration Committee

Directorship of other Listed Issuers/Public Companies:
- Does not hold any directorships in any other listed issuers/public companies

Others
- No family relationship with other directors and/or major shareholders of Dolphin
- No convictions of any offences within the past five (5) years
- No conflict of interest
- His shareholdings in Dolphin are disclosed on page 165 of this Annual Report

He attended 5 out of 5 meetings held during the financial year ended 31 December 2018.

Low Teck Yin
Malaysian, Male, Aged 51
Group Managing Director
Date of Appointment: 14 May 2012

Areas of Expertise
Palm oil milling machineries

Working Experience:
- Jemco Sdn Bhd
- Gentrade Company

Present:
- Group Managing Director
- Member of the Remuneration Committee

Directorship of other Listed Issuers/Public Companies:
- Does not hold any directorships in any other listed issuers/public companies

Others
- Save and except the disclosures in this Annual Report, he has no family relationship with other directors and/or major shareholders of Dolphin
- No convictions of any offences within the past five (5) years
- No conflict of interest
- His shareholdings in Dolphin are disclosed on page 165 of this Annual Report

He attended 5 out of 5 meetings held during the financial year ended 31 December 2018.

Hoh Yeong Cherng
Malaysian, Male, Aged 52
Group Executive Director
Date of Appointment: 14 May 2012

Areas of Expertise
Palm oil milling machineries and research

Working Experience:
- EPA Sdn Bhd
- Gentrade Company

Present:
- Group Executive Director

Directorship of other Listed Issuers/Public Companies:
- Does not hold any directorships in any other listed issuers/public companies

Others
- Save and except the disclosures in this Annual Report, he has no family relationship with other directors and/or major shareholders of Dolphin
- No convictions of any offences within the past five (5) years
- No conflict of interest
- His shareholdings in Dolphin are disclosed on page 165 of this Annual Report

He attended 5 out of 5 meetings held during the financial year ended 31 December 2018.

Khor Han Leong
Malaysian, Male, Aged 46
Group Executive Director
Date of Appointment: 8 June 2018

Areas of Expertise
Construction

Working Experience:
- Marketing Executive in Maxis Berhad for channel marketing tasks
- Special Officer at Chief Minister Office in Perbandaran Kemajuan Negeri Kedah
- Special Officer at Kulim High Tech Part CEO Office

Present:
- Group Executive Director

Directorship of other Listed Issuers/Public Companies:
- Does not hold any directorships in any other listed issuers/public companies

Others
- Save and except the disclosures in this Annual Report, he has no family relationship with other directors and/or major shareholders of Dolphin
- No convictions of any offences within the past five (5) years
- No conflict of interest
- His shareholdings in Dolphin are disclosed on page 165 of this Annual Report

He attended 2 out of 2 meetings held during the financial year ended 31 December 2018.

Dr. Abdul Azis Bin Ariffin
Malaysian, Male, Aged 72
Independent Non-Executive Director
Date of Appointment: 28 May 2014

Areas of Expertise
Research on milling activities in palm oil industry

Working Experience:
- Malaysian Rubber Producers' Research Association (Brickendonbury) in Hertford, UK
- Senior Research Officer of Rubber Research Institute of Malaysia
- Senior Research Officer Palm Oil Research Institute of Malaysia
- Senior Executive of Sime Darby Plantations Sdn Bhd
- Associate Professor at Universiti Putra Malaysia (UPM)
- Research fellow at Institute of Advanced Technology, UPM

Present:
- Independent Non-Executive Director
- Member of the Audit and Risk Management Committee
- Member of the Nomination Committee
- Member of the Remuneration Committee

Directorship of other Listed Issuers/Public Companies:
- Does not hold any directorships in any other listed issuers/public companies

Others
- No family relationship with other directors and/or major shareholders of Dolphin
- No convictions of any offences within the past five (5) years
- No conflict of interest
- His shareholdings in Dolphin are disclosed on page 165 of this Annual Report

He attended 5 out of 5 meetings held during the financial year ended 31 December 2018.

Lee Yow Fui
Malaysian, Male, Aged 48
Independent Non-Executive Director
Date of Appointment: 28 May 2014

Areas of Expertise
Accounting and Finance

Working Experience:
- Moores Rowland
- Deloitte & Touche
- Richard's Lighting Sdn Bhd
- Newspage (Malaysia) Sdn Bhd

Present:
- Independent Non-Executive Director
- Chairman of the Audit and Risk Management Committee
- Member of Certified Practising Accountant (CPA) Australia
- Chartered Accountant by the Malaysian Institute of Accountants
- Partner of Y.F. Lee & Associates

Directorship of other Listed Issuers/Public Companies:
- Does not hold any directorships in any other listed issuers/public companies

Others
- No family relationship with other directors and/or major shareholders of Dolphin
- No convictions of any offences within the past five (5) years
- No conflict of interest
- His shareholdings in Dolphin are disclosed on page 165 of this Annual Report

He attended 5 out of 5 meetings held during the financial year ended 31 December 2018.

Profile of Key Management Team

Name	Nationality	Designation
Foo Phui Foong	Malaysian	Chief Financial Officer
Woo Wai Heng	Malaysian	Marketing Director
Gunandawadu Akalangka Susantha De Zoysa	Sri Lankan	Business Director (Indonesia)
Teoh Kah Lean	Malaysian	Head of Process Automation and Control Division
Afif Hadabi Bin Wahab	Malaysian	Head of Project Department

FOO PHUI FOONG
MALAYSIAN, FEMALE, AGED 41
CHIEF FINANCIAL OFFICER

Ms Foo has more than 16 years of experience in finance and accounting with companies involved in various fields such as advertising and production, stockbroking, education and retail. She joined Dolphin Group in 2015 as Chief Financial Officer.

She started her career as an accounts assistant with PRS Productions Sdn Bhd. She then left and joined TA Enterprise Sdn Bhd in 2000 as a Junior Officer in the finance department before joining Limkokwing University College Sdn Bhd ("Limkokwing University") in 2003 as a Finance Manager of the Education Division. She then moved up the ranks and held positions such as Senior Finance Manager of the Retail Division, Senior Finance Manager of the International Division and Associate Finance Director of Limkokwing University's African operations. In 2011, she joined SMR HR Group Sdn Bhd, a wholly owned subsidiary of SMRT Holdings Berhad ("SMRT"), as an Assistant Manager, Finance & Administration. Her last position held at SMRT was Group Finance Manager.

Ms Foo is a member of the Malaysian Institute of Accountants (MIA).

She does not have any family relationship with any directors and/or major shareholders of the Group and has no conflict of interest with the Group.

WOO WAI HENG
MALAYSIAN, MALE, AGED 56
MARKETING DIRECTOR

Mr. Woo Wai Heng has more than 36 years of experience in process engineering involving information technology and automation systems. He joined Dolphin Group in 2003 and now he is our Sales and Marketing Director, responsible for overseeing the Sales and Marketing resources and business performance.

Mr Woo has vast experience holding positions in various companies involved in manufacturing and information technology, including Tamco Cutter Hammer Sdn Bhd, Ingeback Sdn Bhd, Precast Micro Injection Pile Sdn Bhd, Zenbes Sdn Bhd, BI-PLC Sdn Bhd and Econ Pile Sdn Bhd.

Mr Woo was from Sekolah Menengah Teknik, Ipoh, Perak.

He does not have any family relationship with any directors and/or major shareholders of the Group and has no conflict of interest with the Group.

GUNANDAWADU AKALANGKA SUSANTHA DE ZOYSA
SRI LANKAN, MALE, AGED 44
BUSINESS DIRECTOR (INDONESIA)

Mr. De Zoysa has more than 11 years of experience in both technical and financial issues related to developing and completing palm oil milling projects. He joined Dolphin Group in 2013 as Business Director for the Indonesian market, responsible for overseeing the Group's business operations in Indonesia. His career started as a Coordinating Engineer in 2000 with John Sheritt Developments in Colombo, Sri Lanka, working on project and resource planning/ coordination activities at worksites. He then joined Hatton National Bank, Ltd. ("HNB") in 2001, in Colombo, Sri Lanka as a Project Analyst.

In 2008, Mr. De Zoysa returned to engineering as Project Coordinator, Implementations for PT Agro Indomas ("PTAI"), an Indonesian approved foreign investment company engaged in the business of oil palm production in the Kalimantan Region. At PTAI, Mr. De Zoysa had successfully executed major projects, involved throughout the idea development stage through to its actual implementation. He left PTAI and joined PT Dolphin in 2013 as our Business Director for the Indonesian market.

Mr. De Zoysa holds a Bachelor of Science in Civil Engineering from the University of Moratuwa, Sri Lanka in 2000. He is also an Associate Member of the Chartered Institute of Management Accountants (CIMA) and the Institute of Engineers of Sri Lanka (IESL).

He does not have any family relationship with any directors and/or major shareholders of the Group and has no conflict of interest with the Group.

TEOH KAH LEAN
MALAYSIAN, MALE, AGED 41
HEAD OF PROCESS AUTOMATION AND CONTROL DIVISION

Mr. Teoh Kah Lean has more than 16 years working experience in planning, developing and implementing state-of-the-art electro-automated solutions and software systems. In 2001, he started his career as a System Engineer at Opensys (M) Sdn Bhd. Later in the same year, he moved to MY Information Centre Sdn Bhd as a Systems Administrator. In 2002, he joined Business Flex Solutions Sdn Bhd as the Senior Software Engineer. He then resigned from Business Flex Solutions Sdn Bhd and joined Dolphin Group in 2004 as Group Technical Manager. He was responsible for ensuring the seamless integration of electro-automation, hydraulic and software systems. Mr. Teoh holds a Bachelor of Information Technology (Hons) in Management Information Systems from University Malaysia Sabah in 2001 and he is also a certified PROFIBUS Engineer.

He does not have any family relationship with any directors and/or major shareholders of the Group and has no conflict of interest with the Group.

AFIF HADAFI BIN WAHAB
MALAYSIAN, MALE, AGED 37
HEAD OF PROJECT DEPARTMENT

Afif Hadafi Bin Wahab has more than 11 years working experience in the engineering field. He graduated from Universiti Teknologi Malaysia in 2005 with a Degree in Mechanical Engineering, majoring in Automotive Engineering. Upon graduation in 2005, he joined the Group as a Mechanical Engineer to provide technical assistance on hydraulic and pneumatic systems work concerning design, as well as overseeing work orders preparation, fabrication and system implementation. In 2018, En. Afif Hadafi was promoted to Head of Project department, responsible for overseeing departmental engineering and technical work as well as project management, planning, coordination and implementation. He is responsible for leading and supervising the design and fabrication of all Dolphin's products related to mechanical and hydraulic systems.

He does not have any family relationship with any directors and/or major shareholders of the Group and has no conflict of interest with the Group.

The Board of Directors ("Board") of Dolphin International Berhad ("DOLPHIN" or "the Company") is committed to uphold high standards of corporate governance throughout the Group's operations with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders. This Corporate Governance Overview Statement sets out the extent to which the Company has applied the practices encapsulated in the Principles of the Malaysian Code on Corporate Governance ("MCCG") except where stated otherwise.

Details of the Group's application of each practices set out in the MCCG are disclosed in the Corporate Governance Report, which is available on the Group's website at www.dolphinbhd.com.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

Board Charter and Board Committees

The Board is responsible and is accountable to shareholders for managing the business of the Group. The Board retains full and effective control of the Group and is committed to take full responsibility for the overall corporate governance of the Group, including its strategic business direction and overall wellbeing.

The Board has retained for itself decisions in respect of matters significant to the Group's business operations which include the approval of key corporate plans, major business transactions involving either the acquisition or disposal of businesses, interests and/or assets, consideration of significant financial matters and announcements of financial results, appointments to the Board and control structure within the Group.

In performing its duties, the Board is guided by the Board Charter that sets out amongst others its roles, composition, responsibilities, powers, board committees and board meeting procedures. The key elements of governance principles embedded in the Board Charter regulate the Board's conduct and guide the strategic initiatives of the Group. The Board Charter was reviewed and updated during the financial year and is available on the Company's website at www.dolphinbhd.com.

The Board has established three (3) Board Committees, namely Audit and Risk Management Committee, Nomination Committee and Remuneration Committee that are delegated with specific responsibilities and authorities to assist the Board in carrying out its duties. The delegation of authority to the Committees enables the Board to achieve operational efficiency, by empowering each Committee to review, report and make recommendations to the Board on matters relevant to their roles and responsibilities. Each Committee is governed by its own Terms of Reference which sets out its functions and duties, composition, rights and meeting procedures. These Terms of Reference are reviewed annually in accordance with the needs of the Company and taking into account the changes in the business, governance and legal environment that may have an impact on the discharge of the Committees' duties and responsibilities.

The Chairmen of the various committees will report to the Board the outcome of the Committee meetings which will be recorded in the minutes of the Board meeting. The ultimate responsibility for decision making, however, lies with the Board.

Company Secretary

The Board is supported by a qualified and competent Company Secretary who provides advice and regularly updates the Board on good governance, board policies and procedures, administrative and compliance matters. All Directors have unhindered access to the advice and services of the Company Secretary, whose appointment and removal is a matter to be decided by the Board as a whole.

The Company Secretary also ensures that the Board is kept well informed on any regulatory requirements and developments in the area of corporate governance that affect the duties and responsibilities of the Directors as well as the Company being a public listed company. In this respect, the Company Secretary has attended training and seminars conducted by relevant regulators to keep abreast with the relevant updates on statutory and regulatory requirements and the Main Market Listing Requirements ("MMLR") of Bursa Securities.

Company Secretary (Continued)

The Company Secretary also serves notice to the Directors and Principal Officers regarding the closed periods for trading in the Company's shares, in accordance with Chapter 14 of the MMLR of Bursa Securities. Deliberations during the Board and Board Committee meetings were properly minuted and documented by the Company Secretary.

Information and support for Directors

In order to manage the Group's business effectively, the Board meets on a quarterly basis to review the Group's financial and operational results, major investments, report from various Board Committees, related party transactions, strategic decisions and the overall direction of the Group. Additional meetings may be convened when urgent and important decisions need to be taken in between the scheduled meetings. All the Directors had committed their time to the board meetings held during the financial year. Prior to the meetings, notice of agenda together with previous minutes and other relevant information were circulated to all directors on a timely basis.

Besides board meetings, the Board also decides on matters which require its approval through Circulation Resolutions.

All the Directors have full and free access to all relevant information of the Group, access to management and may obtain independent professional advice at the Company's expense that are deemed necessary to carry out their duties.

The External Auditors also briefed the Board members on the latest Malaysian Financial Reporting Standards that may have an impact on the Group's financial statements during the year.

Code of Conduct and Ethics

Good governance at all levels is essential for sustainable development. The Board is committed to embrace the highest standards of corporate governance practices and ethical standards throughout the Group.

In this respect, the Group has established a Code of Ethics and Code of Conduct to provide direction and guidance to all Directors, Senior Management, employees and external parties in the discharge of their duties and responsibilities that will be in the best interest of the Group. The Code of Ethics and Conduct had been uploaded on the Company's website at www.dolphinbhd.com.

Whistle-blowing Policy

The Board is committed to achieve and maintain high standards of corporate governance practices across the Group. A Whistle-blowing policy has been implemented to provide a channel to enable Directors, Employees, Shareholders, Vendors or any parties with a business relationship with the Group with an avenue to report suspected wrongdoings that may adversely impact the Group. The Company treats all reports in a confidential manner and at the same time provides protection to anyone who reports such concerns in good faith.

Further details pertaining to the Whistle-blowing Policy can be found at the Company's website.

II. Board Composition

The Board recognizes the importance of having a diverse Board in terms of age, ethnicity and gender to provide the necessary range of perspectives, experience and expertise in bringing value to the Company.

The present Board, comprises six (6) Directors i.e. one (1) Senior Independent Non-Executive Chairperson, a Group Managing Director, two (2) Group Executive Directors and two (2) Independent Non-Executive Directors.

II.Board Composition (Continued)

The Group Managing Director and the Executive Director are responsible for making the day-to-day business and operational decisions and implementation of Board policies. There is a clear division of duties and responsibilities between them in order to maintain a balance of control, power and authority within the Management.

The Independent Non-Executive Directors are responsible for exercising independent judgement and to act in the best interests of the Group in ensuring that decisions made by the Board are deliberated fully and objectively having regard to the long-term interest of all stakeholders. They have declared themselves to be independent from management and free of any relationship which could interfere with the exercise of their independent judgement and objective participation and decision making process of the Board.

The Board is confident that its current size and composition reflects an appropriate balance of Executive and Non-Executive Directors which is adequate for the scope and nature of the Group’s business and operations.

The Company currently does not have a policy to limit the tenure of its independent directors to nine (9) years. At this juncture, none of the independent directors of the Group has exceeded a cumulative term of nine (9) years. The Board believes that the length of service on the Board has not impaired the objectivity of these Independent Directors. Moreover, the Independent Directors had made significant contributions to the Board in view of their wide experience as well as breadth of understanding of the Group’s activities and corporate history.

Diversity on Board and Senior Management

The Board and the Nomination Committee take into account the need for diversity in the skills, experience, age, race/ethnicity (cultural background) and nationality of the existing Board in seeking potential candidate(s). The Committee has the responsibility to ensure that the Board comprises suitably qualified members who demonstrate appropriate qualities and experience to contribute to the effective oversight and stewardship of the Group.

The Board decided to maintain the optimum Board size at 6 based on the review of the Board composition in 2018. The optimal size would enable effective oversight, delegation of responsibilities and productive discussion amongst members of the Board.

Gender Diversity

The Board is committed to maintain an appropriate balance in terms of diversity in experience, skills, competence, caliber and gender as an enabler for balanced, comprehensive and thorough decision making. The Board consists of members with a broad range of skills, well-rounded experience and knowledge in different fields necessary to oversee the business. The Board ensures that each member has a proper understanding of the Group’s business and competence to deal with current and emerging issues of the Group.

The Board has no specific policy on gender, age or ethnicity for candidates to be appointed to the Board. The evaluation of the suitability of candidates is based on the candidates’ competency, character, time commitment, integrity and experience in meeting the needs of the Company. The Nomination Committee, will however continue to take steps to ensure that gender, age and ethnicity of the candidates will be taken into consideration as part of its recruitment exercise.

Nomination Committee

The Board has established a Nomination Committee to provide advice and assistance to the Board in matters relating to appointment of new Directors, board composition, training program and performance evaluation on effectiveness of the Board, Board Committees and individual directors. Full details of the Nomination Committee’s duties and responsibilities are stated in its Term of Reference which is available on the Company’s website.

Nomination Committee (Continued)

The Nomination Committee comprises exclusively of Independent Non-Executive Directors and is chaired by the Independent Director. The Committee meets as and when required, at least once a year. During the financial year, two (2) meetings were carried out, with attendance as follows:

Name of Director	Designation	No. of Meetings Attended
Kamaruddin Bin Osman (Senior Independent Non-Executive Chairperson)	Chairperson	2/2
Dr. Abdul Azis Bin Ariffin (Independent Non-Executive Director)	Member	2/2

During the financial year, the Nomination Committee had carried out the following activities:

(a) assessed the performance of the Board, Board Committees and individual Directors, including the term of office and performance of the Audit and Risk Management Committee and each of its members;
(b) assessed the independence of all three (3) Independent Directors;
(c) reviewed the performance of retiring Directors and recommended them to the Board for re-election at the forthcoming Annual General Meeting ("AGM");
(d) reviewed the size of the Board against the size of the Group and the complexity of the business to assess the impact of the Board's size on its effectiveness;
(e) ensure all Directors receive appropriate continuous training programmes;

Evaluation of Board, Board Committees and Individual Directors

The Nomination Committee annually performs board self-evaluation to evaluate the performance of the Board, Board Committees and Individual Directors, in order to verify that the Board is operating effectively and efficiently as a whole. Each Director completed a detailed questionnaire on the Directors' Performance Evaluation which covered matters relevant to the Board performance, among other things, contribution to interaction, quality of input, understanding of role and personal developments. An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee's performance against its Term of Reference. The assessment was internally facilitated, whereby results of the assessments had been compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices.

Based on the assessment carried out during the financial year, the Nomination Committee had concluded the following:-
(a) The Board was found to be competent and had a dynamic and balanced mix of skills and experience wherein the Directors were able to contribute effectively to the Board's decision-making process.
(b) The current structure, size and composition of the Board, which comprises people who possess a wide range of expertise and experience in various fields with diverse backgrounds and specialisations, would enable the Board to lead and manage the Company effectively.
(c) The Directors had discharged their responsibilities in a commendable manner, acted competently, contributed effectively to the Board and demonstrated full commitment to their duties as Directors.
(d) The Board and Board Committees had contributed positively to the Company and its subsidiaries and were operating in an effective manner.
(e) The Board Chairman had minded the leadership as well as contributed to the Board.
(f) The performances of the Board Committees were found to be effective.

The Board recognises the importance of continuous training to remain abreast of the latest developments in related industries and changes to the regulatory environment. The assessment on individual directors also provided the Board with valuable insights into training and development needs of each Director, to ensure that each Board member's contribution to the Board remains informed and relevant.

Evaluation of Board, Board Committees and Individual Directors (Continued)

During the financial year, all the Directors had participated in various training programs. Particulars of the seminars and courses attended are as follows:

Name of Directors	Date	Seminar / Training Course Title
Dr. Abdul Azis Bin Ariffin	26–28 September 2018	19th International Oil Palm Conference, Colombia
Lee Yow Fui	17&18 April 2018 10 December 2018 13 December 2018 14 December 2018	Malaysian Tax Conference 2018 Preparation of MPERS Financial Statements 2019 Budget Seminar Latest developments on MFRS15 & MFRS16
Khor Han Leong	12&13 November 2018	Mandatory Accreditation Programme

III. Remuneration

Remuneration Policy

The Board has recognized the need to establish a fair and transparent Remuneration Policy with the objective to guide the Group in attracting, retaining and motivating highly qualified individuals to serve on the Board and key senior management. On a yearly basis, the Remuneration Committee reviewed and recommended to the Board the remuneration packages of the Executive Directors, while the remuneration for the Non-Executive Directors was determined by the Board as a whole. Fees and benefits payable to the Directors are subject to approval by the shareholders at the Company's AGM. The affected Directors had abstained from participation in deliberations and decisions regarding their individual remuneration.

In making its recommendation, the Remuneration Committee considered the principles set out in the Remuneration Policy. The remuneration was structured to align rewards to corporate and individual performances besides adequately compensating the Directors for risks and complexities of the duties and responsibilities they assumed. The Remuneration Committee also obtained data for similar roles of other public listed companies in the same industry for comparison.

All Executive Directors and key Senior Management are subject to an annual performance rating which serves as a basis to determine their variable compensation payments. The Remuneration Policy also covers bonus framework for the Executive Directors and Key Senior Management, which link their appraisal process to specific reward and incentive outcomes. The appraisal process will assess the individual performance against the Key Performance Indicator targets and competency and capability in living up to the Group's core values and Leadership and Management Expectations.

Remuneration Committee

The Remuneration Committee was established to assist the Board in developing remuneration policies and procedures that enable the Group to attract, motivate and retain qualified Directors and Key Senior Management personnel. Full details of the functions and duties of the Remuneration Committee are stated in its Term of Reference which is available on the Company's website.

The Remuneration Committee comprises mainly of Independent Non-Executive Directors. During the financial year, one (1) meeting was carried out with attendance as follows:

Name of Director	Designation	No. of Meetings Attended
Kamaruddin Bin Osman	Chairman	1/1
Low Teck Yin	Member	1/1
Dr. Abdul Azis Bin Ariffin	Member	1/1

The responsibilities of the Remuneration Committee are as follows: -

(a) reviewed and assessed the performance and the remuneration package of the Executive Directors and Key Senior Management;
(b) reviewed and assessed the Directors' fees and benefits payable for the financial year ended 2018;
(c) reviewed and updated its Term of Reference;
(d) reviewed the Board Remuneration Policy; and
(e) provide clarification to shareholders during general meetings on matters pertaining to remuneration of directors and senior management.

Remuneration of Directors

Pursuant to the respective service contracts with the Company and its subsidiaries, the remuneration packages of the Executive Directors shall include a compensation payment amounting up to six (6) months of that Director's last drawn salary, in the event of loss of office.

The details of individual Directors' remuneration are as follows:-

Group Level

Name of Directors	Salaries and Other Emoluments/Fees (RM'000)	Bonus (RM'000)	EPF and SOCSO (RM'000)	Benefits in Kind (RM'000)	Total (RM'000)
Non-Executive Directors					
Dr. Abdul Azis Bin Ariffin	65.5	-	-	-	65.5
Kamaruddin Bin Osman	70	-	-	-	70
Lee Yow Fui	68	-	-	-	68
Executive Directors					
Low Teck Yin	315	-	61	11	387
Hoh Yeong Cherng	248	-	48	10	306
Khor Han Leong	-	-	-	-	-

Company Level

Name of Directors	Salaries and Other Emoluments/Fees (RM'000)	Bonus (RM'000)	EPF and SOCSO (RM'000)	Benefits in Kind (RM'000)	Total (RM'000)
Executive Directors					
Low Teck Yin	315	-	61	11	387
Hoh Yeong Cherng	248	-	48	10	306
Khor Han Leong	-	-	-	-	-

Remuneration of Senior Management

The remuneration of the Senior Management are set out as follows:-

Range of Remuneration (RM)	Number of Senior Management
RM100,000 to RM350,000	6
RM350,000 to RM400,000	-
RM450,000 to RM500,000	1
RM750,000 to RM800,000	

(The details of senior management's remuneration are not shown, as the Board considers the information of the said remuneration to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's efforts in retaining executive talent. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to senior management's remuneration are appropriately served by disclosure in RM50,000 bands.)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

The Audit and Risk Management Committee consists of the following members:

1) Lee Yow Fui *(Chairman)*
2) Dr. Abdul Azis Bin Ariffin *(Member)*
3) Kamaruddin Bin Osman *(Member)*

The Chairman of the Audit and Risk Management Committee is not the Chairman of the Board. In addition, the Audit and Risk Management Committee comprises wholly of Independent Non- Executive Directors. The Audit and Risk Management Committee Report is set out separately in this Annual Report. Full details of the Audit and Risk Management Committee's duties and responsibilities are stated in its Terms of Reference which is available on the Company's website.

Oversight of External Auditors

The Group has always recognised the need to uphold independence. None of the members of the Board were former key audit partners within the cooling-off period of two (2) years. Hence, there is no such person being appointed as a member of the Audit and Risk Management Committee.

The Board, through its Audit and Risk Management Committee maintains a formal and transparent relationship with its External Auditors. The Board had delegated the responsibility to the Audit and Risk Management Committee for making recommendations on the appointment, re-appointment or removal of the External Auditors as well as their remuneration. The Audit and Risk Management Committee ensured that the External Auditors work closely with the Internal Auditors to enhance the effectiveness of the overall audit process. The Audit and Risk Management Committee assessed the performance and effectiveness of the External Auditors annually, considering amongst others, their qualifications, effectiveness of the audit process, quality of service and their independence.

In the course of their audit, the External Auditors presented to the Audit and Risk Management Committee its 2018 Audit Plan which outlined its engagement team, audit timeline, the areas of audit emphasis, and their focus on key audit matters. The External Auditors also highlighted to the Audit and Risk Management Committee matters pertaining to financial reporting. During the financial year, the private meetings between them were held twice without the presence of the Management and Executive Directors, to discuss any issues that may require the attention of the Audit and Risk Management Committee.

Oversight of External Auditors (Continued)

The full details of the role of the Audit and Risk Management Committee in relation to the External Auditors is set out in the Audit and Risk Management Committee Report of this Annual Report.

II. Risk Management and Internal Control Framework

The Board is of the view that the system of internal control and risk management of the Group is sound and sufficient to maintain effective governance. Supported by the Management and internal audit function, the Group complies with all applicable provisions of law and regulations and appropriate risk management systems are in place.

Currently, the Board is assisted by the Audit and Risk Management Committee in fulfilling the oversight responsibilities of reviewing the control systems in general and assessing the adequacy and effectiveness of the risk management and internal control practices conducted by the Management. The Audit and Risk Management Committee and the management are responsible to identify, evaluate and manage significant risks facing the organization in its businesses and operations. To facilitate effective monitoring, the Board regularly receives reports from the Management on any business risks related to its business activities that have impacted or likely to impact the Company from achieving its objectives and strategies.

Compliance relating to risk recognition and management is presented in the Group's Statement on Risk Management and Internal Control as set out separately in this Annual Report.

Internal Audit Function

The Group outsources its internal audit function to a firm, Sterling Business Alignment Consulting Sdn Bhd The Head of the Internal Auditors is a member of the Institute of Internal Auditors Malaysia and possesses the skills, experience and competency to carry out the internal audit work effectively. The Internal Auditors provide an independent evaluation on the effectiveness of the risk management, control and governance processes in the Group. In addition, the Internal Auditors carry out a follow-up review on the issues raised in the previous internal audit report and to ensure that the proposed action plan has been implemented by the Management to mitigate the risk exposure of the Group.

The independent internal audit function is reporting directly to the Audit and Risk Management Committee. To ensure that the responsibilities of internal auditors are fully discharged, the Audit and Risk Management Committee reviews the adequacy of the scope, functions and resources of the Internal Audit function as well as the competency of the Internal Auditors.

The scope of work covered by the internal audit function during the financial year, summary of activities carried out, including its observations and recommendations, are provided in the Statement on Risk Management and Internal Control and Audit and Risk Management Committee Report of this Annual Report.

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

I. Communication with Stakeholders

The Group is committed to ensure that its communication with the shareholders and various stakeholders is transparent, timely and with quality disclosure as each group of stakeholders expect a varying level of interaction from the Board based on their differing levels of interest in the Company. They expect the Company to communicate in a timely and open manner, adopt good corporate governance practices, prompt feedback and to engage stakeholders when making significant decisions.

In this respect, the Group has designed an Investor Relations Website and an Investor Relations Privacy Policy which provides guidance to the Management and employees on the Company's disclosure requirements, handling of material information, and in dealing with investors, analysts, media and the investing public. The Group also maintains comprehensive control of all important corporate information and prohibits any insider trading by any director or principal officer when he or she is in possession of price sensitive information.

Apart from that, the Group has in place the following initiatives to facilitate effective communication with its shareholders:

a. ensure the Annual Report consist of important information such as Management Discussion and Analysis, financial statements, and information on the Audit and Risk Management Committee, Corporate Governance, Sustainability and Corporate Social Responsibility, and Risk Management and Internal Control;
b. timely announcements made to Bursa Securities via Bursa LINK, which include the release of financial results on a quarterly basis, changes in substantial shareholder's interest, changes in Boardroom and any other matters. Concurrent with the release of financial results, all the announcements will be uploaded on the Company's website, and press releases forwarded to major newspapers and public media;
c. attending to shareholders' and investors' emails and phone enquiries; and
d. the Company's website at www.dolphinbhd.com under Investor Relations section, which houses Board Charter, annual reports, quarterly report announcements, press releases, analyst briefings, analyst coverage and other corporate information.

Timely release of quarterly announcements and full year financial reports reflects the Board's accountability to its shareholders.

Integrated Reporting

The nature and pace of change in businesses today have evolved over time and stakeholders are now placing greater emphasis on the future performance and non-financial information of a company. In tandem with the growing demand, the Company would consider adopting integrated reporting based on a globally recognized framework in the near future.

II. Conduct of General Meetings

Notice of General Meetings

General meetings are the important platform for the shareholders to exercise their rights in the Company, either in AGM or Extraordinary General Meetings.

Given the significance of general meetings, the notice of meeting together with the annual report is sent to the shareholders at least 28 days prior to the AGM, so as to maximise their attendance and to provide sufficient time to consider the resolutions that will be discussed and decided at the general meeting. Concurrently, the notice of AGM is advertised in a nationally circulated English daily newspaper. In order to facilitate informed decision making by the shareholders, notice of meeting is also accompanied by explanatory notes on the items of business to further explain the nature of business of the meeting.

Attendance of Directors at General Meetings

DOLPHIN's AGM is an important means of communicating with its shareholders. It enables the shareholders to interact directly with the Board and gain insights on the Company's business and financial position. It serves as a platform for shareholders to have a full understanding of the Company and of the Group.

During the AGM, the Chairman ensures that shareholders are given the opportunity to comment or raise issues and questions whether pertaining to issues on the agenda, the annual report, Group's strategy or developments in the Group.

The Chairperson plays a vital role in fostering constructive dialogue between the Board and the shareholders. All the members of the Board and the respective chairman of the Board Committees are present at the meetings to address queries raised by the shareholders which are relevant to their areas of responsibility. The Company's External Auditors also attend the AGM and are available to answer questions from the shareholders pertaining to the audit matters and the auditor's report.

Voting

In the event that shareholders are unable to attend the AGM in person, they are encouraged to appoint one (1) or up to two (2) proxies to attend and vote in his/her stead. The outcome of the meeting is announced to Bursa Securities on the same day, which is also accessible on the Company's website.

The Company conducts a poll voting on each resolution tabled during the general meetings to support shareholders participation. As the number of shareholders of the Company is not large, the Company currently conducts manual poll voting instead of electronic poll voting. With the poll voting, each shareholder present in person or represented by proxy at the general meeting will be entitled to vote on a one-share, one-vote basis. At least one (1) scrutineer is appointed to validate the votes cast at the meeting.

ADDITIONAL COMPLIANCE INFORMATION

Statement of Directors' Responsibility in respect of the Financial Statements

The Board is committed to prepare the financial statements for each financial year which give a true and fair view of the state of affairs, and of the results of the operations of the Group and of the Company for the financial year then ended. As required by the Companies Act 2016 and the Main Market Listing Requirements ("MMLR"), the financial statements have been prepared in accordance with applicable approved financial accounting standards. The Board has applied appropriate accounting policies on a consistent basis and made judgements that are reasonable and prudent.

COMPLIANCE STATEMENT

The Board is satisfied that the Group has substantially complied with the majority of the practices of the Malaysian Code on Corporate Governance ("MCCG") throughout the financial year. In pursuit of safeguarding the interest of the shareholders and other stakeholders, the Board is committed and will continue to strengthen its application of the best practices in corporate governance.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 29 April 2019.

Audit and Risk Management Committee Report

The Board of Directors of Dolphin International Berhad ("the Board") is pleased to present the Audit and Risk Management Committee Report for the financial year ended 31 December 2018.

OBJECTIVE

The Audit and Risk Management Committee ("ARMC") was established to act as a Committee for the Board of Directors to fulfill its fiduciary responsibilities in accordance with the Terms of Reference of the ARMC of the Company and to assist the Board in reviewing the adequacy and integrity of the Group's financial administration, reporting and internal control.

COMPOSITION AND MEETINGS

As at the date of this Annual Report, the Audit and Risk Management Committee ("ARMC") comprises three (3) Directors as follows:

Chairman
Lee Yow Fui (Independent Non-Executive Director)

Members
Dr. Abdul Azis Bin Ariffin (Independent Non-Executive Director)
Kamaruddin Bin Osman (Senior Independent Non-Executive Chairperson)

The ARMC met five (5) times during the financial year ended 31 December 2018 and the details of their attendance are as follows:

Audit and Risk Management Committee Member	Attendance
Lee Yow Fui	5/5
Dr. Abdul Azis Bin Ariffin	5/5
Kamaruddin Bin Osman	5/5

Our ARMC Chairman, Lee Yow Fui, is a member of Certified Practicing Accountant (CPA) Australia and a Chartered Accountant by the Malaysian Institute of Accountants. Accordingly, the Company complies with Paragraph 15.09(1)(c)(ii) (bb) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") on the composition of Audit and Risk Management Committee.

Details of the members of the ARMC are contained in the Profile of Board of Directors as set out on pages 9 to 11 of this Annual Report.

TERMS OF REFERENCE

The terms of reference of the ARMC are as follows:

Membership

1. The ARMC shall be appointed by the Board from amongst their members and shall consist of at least three (3) members, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors.
2. At least one (1) member of the ARMC:
   a. must be a member of the Malaysian Institute of Accountants; or
   b. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and
      - must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
      - must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
      - fulfill such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

TERMS OF REFERENCE (Continued)

Membership (Continued)

3. The members of the ARMC shall elect a Chairman from amongst their members who shall be an Independent Non-Executive Director.

4. No alternate Director shall be appointed as a member of the ARMC.

5. The term of office and performance of the ARMC and each of its members shall be reviewed by the Board at least once every three years.

6. The Company Secretary or such other person(s) authorised by the Board of Directors shall act as the Secretary to the Committee.

7. If a member of the Committee resigns, dies or for any other reason ceases to be a member resulting in the number of members being reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members.

The Board of Directors is satisfied that the ARMC and its members have discharged their responsibilities during the financial year in accordance with the terms of reference of the ARMC.

SUMMARY OF WORK OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Committee met five (5) times during the financial year to review the Company's and its subsidiaries' quarterly and audited financial statements prior to their approval by the Board. The Committee also acts as a forum for discussion on internal control issues and contributes to the Board's review of the Group's internal control and risk management systems.

During the financial year ended 31 December 2018, the works carried out by ARMC in discharging their functions and duties are summarised as follow:

i) Reviewed the financial position, unaudited quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The review is to ensure that the Company's unaudited quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the Malaysian Financial Reporting Standards 134 – Interim Financial Reporting Standards in Malaysia and International Accounting Standards 34 – Interim Financial Reporting as well as applicable disclosure provisions of the MMLR;

ii) Met the External Auditors without the presence of executive board members and management personnel to further discuss matters arising from audit;

iii) Before the commencement of audit for current financial year, the Audit Committee had also reviewed the External Auditors' Audit Planning Memorandum. The Committee noted the external auditors' key considerations, audit emphasis and approached made;

iv) Reviewed the audit plan of the External Auditors in terms of their scope of audit, methodology and timetable, audit materiality, areas of focus prior to the commencement of their annual audit;

v) Reviewed and discussed the internal audit reports which outlined the recommendations towards correcting areas of weaknesses and ensured that there were management action plans established for the implementation of the Internal Auditors' recommendations. The responsible member of management was invited to attend the ARMC meeting to provide clarification on specific issues raised in the internal auditor reports. Summary of internal audit reports presented to the ARMC provided status updates for management action plans to address the findings reported in the previous audit cycles; and

vi) Reviewed the related party transactions for compliance with both in-house procedures and the MMLR.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("the Board") of Dolphin International Berhad ("the Company") is pleased to present the following Statement on Risk Management and Internal Control of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2018. This has been prepared in accordance to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**MMLR**"), Malaysian Code on Corporate Governance ("**MCCG**") and "*Statement on Internal Control and Risk Management: Guidelines for Directors of Listed Issuers*".

BOARD'S RESPONSIBILITIES

The Board affirms its overall responsibility for maintaining the Group's system of internal control, risk management and reviewing the adequacy and integrity of these systems. In view of the limitations that are inherent in any system of internal control, the system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board had received assurance from the Group Managing Director and Group Financial Officer that the Group's risk management and internal control is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

RISK MANAGEMENT

The Board confirms that there is an ongoing process of identifying, evaluating, managing and responding to risks to achieve the objectives of the Group for the financial year under review. The Board reviews the process annually as well as when new emerging risks are identified as risk management forms an integral part of the Group's business operations and is embedded in the various work processes and procedures of the respective operational functions and management team.

During the financial year under review, the Group has adopted a Risk Management Plan and Policy and a set of Detailed Risk Management Procedure for Project Management. The improved Risk Management Plan and Policy includes Commitment to the Risk Management Framework, Risk Governance, Linking Risk Management and Strategy, Risks Registers, Risk Reporting, Risk Management Continuous Improvement and Crisis Management. The Risk Management Procedure for Project Management will be implemented in conjunction with the ISO 9001/2015 upgrading exercise in the financial year ended 31 December 2018.

INTERNAL AUDIT FUNCTION

The Group in its efforts to provide adequate and effective internal control system had appointed an independent firm i.e Sterling Business Alignment Consulting Sdn Bhd, who is a corporeate member of The Institute of Internal Auditors Malaysia (IIAM), to undertake its internal audit function. The internal auditor reviewed and addressed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the Group and recommended possible improvements to internal control processes. This is to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group.

The Internal Auditors use the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework as a basis for evaluating the effectiveness of the internal control systems. Each quarterly audit is performed by approximately 3 to 5 audit personnel depending to the areas of audit. The Internal Auditors report directly to the Audit Committee on improvement measures pertaining to internal control, including subsequent follow-up to determine the extent of their recommendations that have been implemented by the Management. Periodic audit reports are submitted to the Audit Committee, who reviews the findings with Management at its quarterly meetings. Follow up visits were conducted to ensure weaknesses identified have been or are being addressed.

INTERNAL AUDIT FUNCTION (Continued)

With the engagement, the internal auditors have disclosed that there are no relationships or conflict of interest in the discharge of its responsibilities and that they remained independent and have no direct operational responsibility or authority over any of the activities audited.

The Management is responsible for ensuring that corrective actions to control weaknesses are implemented within a defined time frame. The Internal Auditors are free from any relationships or conflict of interest, which could impair their objectivity and independence of the internal audit function. The Internal Auditors do not have any direct operational responsibility or authority over any of the activities audited. The Audit Committee is of the opinion that the internal audit function is effective and able to function independently.

For the financial year ended 31 December 2018, three (3) internal audit reviews and one (1) follow-up review had been carried out by Internal Auditor:

Audit Period	Reporting Month	Name of Entity Audited	Audit Areas
January - March 2018	May 2018	Dolphin International Berhad Dolphin Applications Sdn Bhd Dolphin Engineering (M) Sdn Bhd Dolphin Construction Sdn Bhd	Follow-up Status review on previously reported audited findings.
April - June 2018	August 2018	Dolphin International Berhad	Limited review on compliance of Main Market Listing Requirements.
July - September 2018	November 2018	Dolphin Constructions Sdn Bhd	Business Development and Construction processes and procedures.
October - December 2018	January 2019	Dolphin Applications Sdn Bhd	Revenue and Sales & Marketing functions.

The Audit and Risk Management Committee keeps track and addresses any issues that relates to these matters. Audit Committee meeting and its members are constantly being updated on any activities that relates to the above. For the financial year ended 31 December 2018, the total internal audit fees incurred for the outsourced internal audit function is RM32,500.00.

KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL SYSTEM

1. Control Environment and Control Activities

- The Group maintains an organisation structure and hierarchical reporting with defined lines of responsibility and accountability.
- Designated staff are placed in areas of responsibility to support and continuously monitor the effectiveness of the Group's system of internal control.
- Authorisation limits at appropriate levels are set out for controlling and approving capital expenditure and expenses.
- Policies and procedures for key business processes are formalised and documented for implementation and continuous improvements. These policy manuals are the subject of regular reviews to meet new operational and statutory requirements.

2. Monitoring and Communication

- Regular Board and Management meetings to assess performance and controls;
- Regular visits to operating units by members of the Board and senior management whenever appropriate;
- Regular review of business processes to assess the effectiveness of internal controls by the independent firm. Reports on findings of the internal audit and status report on follow up actions are presented to the Audit Committee of the Board for consideration;
- Management Accounts and reports are prepared regularly for monitoring of actual performance;
- An internal audit function carries out quarterly internal audit to ascertain the adequacy of and to monitor the effectiveness of operational and financial procedures. The internal audit also reviews and assesses risks faced by the Group and reports directly to the Audit Committee;
- Reporting of financials, operations and legal issues to the Board on a quarterly basis. Budgets are also reviewed on a yearly basis and major variances are followed up and remedial actions are taken where necessary;
- Regular internal audit visits to monitor compliance with policies and procedures to assess the integrity of both financial and non-financial information provided; and
- Follow-up visits are then subsequently conducted by the internal auditor to ensure proper implementation of agreed action plans by the respective process owners.

REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and had reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control.

CONCLUSION

For the financial year under review and up to the date of approval of this statement, the Board is of the opinion that the risk management and internal control system currently in place is as far as practicable, adequate and effective to safeguard the Group's interests and assets. For the coming year, the Board will continually assess the adequacy and effectiveness of the Group's system of internal control and to strengthen it, as and when necessary.

The Group recognises the values of Sustainability is an integral part to short and long term values for the Group and its stakeholders.

Our Sustainability framework consists of the following activities.

WELFARE & SPORTS

Dolphin sponsored program 'Fun Ride' JKR Selangor 2018

As part of the Group's corporate social responsibility initiative, Dolphin participated as the sponsor of the program 'Fun Ride' organised by JKR Selangor.

ENVIRONMENT

The Group is mindful of the environmental impact of our work and address them in business decision-making. Employees and business partners must demonstrate a commitment to comply with environmental legislation, regulations as well as the Group's Policy. Over the years, the Group has taken preventive measures to reduce environmental impact and carbon footprint from various initiatives such as:

- Minimising the usage of paper; and
- Minimising energy and fuel consumption.

The Group, in support of the local government's drive towards green buildings and technology, contributes to Malaysia's Green Objectives to reduce carbon footprint and one of its efforts include the adoption of green practices and solutions for the construction of the Ministry of International Trade and Industry building in Kuala Lumpur.

EMPLOYEES

- Insurance

\- All our full-time employees are provided at the Group's costs, with Group Personal Accident insurance cover. Besides that, we also provided Business Travel Insurance for employees who are required to travel. The purpose of these insurance covers is to ensure that a reasonably-sized financial cushion is made available to the affected employee to help reduce the trauma from unforeseen situations.

- Training and Development

\- The Group organises various trainings, seminars and workshops to upgrade and enhance the skills and knowledge of our employees. The training programmes range from job-related technical to soft skills, management and administrative courses.

HEALTH AND SAFETY

The Group is committed to the highest standards of the Health, Safety and Environmental ("HSE") protection. It is the Group's policy to take all precautions and safety measures to ensure our employees are working in a safe and healthy environment.

MARKETPLACE

The Group continuously promotes the conduct of business through transparency, accountability, integrity, and ethics in building long term relationships with our stakeholders.

The Group continuously initiates and manages various channels to engage with our stakeholders with the objective to foster good communication and relations by providing timely information.

COMMUNITY

The Group believes that contributing to the local community is not just something out of choice but is actually a vital part of our corporate existence. The Group plays an active role in contributing to the community and society through direct financial support, gifts in kind and voluntary work. We strongly believe in giving back and improving the well-being of our society through impactful initiatives.

Dolphin has taken initiatives to engage with the community and with charities on our journey of sustainability. We donated our electronic appliances, furniture, working and recyclable computers for a charity association in Pekan Meru, Klang.

Statement of Responsibility by Directors

The Directors are required by the Companies Act 2016 ("Act") to prepare the financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company and the financial performance and cash flows for the year ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act in Malaysia.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and of the Company to enable them to ensure that the financial statements are drawn up in accordance with the provisions of the Act.

In preparing the financial statements for the year ended 31 December 2018, the Directors have:

- adopted suitable accounting policies and then applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departure being explained in the financial statements; and
- prepared the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

Additional Compliance Information

AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2018, the amounts of audit and non-audit fees paid to the external auditors of the Group and of the Company are as tabulated below:

	Group	Company
	RM	RM
Audit Fees		
- Current year	190,117	64,000
- Prior year	(4,000)	1,000
Non-audit fees	32,500	32,500
Total	**218,617**	**97,500**

REVALUATION OF LANDED PROPERTY

During the financial year ended 31 December 2018, the landed property were revalued and the surplus arising from the revaluation is as follows:-

	RM
Revaluation amount	4,000,000
Less: Net Book Value	(1,630,038)
	2,369,962
Less: Deferred Liabilites	(568,791)
Revaluation Surplus	1,801,171

SHARE BUY-BACKS

The Company does not have a scheme to buy back its own shares.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities were issued by the Company during the financial year ended 31 December 2018.

SANCTIONS AND/OR PENALTIES

In the financial year ended 31 December 2018, there were no sanctions and/or penalties imposed on Dolphin and its subsidiaries, Directors or management by any regulatory body.

VARIATION OF RESULTS, PROFIT ESTIMATES, FORECAST OR PROJECTIONS

There were no profit forecast issued by the Company for the financial year ended 31 December 2018.

PROFIT GUARANTEE

There were no profit guarantee issued by the Company for the financial year ended 31 December 2018.

Additional Compliance Information

MATERIAL CONTRACTS INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Dolphin and its subsidiary companies have not entered into any material contracts outside the ordinary course of business, involving Directors and substantial shareholders for the financial year ended 31 December 2018.

DEPOSITORY RECEIPT PROGRAMME

There were no Depository Receipt Programme sponsored by the Company during the financial year ended 31 December 2018.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Loss for the financial year, net of tax	(4,247,238)	(7,715,572)
Attributable to:		
Owners of the Company	(4,230,342)	(7,715,572)
Non-controlling interests	(16,896)	-
	(4,247,238)	(7,715,572)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2018.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of 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 of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

(b) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors no contingent or other liability of the Group or 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 will or may affect the ability of the Group or of the Company to meet their obligations as and 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 of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 2.2 to the financial statements; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up any unissued shares of the Company during the financial year.

DIRECTORS

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

Low Teck Yin *	
Hoh Yeong Cherng *	
Dr. Abdul Azis Bin Ariffin	
Kamaruddin Bin Osman	
Lee Yow Fui	
Khor Han Leong*	(Appointed on 8 June 2018)
Datuk Zaiton Binti Mohd Hassan	(Resigned on 30 August 2018)

* Directors of the Company and certain subsidiaries.

DIRECTORS (CONTINUED)

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Brian Lim Eu Kheng	
Teoh Kah Lean	
Linggarsih	
Yap Hai San	
Gunandawadu Akalangka Susantha De Zoysa	
Eio Tiang Siew @ Eyo Chok	(Appointed on 3 August 2018)
Lee Kim Teck	(Resigned on 9 May 2018)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Interest in the Company

	Number of ordinary shares			
	At 1.1.2018	Bought	Sold	At 31.12.2018
Direct interests:				
Low Teck Yin	46,632,514	-	-	46,632,514
Hoh Yeong Cherng	46,812,527	-	-	46,812,527
Dr. Abdul Azis Bin Ariffin	100,000	-	-	100,000
Kamaruddin Bin Osman	100,000	-	-	100,000
Lee Yow Fui	100,000	-	-	100,000
Indirect interests:				
Hoh Yeong Cherng*	484,500	-	-	484,500

* Deemed interested by virtue of the shares held by his sibling, Hoh Yeong Jian, and father, Hoh Kok Wah.

DIRECTORS' INTERESTS (CONTINUED)

	Number of warrants of RM0.80 each			
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
Direct interests:				
Low Teck Yin	28	-	-	28
Hoh Yeong Cherng	31	-	-	31
Dr. Abdul Azis Bin Ariffin	25,000	-	-	25,000
Kamaruddin Bin Osman	25,000	-	-	25,000
Lee Yow Fui	25,000	-	-	25,000
Indirect interests:				
Hoh Yeong Cherng*	75	-	-	75

* Deemed interested in the direct shareholdings in the Company of his sibling, Hoh Yeong Jian.

By virtue of their interests in the ordinary shares of the Company, and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Low Teck Yin and Hoh Yeong Cherng are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Interest in the subsidiary

	Number of ordinary shares of USD1.00 each			
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
The subsidiary				
PT Dolphin Indonesia				
Direct interests:				
Hoh Yeong Cherng	175,000	-	-	175,000

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares or debentures of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 31 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' BENEFITS (CONTINUED)

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

WARRANTS 2016/2021

On 5 April 2016, the Company issued 55,500,002 warrants pursuant to the Bonus Issue of Warrants. The terms of the warrants are as follows:

a) Exercise rights

   Subject to the terms of the Deed Poll, each Warrant will entitle its registrated holder to subscribe to one (1) new ordinary share at the exercise price (as defined below).

b) Exercise price

   The Warrant is fixed at RM0.80 represents a premium of RM0.0688 or approximately 9.41% to the five (5) day VWAMP of the Dolphin Shares of up to and including 7 March 2016 of RM0.7312 per Dolphin Share.

c) Exercise period

   The period commencing on and including the day of issuance of the Warrants and expiring on the fifth anniversary of the issue date. Warrant not exercised during the exercise period thereafter lapse and cease to be valid for any purpose.

d) Transferability

   The Warrants will be transferable in any manner provided under the Central Depositories Act and the Rules.

e) Ranking

   The 55,500,002 new ordinary shares to be issued pursuant to the exercise of the Warrants will, on allotment and issue, rank pari passu in all respects with the then existing ordinary shares except that such new ordinary shares shall not be entitled for any dividends, that may be declared prior to the date of allotment and issue of new ordinary shares, nor shall it be entitled to any distributions or entitlements where the record date is prior to the date of exercise of Warrants.

As at the end of the current financial year, no exercise of warrants had taken place and the outstanding warrants in the Company remains at 55,500,002.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, there were no indemnity given to or insurance effected for, any director and officer of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

Other than those subsidiary with modified opinion in its auditors' report as disclosed in Note 8 to the financial statements, the available auditors' reports on the accounts of the remaining subsidiaries did not contain any qualification.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 40 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events subsequent to the end of the financial year are disclosed in Note 41 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 31 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

…………………………………............
LOW TECK YIN
Director

…………………………………............
HOH YEONG CHERNG
Director

Date: 29 April 2019

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	54,013,356	43,380,542	-	-
Investment property	6	185,279	191,958	-	-
Intangible assets	7	17,899,783	17,507,738	-	-
Investment in subsidiaries	8	-	-	20,920,209	18,740,002
Total non-current assets		72,098,418	61,080,238	20,920,209	18,740,002
Current assets					
Inventories	10	1,746,567	356,812	-	-
Trade and other receivables	11	8,992,279	13,653,680	26,461	5,325,789
Contract assets/other current assets	12	891,580	2,009,046	-	-
Current tax assets	13	402,279	808,196	-	-
Fixed deposits placed with licensed banks	14	5,597,282	5,152,499	-	-
Cash and bank balances	15	1,187,912	4,233,265	24,352	3,903,882
		18,817,899	26,213,498	50,813	9,229,671
Non-current assets classified as held for sale	16	6,036,841	-	-	-
Total current assets		24,854,740	26,213,498	50,813	9,229,671
TOTAL ASSETS		96,953,158	87,293,736	20,971,022	27,969,673

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (CONTINUED)

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	81,559,823	81,559,823	81,559,823	81,559,823
Other reserve	18	(23,144,715)	(23,144,715)	-	-
Revaluation reserve	19	1,801,171	-	-	-
Foreign currency translation reserve	20	647,638	504,481	-	-
Accumulated losses		(36,915,899)	(32,685,557)	(62,607,739)	(54,892,167)
		23,948,018	26,234,032	18,952,084	26,667,656
Non-controlling interests		(48,458)	(84,276)	-	-
TOTAL EQUITY		23,899,560	26,149,756	18,952,084	26,667,656
Non-current liabilities					
Finance lease liabilities	21	92,692	266,296	-	-
Loans and borrowings	22	29,244,983	10,366,351	-	-
Provision for retirement benefits	23	32,022	21,984	-	-
Deferred tax liabilities	24	582,119	230,454	-	-
Trade and other payables	25	4,103,432	4,000,000	-	-
Preference shares	26	5,611,579	-	-	-
Total non-current liabilities		39,666,827	14,885,085	-	-
Current liabilities					
Finance lease liabilities	21	94,561	379,502	-	-
Loans and borrowings	22	8,804,937	21,890,994	-	-
Current tax liabilities	13	400	18,764	-	-
Trade and other payables	25	23,628,718	23,680,538	2,018,938	1,302,017
Contract liabilities/other current liabilities	12	858,155	289,097	-	-
Total current liabilities		33,386,771	46,258,895	2,018,938	1,302,017
TOTAL LIABILITIES		73,053,598	61,143,980	2,018,938	1,302,017
TOTAL EQUITY AND LIABILITIES		96,953,158	87,293,736	20,971,022	27,969,673

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Revenue	27	13,353,488	10,641,265	240,000	40,000
Cost of sales	28	(8,190,817)	(12,856,747)	-	-
Gross profit/(loss)		5,162,671	(2,215,482)	240,000	40,000
Other income	29	890,356	563,943	1,267	86,367
Administrative expenses		(5,893,263)	(12,703,530)	(1,390,516)	(2,013,241)
Sales and marketing expenses		(271,510)	(315,501)	-	-
Net impairment losses of financial assets		(40,303)	(1,573,490)	-	-
Other expenses		(1,619,243)	(39,208,654)	(6,566,323)	(46,730,000)
Operating loss		(1,771,292)	(55,452,714)	(7,715,572)	(48,616,874)
Finance costs	30	(2,618,534)	(2,524,746)	-	-
Share of results of an associate, net of tax		-	36,485	-	-
Loss before tax	31	(4,389,826)	(57,940,975)	(7,715,572)	(48,616,874)
Income tax expense	33	142,588	649,519	-	-
Loss for the financial year		(4,247,238)	(57,291,456)	(7,715,572)	(48,616,874)
Other comprehensive (loss)/income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		146,871	(78,574)	-	-
Revaluation surplus on property, plant and equipment		1,801,171	-	-	-
Total comprehensive loss for the financial year		(2,299,196)	(57,370,030)	(7,715,572)	(48,616,874)
Loss attributable to:					
Owners of the Company		(4,230,342)	(57,139,388)	(7,715,572)	(48,616,874)
Non-controlling interests		(16,896)	(152,068)	-	-
		(4,247,238)	(57,291,456)	(7,715,572)	(48,616,874)
Total comprehensive loss attributable to:					
Owners of the Company		(2,286,014)	(57,214,501)	(7,715,572)	(48,616,874)
Non-controlling interests		(13,182)	(155,529)	-	-
		(2,299,196)	(57,370,030)	(7,715,572)	(48,616,874)
Loss per ordinary share attributable to the owners of the Company:					
Basic (sen)	34 (a)	(1.73)	(25.08)		
Diluted (sen)	34 (b)	(1.73)	(25.08)		

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to Owners of the Company								
	Note	Share capital RM	Share premium RM	Other reserve RM	Revaluation reserve RM	Foreign currency translation reserve RM	Retained earnings / (Accumulated losses) RM	Total RM	Non-controlling interests RM	Total equity RM
Group										
At 1 January 2017		44,400,002	32,775,321	(23,144,715)	-	583,055	24,453,831	79,067,494	67,792	79,135,286
Total comprehensive loss for the financial year		-	-	-	-	(78,574)	(57,139,388)	(57,217,962)	(152,068)	(57,370,030)
Transaction with owners:										
Shares issued for Private Placement	17	4,384,500	-	-	-	-	-	4,384,500	-	4,384,500
Transition to no par value regime		32,775,321	(32,775,321)	-	-	-	-	-	-	-
Total transactions with owners		37,159,821	(32,775,321)	-	-	-	-	4,384,500	-	4,384,500
At 31 December 2017		81,559,823	-	(23,144,715)	-	504,481	(32,685,557)	26,234,032	(84,276)	26,149,756
Total comprehensive loss for the financial year		-	-	-	1,801,171	143,157	(4,230,342)	(2,286,014)	(13,182)	(2,299,196)
Transaction with owners:										
Non-controlling interests arising arising from incorporation of a new subsidiary		-	-	-	-	-	-	-	49,000	49,000
Total transactions with owners		-	-	-	-	-	-	-	49,000	49,000
At 31 December 2018		81,559,823	-	(23,144,715)	1,801,171	647,638	(36,915,899)	23,948,018	(48,458)	23,899,560

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Attributable to owners of the Company			
		Share capital RM	Share premium RM	Accumulated losses RM	Total equity RM
Company					
At 1 January 2017		44,400,002	32,775,321	(6,275,293)	70,900,030
Total comprehensive loss for the financial year		-	-	(48,616,874)	(48,616,874)
Transaction with owners:					
Shares issued for Private Placement	17	4,384,500	-	-	4,384,500
Transition to no par value regime		32,775,321	(32,775,321)	-	-
Total transactions with owners		37,159,821	(32,775,321)	-	4,384,500
At 31 December 2017		81,559,823	-	(54,892,167)	26,667,656
Total comprehensive loss for the financial year		-	-	(7,715,572)	(7,715,572)
At 31 December 2018		81,559,823	-	(62,607,739)	18,952,084

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Cash flows from operating activities					
Loss before tax		(4,389,826)	(57,940,975)	(7,715,572)	(48,616,874)
Adjustments for:					
Bad debts written off		-	54,828	-	-
Depreciation of property, plant and equipment		595,037	1,033,001	-	-
Depreciation of investment property		2,467	2,497	-	-
Deposit written off		-	12,796	-	-
Finance income		(183,509)	(317,431)	(1,267)	(86,367)
Finance costs		2,618,534	2,524,746	-	-
Gain on disposal of property, plant and equipment		(221,865)	(222,170)	-	-
Inventories written down			117,597	-	-
Impairment loss on goodwill		-	20,046	-	-
Impairment loss on intangible assets		-	208,913	-	-
Impairment loss on investment in subsidiaries		-	-	6,566,323	46,730,000
Impairment loss on trade receivables		40,303	1,573,490	-	-
Property, plant and equipment written off		4,428	13,469	-	-
Provision for foreseeable losses		13,411	35,642,447	-	-
Provision for liquidated and ascertained damages		-	3,337,248	-	-
Provision for retirement benefits		11,066	4,316	-	-
Reversal of impairment loss on investment in an associate		-	(54,483)	-	-
Reversal of impairment loss on trade receivables		(1,132,214)	-	-	-
Share of result of an associate, net of tax		-	(36,485)	-	-
Unrealised loss on foreign exchange		128,956	373,414	-	-
Operating loss before changes in working capital		(2,513,212)	(13,652,736)	(1,150,516)	(1,973,241)
Changes in working capital:					
Inventories		(1,397,563)	299,317	-	-
Contract assets		1,104,055	17,219,091	-	-
Contract liabilities		569,058	(148,602)	-	-
Trade and other receivables		5,712,010	3,033,907	(9,979)	(8,657)
Trade and other payables		(2,917,850)	8,641,661	716,921	564,506
Net cash flows generated from/(used in) operations		556,498	15,392,638	(443,574)	(1,417,392)
Interests received		(292,100)	317,431	1,267	86,367
Interests paid		(1,174,422)	(1,829,299)	-	-
Income tax refunded		322,275	-	-	-
Income tax paid		(9,260)	(1,763,921)	-	-
Net cash (used in)/from operating activities		(597,009)	12,116,849	(442,307)	(1,331,025)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash flows from investing activities					
Acquisition of a subsidiariy, net of cash acquired		-	(291,532)	-	-
Development costs		(392,045)	(478,605)	-	-
Incorporation of a subsidiary		49,000	-	-	-
Net change in amounts due from subsidiaries		-	-	(3,437,223)	(6,367,157)
Purchase of property, plant and equipment		(15,093,331)	(20,656,295)	-	-
Proceeds from disposal of property, plant and equipment		408,262	500,132	-	-
Deposits received		4,828,000	7,250,000	-	-
Return on investment in an associate		-	204,783	-	-
Net cash used in investing activities		(10,200,114)	(13,471,517)	(3,437,223)	(6,367,157)
Cash flows from financing activities	**(a)**				
Decrease/(Increase) in deposits pledged		(444,783)	4,052,380	-	-
Drawdown of loans and borrowings		32,666,971	(2,758,014)	-	-
Interests paid		(784,333)	(695,447)	-	-
Net changes in amount due to directors		(1,540,669)	1,248,741	-	-
Proceeds from issuance of ordinary shares		-	4,384,500	-	4,384,500
Proceeds from issuance of preference shares		5,197,272	-	-	-
Repayment of finance lease liabilities		(456,256)	(555,841)	-	-
Repayment of loans and borrowings		(14,746,394)	(14,064,064)	-	-
Net cash from/(used in) financing activities		19,891,808	(8,387,745)	-	4,384,500
Net increase/(decrease) in cash and cash equivalents		9,094,685	(9,742,413)	(3,879,530)	(3,313,682)
Cash and cash equivalents as at beginning of the financial year		(11,736,458)	(1,963,796)	3,903,882	7,217,564
Effects of exchange rate changes on cash and cash equivalents		(12,036)	(30,249)	-	-
Cash and cash equivalents as at end of the financial year		(2,653,809)	(11,736,458)	24,352	3,903,882
Analysis of cash and cash equivalents:					
Fixed deposits placed with licensed banks	14	5,597,282	5,152,499	-	-
Cash and bank balances	15	1,187,912	4,233,265	24,352	3,903,882
Bank overdrafts	22	(3,841,721)	(15,969,723)	-	-
		2,943,473	(6,583,959)	24,352	3,903,882
Less: Fixed deposits held as security values	14	(5,597,282)	(5,152,499)	-	-
		(2,653,809)	(11,736,458)	24,352	3,903,882

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

(a) Reconciliation of liabilities arising from financing activities

	1.1.2018 RM	Cash flows RM	Non-cash foreign exchange movement RM	31.12.2018 RM
Finance lease liabilities	645,798	(456,256)	(2,289)	187,253
Term loans	11,214,845	20,004,418	-	31,219,263
Other loans and borrowings	5,072,777	(2,083,841)	-	2,988,936
Amount owing to directors	5,773,572	(936,606)	(9,191)	4,827,775
Preference shares	-	5,611,579	-	5,611,579
	22,706,992	22,139,294	(11,480)	44,834,806

	1.1.2017 RM	Cash flows RM	Non-cash foreign exchange movement RM	31.12.2017 RM
Finance lease liabilities	1,207,415	(555,841)	(5,776)	645,798
Term loans	13,972,859	(2,758,014)	-	11,214,845
Other loans and borrowings	19,136,841	(14,064,064)	-	5,072,777
Amount owing to directors	4,538,400	1,235,172	-	5,773,572
	38,855,515	(16,142,747)	(5,776)	22,706,992

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Dolphin International Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of the Company is located at No. 17 & 19, Jalan Puteri 5/20, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 April 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRS, amendments/improvements to MFRSs that are mandatory for the current financial year:

New MFRSs	
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs	
MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contract
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

New IC Int	
IC Int 22	Foreign Currency Transactions and Advance Consideration

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

MFRS 9 Financial Instruments

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

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statement of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaced the "incurred loss" model in MFRS 139. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables and contract assets that do not contain a significant financing component shall always measure the loss allowance at an amount equal lifetime expected credit losses.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 9 Financial Instruments (continued)

Key requirements of MFRS 9 (continued):

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

The retrospective application of MFRS 9 does not require restatement of 2017 comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings (or other equity components) of the annual reporting period including the date of initial application i.e. 1 January 2018.

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed in the ensuing pages.

(i) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets:

- Trade and other receivables including refundable deposits, fixed deposits placed with licensed banks, cash and bank balances previously classified as Loans and Receivables under MFRS 139 as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 9 Financial Instruments (continued)

Impact of the adoption of MFRS 9 (continued)

(i) Classification and measurement (continued)

In summary, upon the adoption of MFRS 9, the Group had the following reclassifications as at 1 January 2018:

MFRS 139 Measurement category	MFRS 9 Measurement Category RM	Amortised cost RM
Financial assets		
Group		
Loans and receivables		
Trade and other receivables (excluding GST refundable and prepayments)	12,887,920	12,887,920
Fixed deposits placed with licensed banks	5,152,499	5,152,499
Cash and bank balances	4,233,265	4,233,265
Company		
Loans and receivables		
Trade and other receivables (excluding GST refundable)	5,310,307	5,310,307
Cash and bank balances	3,903,882	3,903,882

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis. Upon adoption of MFRS 9, the Group assessed that no additional expected credit losses are required to be recognised on its trade and other receivables.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) Identify the contracts with a customer;
(ii) Identify the performance obligation in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations in the contract;
(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15

MFRS 111	Construction Contract
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

Impact of the adoption of MFRS 15

The Group and the Company have applied MFRS 15 using the modified retrospective approach. The adoption of MFRS 15 resulted in changes in accounting policies in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed in the ensuing pages.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 15 Revenue from Contracts with Customers (continued)

Impact of the adoption of MFRS 15 (continued)

(i) Accounting for separate performance obligations arising from sale of goods

The application of MFRS 15 resulted in the identification of various performance obligations which previously had been bundled as a single sale of goods. The goods or services promised in the contract with the customers are identified as separate performance obligation if the good or service is capable to be distinct and if the good or service is distinct within the context of the contract. Among the performance obligations identified separately are goods and training services. Revenue is allocated to the respective performance obligations based on their relative stand-alone selling prices and recognised when controls in relation to the performance obligations have been transferred. Before the adoption of MFRS 15, the Group recognised the entire revenue from both sale of goods and training service upon delivery of the goods, even before completion of the training service. Under MFRS 15, the allocated revenue would be deferred as a contract liability until completion of the training service.

(ii) Presentation of contract assets and contract liabilities

The Group and the Company have changed the presentation of certain amounts in the statements of financial position to reflect the terminology of MFRS 15:

(i) Contract liabilities/assets recognised in relation to construction contracts which were previously presented as part of amount owing to/by contract customers.

The adoption of MFRS 9 and MFRS 15 did not have a material impact on the Group's and the Company's other comprehensive income or the Group's and the Company's operating, investing and financing cash flows.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*/ 1 January 2021#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019/ 1 January 2021#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*/ 1 January 2021#
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates & Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019/ 1 January 2021#
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred/ 1 January 2021#
MFRS 132	Financial instruments: Presentation	1 January 2021#

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective (continued):

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (continued)		
MFRS 134	Financial instruments: Presentation	1 January 2021#
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*/ 1 January 2021#
MFRS 138	Intangible Assets	1 January 2020*/ 1 January 2021#
MFRS 140	Investment Property	1 January 2021#
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 32	Intangible Assets – Web Site Costs	1 January 2020*

* Amendments to References to the Conceptual Framework in MFRS Standards
# Amendments as to the consequence of effective of MFRS 17 Insurance Contract

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

(a) The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below.

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises and equipment on the statements of financial position by recognising them as "rights-of- use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

MFRS 17 Insurance Contracts

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

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

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

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a revised Conceptual Framework for Financial Reporting and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

The amendments to the nine Standards are a consequence of MFRS 17 with an effective date on or after 1 January 2021, which include MFRS 1, MFRS 5, MFRS 7, MFRS 15, MFRS 107, MFRS 116, MFRS 132, MFRS 136 and MFRS 140.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

(b) The detailed analysis on the financial effects of the adoption of other new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are currently still being assessed by the Group and the Company.

2.4 Functional and presentation currency

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

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.6 Use of estimate and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

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

(a) Reorganisation

Acquisition of entities under a reorganisation scheme does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Company are a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group;
- the equity structure, however, reflects the equity structure of the Company and the differences arising from the change in equity structure of the Group will be accounted for in other reserves;

(b) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its control over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(b) Subsidiaries and business combination (continued)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.8(a) to the financial statements.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly the previously held equity interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(b) Subsidiaries and business combination (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(c) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(d) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investments in associates are initially recognised at cost. The cost of investment includes transaction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(d) Associates (continued)

Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group 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 an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases 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 the 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.

(e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries, joint ventures and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non - financial assets as disclosed in Note 3.13(b) to the financial statements.

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currency transactions and operations (continued)

(b) Translation of foreign operations (continued)

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

<u>Accounting policies applied from 1 January 2018</u>

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified to financial assets at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

Debt Instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.13(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows (continued):

(i) Financial assets (continued)

Debt Instruments (continued)

- **Fair value through other comprehensive income (FVOCI)**
  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.13(a) to the financial statements. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows (continued):

(i) Financial assets (continued)

Equity Instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument - by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss.

Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities to financial liabilities at amortised cost.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(b) 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) 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.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or

(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

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

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(e) Offsetting of financial instruments

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

Accounting policies applied until 31 December 2017

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows (continued):

(i) Financial assets (continued)

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available for sale or are not classified in any of the three preceding categories.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows (continued):

(i) Financial assets (continued)

Available-for-sale financial assets (continued)

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or lo ss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss.

Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Unquoted equity instruments carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a) to the financial statements.

(ii) Financial liabilities

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(b) 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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 other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment (other than freehold lands and buildings) are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b) to the financial statements.

Freehold land and buildings are measured at fair value, based on valuations by external independent valuers, less accumulated depreciation on buildings and any accumulated impairment losses recognised after the date of revaluation. Valuations are performed with sufficient regularity to ensure that the fair value of the freehold land and buildings does not differ materially from the carrying amount. Any accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings as the assets are used. The amount of revaluation reserve transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are 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 cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Capital work-in-progress consists of property, plant and equipment under construction for intended use. It is reclassified to property, plant and equipment once it is available for use. The amount is stated at cost and it is not depreciated until it is completed and ready for its intended use.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment (continued)

(a) Recognition and measurement (continued)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold lands have an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Leasehold land	99 years
Leasehold building	50 years
Freehold buildings	50 years
Furniture and fittings	10 years
Motor vehicles	5 years
Office equipment	10 years
Renovation	10 years
Plant and machinery	16 years
Computer hardware	5 – 10 years

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, 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 assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The 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 lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (continued)

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.7 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.19 to the financial statements.

The Group uses the cost model to measure its investment properties after initial recognition. Accordingly investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition of impairment losses is in accordance with Note 3.13(b) to the financial statements.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Goodwill and other intangible assets

(a) Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b) to the financial statements.

In respect of equity-accounted associates, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

(b) Research and development costs

Research costs are recognised in profit or loss as incurred.

An intangible asset arising from development is recognised when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the asset;
- it can be demonstrated how the intangible asset will generate future economic benefits;
- adequate resources to complete the development and to use or sell the intangible asset are available; and
- the expenditures attributable to the intangible asset during its development can be reliably measured.

Other development costs that do not meet these criteria are recognised in profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an intangible asset in a subsequent period.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. The policy for the recognition and measurement of impairment loss is in accordance with Note 3.13(b) to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Goodwill and other intangible assets (continued)

(c) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(d) Amortisation

The amortisation methods used and the estimated useful lives are as follows:

	Method	**Useful lives (years)**
Other intangible assets	Revenue-based	2

The residual values, useful lives and amortisation methods are reviewed at the end of each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Inventories

Inventories are carried at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

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

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

3.10 Contract assets/ (liabilities)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance).

The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a) to the financial statements.

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

3.11 Non-current assets or disposal groups held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The criteria for held for sale classification is regarded as met only when:

- the asset or disposal group is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset or disposal group is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Non-current assets or disposal groups held for sale (continued)

Any impairment loss on the disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property that is measured at fair value, which continue to be measured in accordance with the Group's accounting policies. , which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. A gain for any subsequent increase in fair value less costs to sell of an asset is recognised but not in excess of the cumulative impairment loss that has been recognised.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

3.12 Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three month or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3.13 Impairment of assets

(a) Impairment of financial assets and contract assets

<u>Accounting policies applied from 1 January 2018</u>

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI), lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

Accounting policies applied from 1 January 2018 (continued)

For trade receivables, contract assets and lease receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

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

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument 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 Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are 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 that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source 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 Group's and the Company's procedure for recovery of amounts due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

Accounting policies applied until 31 December 2017

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries, associates and joint ventures) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables and held-to-maturity investments

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Loans and receivables and held-to-maturity investments (continued)

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write -off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment of assets (continued)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and amount due from customers for contract work) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

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 non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs 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 purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its 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 or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets 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 previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.14 Share capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.15 Preference share

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividend payments are discretionary. Dividends thereon are recognised as distributions within 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Employee benefits

(a) Short term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

(c) Defined contribution plans

A foreign subsidiary of the Group provides retirement benefits plan to its employees in conformity with the requirements of the law.

The calculation of estimated liabilities for the retirement benefits plan is determined using management's calculation. The assumptions used are discount rate, annual salary increment rate and pension age.

The Group recognises the following costs in profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

3.17 Provisions

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Revenue and other income

Accounting policies applied from 1 January 2018

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Revenue and other income (continued)

Accounting policies applied from 1 January 2018 (continued)

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts. Any cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability is disclosed in Note 12 to the financial statements.

(a) Construction contracts

The Group and the Company fabricate palm oil milling machineries under construction contracts with customers. Construction service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

Under the terms of the contracts, control of the commercial and industrial properties is transferred over time as the Group and the Company create or enhance an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

Sales are made with a credit term of 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. The Group and the Company become entitled to invoice customers for construction of commercial and industrial properties based on achieving a series of performance-related milestones.

The Group and the Company recognised a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group and the Company recognise a contract liability for the difference.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Revenue and other income (continued)

(b) Sales of goods

Revenue from sale of goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

(e) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentive granted is recognised as an integral part of the total rental income, over the term of the lease.

<u>Accounting policies applied until 31 December 2017</u>
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

(a) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method. The stage of completion method is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

(b) Sales of goods

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Revenue and other income (continued)

Accounting policies applied until 31 December 2017 (continued)

(c) Interest income

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(d) Rental income

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

3.19 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

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 that are 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, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

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.

3.20 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Income tax (continued)

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised 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 is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Income tax (continued)

(b) Deferred tax (continued)

Where investment properties are carried at fair value in accordance with the accounting policy, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

3.21 Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares

3.22 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Managing Director of the Group that makes strategic decisions.

3.23 Fair value measurements

Fair value of an asset or a liability, except for 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Fair value measurements (continued)

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.

When measuring the fair value of an asset or a liability, the Group 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 technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.24 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

3.25 Contract costs

(a) Recognition and measurement

Contract costs include costs of obtaining and fulfilling a contract.

The incremental costs of obtaining a contract are those costs that the Group and the Company incur to obtain a contract with a customer which they would not have incurred if the contract had not been obtained. The incremental costs of obtaining a contract with a customer are recognised as part of contract costs when the Group and the Company expect those costs are recoverable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Contract costs (continued)

(a) Recognition and measurement (continued)

The costs incurred in fulfilling a contract with a customer which are not within the scope of another MFRSs, such as MFRS 102 Inventories, MFRS 116 Property, Plant and Equipment or MFRS 138 Intangible Assets, are recognised as part of contract costs when all of the following criteria are met:

(a) the costs relate directly to a contract or to an anticipated contract that can be specifically identified;
(b) the costs generate or enhance resources of the Group and the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
(c) the costs are expected to be recovered.

(b) Amortisation

The costs of obtaining and fulfilling a contract are amortised on a systematic basis that is consistent with the transfer to the customer of the good s or services to which the asset relates, i.e. in accordance with the pattern of transfer of goods or services to which the asset relates. The amortisation shall be updated subsequently to reflect any significant change to the expected timing of transfer to the customer of the goods or services to which the asset relates in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimate and Errors.*

(c) Impairment

Impairment loss are recognised in profit or loss to the extent that the carrying amount of the contract cost exceeds:

(a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates; less
(b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Before an impairment loss is recognised for contract costs, the Group and the Company shall recognise any impairment loss for assets related to the contract that are recognised in accordance with another MFRSs, such as MFRS 102, MFRS 116 and MFRS 138. The Group and the Company shall include the resulting carrying amount of the contract costs in the carrying amount of the cash -generating unit to which it belongs for the purpose of applying MFRS 136 Impairment of Assets to that cash-generating unit

An impairment loss is reversed when the impairment conditions no longer exist or have improved. Such reversal is recognised in profit or loss.

The Group and the Company have applied the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity would have recognised is one year or less.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

(a) Impairment of development cost

The Group determines whether the development cost, not yet available for use, is impaired, at least on an annual basis. Development costs have finite useful lifes and are assessed for impairment whenever there is an indication of impairment.

This requires an estimation of the value-in-use of the assets. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of the cash flows.

The carrying amounts of the Group's development cost are disclosed in Note 7 to the financial statements.

(b) Construction revenue and expenses

The Group recognised construction revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimated total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of contract assets and contract liabilities are disclosed in Note 12 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following (continued):

(c) Impairment of investment in subsidiaries and amount owing by subsidiaries

The Company tests investments in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the results of the impairment test.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Company's tests for impairment of investment in subsidiaries.

The impairment provisions for amount owing by subsidiaries are based on assumptions about risk of default and expected loss rate. The Company uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the expected manner of recovery and recovery period of the intercompany loan.

The carrying amounts of the Company's investment in subsidiaries and amount owing by subsidiaries are disclosed in Note 8 and Note 11 to the financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM	Leasehold building RM	Freehold lands RM (valuation)	Freehold buildings RM (valuation)	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Renovation RM	Computer RM	Plant and machinery RM	Capital Work In Progress RM	Total RM
Cost/Valuation												
At 1 January 2018	4,006,991	445,221	1,615,502	2,061,268	87,614	1,799,880	297,054	6,472,849	923,180	454,153	28,043,896	46,207,608
Additions	-	-	-	-	-	-	3,981	183,158	15,356	-	14,890,836	15,093,331
Disposals	-	-	-	-	-	(1,201,992)	-	-	-	-	-	(1,201,992)
Written off	-	-	-	-	-	-	(5,580)	-	-	-	-	(5,580)
Reclassication	-	-	-	-	-	159,238	-	-	-	-	-	159,238
Revaluation	-	-	2,280,960	89,002	-	-	-	-	-	-	-	2,369,962
Transfer to asset classified as held for sales	(4,006,991)	(445,221)	(856,462)	(1,104,878)	-	-	-	-	-	-	-	(6,413,552)
Exchange differences	-	-	-	-	(548)	(2,821)	(907)	(955)	(119)	(4,861)	-	(10,211)
At 31 December 2018	-	-	3,040,000	1,045,392	87,066	754,305	294,548	6,655,052	938,417	449,292	42,934,732	56,198,804
Accumulated depreciation and impairment loss												
At 1 January 2018	189,334	40,811	-	133,281	40,514	1,277,563	144,239	269,860	639,357	92,107	-	2,827,066
Depreciation charge for the financial year	41,309	8,904	-	115,164	7,959	140,471	28,369	58,353	112,189	82,319	-	595,037
Disposals	-	-	-	-	-	(1,015,595)	-	-	-	-	-	(1,015,595)
Written off	-	-	-	-	-	-	-	-	(1,152)	-	-	(1,152)
Reclassication	-	-	-	(66,700)	-	159,238	-	66,700	-	-	-	159,238
Transfer to asset classified as held for sales	(230,643)	(49,715)	-	(96,353)	-	-	-	-	-	-	-	(376,711)
Exchange differences	-	-	-	-	(278)	(505)	(539)	(446)	-	(667)	-	(2,435)
At 31 December 2018	-	-	-	85,392	48,195	561,172	172,069	394,467	750,394	173,759	-	2,185,448
Net carrying amount												
At 31 December 2018	-	-	3,040,000	960,000	38,871	193,133	122,479	6,260,585	188,023	275,533	42,934,732	54,013,356

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold land RM	Leasehold building RM	Freehold lands RM	Freehold buildings RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Renovation RM	Computer hardware RM	Plant and machinery RM	Capital Work In Progress RM	Total RM
Cost												
At 1 January 2017	4,006,991	445,221	11,615,502	5,382,968	88,042	3,102,108	319,835	575,377	900,120	115,957	-	26,552,121
Additions	-	-	-	13,212	866	-	2,100	5,899,792	31,341	-	14,708,984	20,656,295
Disposals	-	-	-	-	-	(928,735)	-	-	(6,131)	-	-	(934,866)
Written off	-	-	-	-	-	-	(22,475)	-	(2,150)	-	-	(24,625)
Reclassification	-	-	(10,000,000)	(3,334,912)	-	(350,000)	-	-	-	350,000	13,334,912	-
Exchange differences	-	-	-	-	(1,294)	(23,493)	(2,406)	(2,320)	-	(11,804)	-	(41,317)
At 31 December 2017	4,006,991	445,221	1,615,502	2,061,268	87,614	1,799,880	297,054	6,472,849	923,180	454,153	28,043,896	46,207,608
Accumulated depreciation and impairment loss												
At 1 January 2017	148,024	31,907	-	145,468	28,281	1,415,075	117,874	85,584	503,790	3,624	-	2,479,627
Depreciation charge for the financial year	41,310	8,904	-	115,163	12,737	537,535	37,520	57,956	137,951	83,925	-	1,033,001
Disposals	-	-	-	-	-	(655,882)	-	-	(1,022)	-	-	(656,904)
Written off	-	-	-	-	-	-	(9,794)	-	(1,362)	-	-	(11,156)
Reclassification	-	-	-	(127,350)	-	(5,833)	-	127,350	-	5,833	-	-
Exchange differences	-	-	-	-	(504)	(13,332)	(1,361)	(1,030)	-	(1,275)	-	(17,502)
At 31 December 2017	189,334	40,811	-	133,281	40,514	1,277,563	144,239	269,860	639,357	92,107	-	2,827,066
Net carrying amount												
At 31 December 2017	3,817,657	404,410	1,615,502	1,927,987	47,100	522,317	152,815	6,202,989	283,823	362,046	28,043,896	43,380,542

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Included in property, plant and equipment of the Group is capital work-in-progress with a carrying amount of RM5,972,131 (2017: RM5,572,061) for a palm oil mill enhancement and optimisation project.

(b) Assets under finance leases

The carrying amounts of assets under finance lease arrangements are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Motor vehicles	193,129	522,314

(c) Assets pledged as security

Freehold and leasehold lands and buildings and capital work-in-progress with net carrying amounts of RM4,000,000 and RM13,334,912 respectively (2017: RM7,765,556 and RM13,334,912 respectively) have been pledged as security to secure credit facilities granted to two of its subsidiaries as disclosed in Note 22 to the financial statements.

(d) Lease period for leasehold land

Leasehold land has a lease period of 99 years expiring 1 June 2109.

(e) Asset held for sale

Property, plant and equipment transferred to the disposal group classified as held for sale amounting to RM6,036,841 are assets owned by Dolphin Engineering (Malaysia) Sdn. Bhd. and Dolphin Applications Sdn. Bhd.. Refer Note 16 to the financial statements for further details on the assets classified as held for sale.

(f) Fair value information

(i) **Level 2 fair value**

Level 2 fair values of freehold lands and buildings were revalued in year 2018 to RM4,000,000 using the sales comparison approach based on the valuation performed by the independent firm of professional valuers. Sales prices of comparable buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable lands buildings.

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(f) Fair value information (continued)

(ii) Had the revalued lands and buildings been carried at historical cost less accumulated depreciation, the net carrying amount of the lands and buildings that would have been included in the financial statements of the Group as follows:

	Group	
	2018 RM	2017 RM
Freehold lands	759,040	-
Freehold buildings	870,998	-
	1,630,038	-

6. INVESTMENT PROPERTY

	Group	
	2018 RM	2017 RM
At cost		
At 1 January	198,824	198,824
Reversal of cost	(4,212)	-
At 31 December	194,612	198,824
Accumulated depreciation		
At 1 January	6,866	4,369
Depreciation charge for the financial year	2,467	2,497
At 31 December	9,333	6,866
Net carrying amount	185,279	191,958
Estimated fair value of investment properties by directors	237,000	241,000

6. INVESTMENT PROPERTY (CONTINUED)

The following are recognised in profit or loss in respect of investment property:

	Group	
	2018	2017
	RM	RM
Rental income	9,373	9,057
Direct operating expenses:		
Depreciation	2,467	2,497
Building maintenance	1,642	1,642
Quit rent and assessment	895	855

The Group's investment property is held under leasehold interests, comprising one commercial property which is leased to a third party. The said investment property has a lease period of 99 years expiring on 17 July 2091.

Fair value information

Fair value of investment property is categorised as follows:

	Group Level 2 RM
2018	
Commercial property	237,620
2017	
Commercial property	241,157

Level 2 fair value

The fair value on the investment property is determined based on sales comparison approach and cost approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into sales comparison approach and cost approach are price per square foot and cost per square foot respectively of comparable buildings.

7. INTANGIBLE ASSETS

	Development costs RM	Goodwill RM	Total RM
Group			
Cost			
At 1 January 2017	16,942,814	20,046	16,962,860
Additions	478,605	295,232	773,837
Impairment loss	(208,913)	(20,046)	(228,959)
At 31 December 2017	17,212,506	295,232	17,507,738
Additions	392,045	-	392,045
At 31 December 2018	17,604,551	295,232	17,899,783
Net carrying amount			
At 31 December 2018	17,604,551	295,232	17,899,783
At 31 December 2017	17,212,506	295,232	17,507,738

(a) Development costs

The development expenditures incurred were in relation to the development of an improved automated sterilisation system for palm oil extraction and yet to be commercialised. In the previous financial year, the Group has secured a palm oil mill enhancement and optimisation project. Due to the unfavourable market and financial condition, the project has yet to be completed todate. The Group is optimistic to secure the additional funding required and the project is expected to be completed after the end of financial year and to generate revenue on a recurring basis upon its completion.

Included in the additions of the development costs for the financial year are as follows:

	Group	
	2018 RM	2017 RM
Staff costs	92,045	498,827

7. INTANGIBLE ASSETS (CONTINUED)

(b) Goodwill

The carrying amount of goodwill allocated to the Group's cash generating unit ("CGU") is based on the CGU's excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets and liabilities. The goodwill was allocated to the Group's construction and project management cash generating unit.

The recoverable amount of a CGU is determined based on value-in-use calculations using 16 years of cash flows projections from financial budgets and projections approved by management.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2018	**2017**
	RM	**RM**
Unquoted shares - at cost	65,470,002	65,470,002
Less : Impairment loss	(53,296,323)	(46,730,000)
	12,173,679	18,740,002
Loan that are part of net investments	8,746,530	-
	20,920,209	18,740,002

Movements in impairment loss are as follows:

	Company	
	2018	**2017**
	RM	**RM**
At beginning of the financial year	46,730,000	-
Impairment during the financial year	6,566,323	46,730,000
	53,296,323	46,730,000

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The recoverable amount of investment in subsidiaries has been determined based on value in use calculations using cash flows projection from financial budgets and forecasts approved by management.

Loans that are part of net investments represent amount owing by subsidiaries which are non-trade in nature, unsecured and non-interest bearing. The settlement of the amounts is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat these amounts as a long-term source of capital to the subsidiaries. As these amounts are, in substance, a part of the Company's net investment in the subsidiaries, they are stated at cost less accumulated impairment loss, if any:

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ country of incorporation	Effective ownership interest 2018 %	2017 %	Principal activities
Direct subsidiaries				
Dolphin Applications Sdn. Bhd. ("DASB") #	Malaysia	100	100	Involved in the sale, design, engineering, development and integration of electro-automation and related proprietary systems and products for the palm oil milling sector.
Dolphin Engineering (M) Sdn. Bhd. ("DESB")	Malaysia	100	100	Involved in the sale, design, engineering, development and integration of pneumatic, hydraulic and related proprietary systems and products for the palm oil milling sector.
Dolphin Construction Sdn. Bhd. ("DCTSB") (formerly known as Dolphin Systems Sdn. Bhd.)	Malaysia	100	100	Involved in the business of general contractors, engineering contractors, civil engineers, site information and plant layout advisers and consultants (whether civil, mechanical, electrical, structural, chemical, marine or otherwise).
Dolphin Components Sdn. Bhd. ("DCSB")	Malaysia	75	75	Sale and trading of components and consumable parts for the palm oil milling machineries sector.
Dolphin Biogas Sdn. Bhd. ("DBSB")	Malaysia	100	100	Investment holding.

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (continued):

Name of company	Principal place of business/ country of incorporation	Effective ownership interest 2018 %	Effective ownership interest 2017 %	Principal activities
Indirect Subsidiaries held via DASB				
PT Dolphin Indonesia ("PTDI") *	Indonesia	90	90	Sales, marketing, installation, after-sales and maintenance of the Group's customised electro-automation, pneumatic and hydraulic systems in Indonesia.
Dolphin Robotic Systems Sdn. Bhd. ("DRSSB") #	Malaysia	100	100	Design, engineering and development of palm Fresh Fruit Bunches ("FFB") sterilisation and related system, components and parts.
Indirect Subsidiaries held via DBSB				
Biogas Sulpom Sdn. Bhd. ("BSSB")	Malaysia	100	100	Business of manufacturer, processors and supplier of biogas.
Indirect Subsidiaries held via DSSB				
Dolphin Rashford Sdn. Bhd.	Malaysia	51	-	Engaging in construction of building.

* *Audited by an independent member firm of Baker Tilly International.*

\# *The audit reports on the financial statements of DASB and DRSSB contain a qualified opinion as the auditors were unable to obtain sufficient appropriate audit evidence on the recoverability of the development costs and capital work-in-progress as disclosed in Note 7(a) and Note 5(a) to the financial statements.*

Acquisition of subsidiaries

2018

(a) Incorporation of DRSB

On 3 August 2018, a wholly owned subsidiary of the Company, DCTSB, completed the incorporation of DRSB in which 51% of equity interest hold by DCTSB, which in turn a subsidiary of the Company. The principal activity of DRSB is primarily engaging in construction of building.

2017

(a) Acquisition of BSSB

On 16 May 2017, DBSB, a wholly owned subsidiary of the Company had acquired 205,000 ordinary shares of RM 1.00 each representing 100% equity interest in BSSB, a company incorporated in Malaysia, which principally engaged in business of manufacturer, processors and supplier of biogas, for a total consideration of RM300,000 cash consideration.

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

2017 (continued)

(b) Increased investment in DASB

On 30 December 2017, the Company acquired additional ordinary shares in Dolphin Applications Sdn. Bhd. for a cash consideration of RM19,900,000. The acquisition does not change the effective equity interest held by the Company. The acquisition has also no impact on the Group's revenue and profit for the financial year ended 31 December 2017.

Non-controlling interests in subsidiaries

The financial information of non-controlling interests was not disclosed as the Group does not have any material non-controlling interests.

9. INVESTMENT IN AN ASSOCIATE

	Group	
	2018	**2017**
	RM	**RM**
Unquoted shares, at cost	2,967	2,967
Less: Impairment loss	(2,967)	(2,967)
	-	-

The Group's investment in associate that are impaired at the reporting date and the reconciliation of movement in the impairment of investment in associate is as follows:

	Group	
	2018	**2017**
	RM	**RM**
At the beginning of the financial year	2,967	57,450
Add: Reversal of impairment loss	-	(54,483)
At the end of the financial year	2,967	2,967

Details of the associate are as follows:

Name of company	**Principal place of business/ country of incorporation**	**Effective ownership interest 2018**	**Effective ownership interest 2017**	**Principal activities**
PT Emas Hijau Sejahtera Kapuas Indonesia ("PT Emas Hijau") #	Indonesia	30%	30%	Currently dormant. Intended principal activity is that of the management and operation of palm oil mills in Indonesia.

 # Equity accounting was done based on the management financial statements as the audited financial statements of this company are not available.

10. INVENTORIES

	Group	
	2018	2017
	RM	RM
At cost:		
Trading parts and materials	533,309	356,812
Work-in-progress	1,213,258	-
	1,746,567	356,812

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM1,933,056 (2017: RM2,290,541).

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year in respect of write-down of inventories to net realisable value was RM Nil (2017: RM117,597).

11. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Trade					
Trade receivables		8,416,128	14,318,263	-	-
Retention sum		69,810	69,810	-	-
Less: Allowance for impairment loss	(a)	(291,446)	(1,604,404)	-	-
Less: Bad debts written off		-	(54,828)		
		8,194,492	12,728,841	-	-
Non-trade					
Other receivables		310,949	100,994	1,000	1,000
GST refundable		211,546	198,296	25,461	15,482
Prepayments		228,980	567,464	-	-
Refundable deposits		46,312	58,085	-	-
Amount owing by subsidiaries	(b)	-	-	-	5,309,307
		797,787	924,839	26,461	5,325,789
Total trade and other receivables		8,992,279	13,653,680	26,461	5,325,789

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group ranging from 30 to 90 days (2017: 30 to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables is as follows:

	Group	
	2018	**2017**
	RM	**RM**
At 1 January	1,604,404	325,289
Charge for the financial year	40,303	1,573,490
Reversal for the financial year	(1,132,214)	-
Write off	(221,047)	(294,375)
At 31 December	291,446	1,604,404

* Loss allowance disclosed in comparative period is based on incurred loss model in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

The information about the credit exposures are disclosed in Note 38(b)(i) to the financial statements.

(b) Amount owing by subsidiaries are non-trade in nature, unsecured, non-interest bearing and repayable on demand in cash.

12. CONTRACT ASSETS/(LIABILITIES)/OTHER CURRENT ASSETS/(LIABILITIES)

	Group	
	2018 RM	2017 RM
Contract assets relating to the construction service contract	891,580	-
Amount due from customers for contract works included under current assets	-	2,009,046
Contract liabilities relating to the construction service contract	(858,155)	-
Amount due to customers for contract works included under current liabilities	-	(289,097)

(a) The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting.

The contract liabilities primarily relate to the advance consideration received from a customer for construction contract, which revenue is recognised over time during the construction of a project.

(b) Included in the contract assets relating to the construction service contract is provision for foreseeable loss sum amounted to RM13,411 (2017: RM35,642,447).

13. CURRENT TAX ASSETS/(LIABILITIES)

	Group	
	2018 RM	2017 RM
Current tax assets	402,279	808,196
Current tax liabilities	(400)	(18,764)
	401,879	789,432

14. FIXED DEPOSITS PLACED WITH LICENSED BANKS

Group

Fixed deposits placed with licensed banks earn effective interest rate ranging from 2.70% to 2.95% (2017: 2.55% to 3.30%). The maturity period is 1 month.

The fixed deposits placed with licensed banks totalling RM5,597,282 (2016: RM5,152,499) have been pledged to licensed banks to secure credit facilities granted to its subsidiaries as disclosed in Note 22 to the financial statements.

15. CASH AND BANK BALANCES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash at bank	1,181,251	4,222,223	24,352	3,903,882
Cash in hand	6,661	11,042	-	-
	1,187,912	4,233,265	24,352	3,903,882

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Group

Included in non-current asset classified as held for sale are freehold and leasehold lands and buildings with carrying amount of RM6,036,841 (previously classified as property, plant and equipment). The disposal of one of the properties which is freehold land and building with carrying amount of RM1,864,987 was completed on 8 February 2019.

17. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares Unit	RM	Number of shares Unit	RM
Issued and fully paid:				
At 1 January	244,200,010	81,559,823	222,000,010	44,400,002
Issued during the financial year	-	-	22,200,000	4,384,500
Transition to no-par value regime:				
- Share premium	-	-	-	32,775,321
At 31 December	244,200,010	81,559,823	244,200,010	81,559,823

17. SHARE CAPITAL (CONTINUED)

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM32,775,321 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM32,775,321 for purposes as set out in Section 618(3) of the Act. 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 this transition.

The holders of ordinary shares (except treasury 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. All ordinary shares rank equally with regard to the Company's residual assets.

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

18. OTHER RESERVE

Non-distributable

The other reserve is arising from the acquisition of DASB which was completed on 31 March 2015, being difference between the purchase consideration to acquire DASB and the share capital of DASB as at that date.

19. REVALUATION RESERVE

	Group	
	2018	**2017**
	RM	**RM**
Revaluation reserve	1,801,171	-

The revaluation reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of the freehold lands and buildings measured at fair value.

20. FOREIGN CURRENCY TRANSLATION RESERVE

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

21. FINANCE LEASE LIABILITIES

	Group 2018 RM	Group 2017 RM
Minimum lease payments:		
- Not later than one year	105,701	414,556
- Later than one year and not later than five years	99,119	276,940
	204,820	691,496
Less: Future finance charges	(17,567)	(45,698)
Present value of minimum lease payments	187,253	645,798
Present value of minimum lease payments receivables:		
Not later than one year (included under current liabilities)	94,561	379,502
Later than one year and not later than five years (included under non-current liabilities)	92,692	266,296
	187,253	645,798

The finance lease liabilities bear interest rates ranging from 4.64% to 6.18% (2017: 2.44% to 4.76%) per annum.

22. LOANS AND BORROWINGS

	Group 2018 RM	Group 2017 RM
Non-current:		
Term loans	29,244,983	10,366,351
Current:		
Term loans	1,974,280	848,494
Bank overdrafts	3,841,721	15,969,723
Invoice financing	220,432	1,582,204
Trust receipts	2,768,504	3,490,573
	8,804,937	21,890,994
Total loans and borrowings:		
Term loans	31,219,263	11,214,845
Bank overdraft	3,841,721	15,969,723
Invoice financing	220,432	1,582,204
Trust receipts	2,768,504	3,490,573
	38,049,920	32,257,345

22. LOANS AND BORROWINGS (CONTINUED)

	Group	
	2018	**2017**
	RM	**RM**
Comprising portion repayable:		
Within the next twelve months	8,804,937	21,890,994
After the next twelve months:		
- later than one year and not later than two years	2,081,691	708,330
- later than two years and not later than five years	20,571,664	2,513,190
- more than five years	6,591,628	7,144,831
	29,244,983	10,366,351
	38,049,920	32,257,345

The borrowings bear interests at rates which are on a floating rate basis as follows:

	Group	
	2018	**2017**
	% per annum	**% per annum**
Term loans	5.46 to 6.70	5.37 to 6.70
Invoice financing	7.96 to 8.32	7.96
Bank overdrafts	8.04 to 8.67	7.92 to 8.17
Promissory notes	-	7.92
Trust receipts	7.96 to 9.21	8.05 to 9.06

The bank borrowings are secured and supported by the following:

(i) A fixed charged over all cash deposits deposited by its subsidiaries together with a cash deposit agreement;
(ii) Corporate guarantee by the Company and a subsidiary;
(iii) First and second legal charges created over the freehold and leasehold lands and buildings of its subsidiaries as per disclosed in Note 5(c) to the financial statements;
(iv) Absolute assignment of life insurance policy for directors;
(v) Guarantee executed by Credit Guarantee Corporation Malaysia Berhad; and
(vi) Debenture over fixed and floating charge.

Invoice financing and trust receipts have maturity periods ranging from 148 days to 150 days (2017: 98 days to 150 days).

23. PROVISION FOR RETIREMENT BENEFITS

A subsidiary operates unfunded defined retirement benefits plan for its employees.

The total amount recognised in the statements of financial position are as follow:

	Group	
	2018 RM	2017 RM
Present value of unfunded defined benefits obligations	32,022	21,984

The following table shown reconciliation from the opening balance to the closing balance for the retirement benefits plan:

	Group	
	2018 RM	2017 RM
At the beginning of the financial year	21,984	19,983
Included in the profit or loss:		
- current service costs	9,261	16,147
- interest income	1,805	1,382
- effect of curtailment for resigned staff	-	(13,213)
	11,066	4,316
Foreign exchange translation adjustment	(1,028)	(2,315)
	32,022	21,984

The principal assumptions used are as follow:

	Group	
	2018 RM	2017 RM
Discount rate	8.60	7.20
Expected rate of salary increase	8.00	7.20

23. PROVISION FOR RETIREMENT BENEFITS (CONTINUED)

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumption, holding assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Increased Defined benefit obligations		Decreased Defined benefit obligations	
	2018	2017	2018	2017
	RM	RM	RM	RM
Increased/Decreased of:				
- 1% discount rate	(1,633)	(1,797)	2,142	2,344
- 1% expected rate of salary increase	2,342	2,456	(1,867)	(1,919)

24. DEFERRED TAX LIABILITIES

		Group	
		2018	2017
	Note	RM	RM
Deferred tax liabilities			
At 1 January		230,454	797,546
Recognised in statements of comprehensive income	33		
- current year		569,143	78,060
- over accrual in prior year		(217,478)	(645,152)
At 31 December		582,119	230,454

Deferred tax liabilities mainly derived from revaluation reserve and property, plant and equipment.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2018	2017
	RM	RM
Taxable temporary differences	-	390,415
Unutilised tax losses	5,619,775	11,016,479
Unrealised gain on foreign exchange	(45)	-
	5,619,730	11,406,894
Potential deferred tax assets at 24% (2017: 24%)	1,348,735	2,737,655

25. TRADE AND OTHER PAYABLES

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-current:					
Non-trade					
Accruals	(e)	163,035	-	-	-
Amount owing to directors	(d), (e)	3,940,397	4,000,000	-	-
		4,103,432	4,000,000	-	-
Current:					
Trade					
Trade payables	(a)	11,173,102	6,267,132	-	-
Retention sum		135,145	165,293		
Accruals		2,161,549	4,799,461	-	-
		13,469,796	11,231,886	-	-
Non-trade					
Other payables	(b)	479,379	4,057,346	125,435	66,666
GST payable		-	12,522	-	-
Refundable deposits	(c)	6,003,000	500,000	675,000	-
Accruals		2,745,219	2,727,364	384,303	1,235,351
Deferred income		43,946	40,600	-	-
Amount owing to directors	(d)	887,378	1,773,572	834,200	-
		10,158,922	9,111,404	2,018,938	1,302,017
Total trade and other payables (non-current and current)		27,732,150	24,343,290	2,018,938	1,302,017
Provision	(f)	-	3,337,248	-	-
		27,732,150	27,680,538	2,018,938	1,302,017

(a) Trade payables are non-interest bearing and are normally settled within 30 days to 90 days (2017: 30 days to 90 days).

(b) Other payables are non-interest bearing and are normally settled within 30 days to 90 days (2016: 30 days to 90 days).

(c) Included in refundable deposits for current financial year amounting to RM4,828,000 are in relation to deposits received from the purchasers toward the sale of non-current assets classified as held for sale.

(d) Amount owing to directors are non-trade in nature, unsecured, non-interest bearing and repayable upon demand in cash.

(e) The amount owing to directors and accruals (non-current) were initially recognised at fair value at an imputed rate of 6.11% per annum.

(f) This represents provision for liquidated and ascertained damages for a project which is based on the best estimate of future obligation that will be required.

26. PREFERENCE SHARES

	Group 2018 RM	Group 2017 RM
Financial liabilities:		
Preference shares	5,611,579	-

The preference shares are arising from issuance of preference shares for RM8,020,000 for the purpose of projects financing.

The main features of the preference shares are as follows:

(i) Right to Dividends

The preference shares shall bear an expected dividend at the rate of not less than 17% per annum on the subscription price. The total dividends shall be non-cumulative.

From the period commencing from the issue date of the preference shares up to and including the first anniversary date of the issue date, there shall be no dividend payable.

Subsequently, commencing from the end of the 15th calendar month from the issue date and thereafter on a quarterly basis up to the redemption date.

The redemption date is on the day immediately preceding 36 calendar months from the issue date.

(ii) Subscriber's Rights

The preference shares do not confer or carry any right to vote at the general meeting of the Company other than a resolution to amend or vary the rights of the subscriber.

The preference shares are unsecured and shall rank after all secured and unsecured obligations of the Company.

(iii) Liquidation preference

In the event of liquidation, dissolution or winding-up or other repayment of capital of the Company, the subscriber shall be entitled to be paid the following out of available profits for distribution and assets of the Company:
- all accrued but unpaid dividends thereon; and
- an amount per share equivalent to the subscription price for each preference share.

In year 2018, the subscriber of the preference shares has agreed to waive the dividend payable for the first year from the respective issue date of the preference shares. On the same date, the subscriber agreed not to redeem the preference shares during the tenure of 36 calendar months from the issue date.

27. REVENUE

	Group	
	2018	2017
	RM	RM
Sale of goods	5,936,850	6,673,581
Revenue from contract works	7,416,638	3,967,684
	13,353,488	10,641,265
Timing of revenue recognition:		
At a point in time	5,936,850	6,673,581
Over time	7,416,638	3,967,684
	13,353,488	10,641,265

28. COST OF SALES

	Group	
	2018	2017
	RM	RM
Cost of goods sold	4,928,892	2,702,267
Project costs related to contract works	3,261,925	10,154,480
	8,190,817	12,856,747

29. OTHER INCOME

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Bank interests	1,877	54,337	1,267	52,590
Fixed deposit interests	181,632	263,094	-	33,777
Gain on disposal of property, plant and equipment	221,865	222,170	-	-
Fair value adjustment on financial liabilities				
- amount due to directors	447,023	-	-	-
- interest accrued	28,586	-	-	-
Miscellaneous income	-	15,285	-	-
Rental income	9,373	9,057	-	-
	890,356	563,943	1,267	86,367

30. FINANCE COSTS

	Group 2018 RM	Group 2017 RM
Interest expenses		
- bank guarantee charges	1,648	37,960
- bank overdrafts	857,510	899,721
- commitment fees	8,549	3,598
- finance lease	25,700	54,011
- invoice financing	76,357	727,646
- promissory notes	8,503	83,744
- term loans	758,633	641,436
- trust receipts	221,855	76,630
- fair value adjustment on financial liabilities		
- amount owing to directors	216,886	-
- interest accrued	17,854	-
- preference shares	425,039	-
	2,618,534	2,524,746

31. LOSS BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at loss before tax:

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Auditors' remuneration:					
Statutory audit fees:					
- Malaysian operations					
- current year		159,000	152,500	59,000	54,000
- prior year		(4,000)	11,000	1,000	15,000
- Overseas operations					
- current year:		26,117	23,464	-	-
Non statutory audit fees:					
- Malaysian operations					
- current year		5,000	5,000	5,000	5,000
- prior year		-	(1,000)	-	(1,000)
Bad debts written off		-	54,828	-	-
Deposit written off		-	12,796	-	-
Depreciation of property, plant and equipment		595,037	1,033,001	-	-
Depreciation of investment property		2,467	2,497	-	-
Directors' remuneration					
- fees and allowances		256,500	277,000	256,500	277,000
- salaries and other emoluments	32	794,231	895,504	441,412	895,504

31. LOSS BEFORE TAX (CONTINUED)

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Impairment loss on investment in subsidiaries		-	-	6,566,323	53,460,000
Impairment loss on trade receivables		40,303	1,573,490	-	-
Impairment loss on goodwill		-	20,046	-	-
Impairment loss on intangible assets		-	208,913	-	-
Inventories written down		-	117,597	-	-
Net foreign currency loss					
- realised		122,079	152,524	-	-
- unrealised		128,956	373,414	-	-
Provision for foreseeable loss	12	13,411	35,642,447	-	-
Provision for liquidated and ascertained damages	25	-	3,337,248	-	-
Provision for retirement benefits	23	11,066	4,316	-	-
Property, plant and equipment written off		4,428	13,469	-	-
Rental of premises		99,911	191,462	-	-
Rental of motor vehicles		3,552	2,158	-	-
Rental of office equipment		513,436	164,138	-	-
Reversal of impairment loss on investment in an associate		-	(54,483)	-	-
Reversal of impairment loss on trade receivables		(1,132,214)	-	-	-
Staff costs	32	3,169,094	5,091,579	337,038	338,843

32. STAFF COSTS

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Salaries, wages, allowances, commissions and bonuses		2,707,172	4,398,381	295,759	282,348
Employees' Provident Funds		310,503	495,886	40,356	53,647
Other staff related benefits		140,353	178,877	923	2,848
Provision for retirement benefits	23	11,066	18,435	-	-
		3,169,094	5,091,579	337,038	338,843
Director's remuneration:					
Salaries and bonuses					
- current year		855,447	751,125	562,500	751,125
- prior year		(229,819)	-	(229,819)	-
Employees' Provident Funds		127,545	142,722	106,884	142,722
Other staff related benefits		41,058	1,657	1,847	1,657
		794,231	895,504	441,412	895,504

32. STAFF COSTS (CONTINUED)

The estimated monetary value of benefit-in-kind is as follow:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Key management personnel	1,200	32,627	-	-
Directors	24,600	28,500	20,600	28,500
	25,800	61,127	20,600	28,500

33. INCOME TAX EXPENSE

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Statements of comprehensive income					
Current income tax:					
- current income tax charge		84,042	19,409	-	-
- adjustment in respect of prior years		(9,504)	(101,836)	-	-
		74,538	(82,427)	-	-
Deferred tax:	24				
- origination of temporary differences		352	78,060	-	-
- adjustment in respect of prior years		(217,478)	(645,152)	-	-
		(217,126)	(567,092)	-	-
Income tax recognised in profit or loss		(142,588)	(649,519)	-	-

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2017: 24%) of the estimated taxable profit for the fiscal year.

33. INCOME TAX EXPENSE (CONTINUED)

The reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2018 RM	2,017 RM	2018 RM	2017 RM
Loss before tax	(4,389,826)	(57,940,975)	(1,149,249)	(48,616,874)
Tax at Malaysian statutory income tax rate of 24% (2017: 24%)	(1,053,558)	(13,905,834)	(275,820)	(11,668,050)
Different tax rates in other countries				
Adjustments:				
- different tax rate in other countries	(1,848)	(14,310)	-	-
- non-deductible expenses	1,282,400	11,534,087	275,820	11,668,050
- income not subjected to tax	(10,605)	(9,905)	-	-
- utilisation of previously unrecognised tax losses and capital allowances	(131,995)	-	-	-
- adjustment in respect of current income tax of prior years	(9,504)	(746,988)	-	-
- adjustment in respect of deferred tax of prior years	(217,478)	2,493,431	-	-
Income tax expense	(142,588)	(649,519)	-	-

34. LOSS PER ORDINARY SHARE

(a) Basic loss per ordinary share

	Group	
	2018 RM	2017 RM
Loss attributable to owners of the Company	(4,230,342)	(57,139,388)
Weighted average number of ordinary shares for basic loss per share	244,200,010	227,859,522
Basic loss per ordinary share (sen)	(1.73)	(25.08)

34. LOSS PER ORDINARY SHARE (CONTINUED)

(b) Diluted loss per ordinary share

The diluted loss per ordinary share is equal to the basic loss per ordinary share as the outstanding warrants are anti-dilutive.

35. CORPORATE GUARANTEE

	Company	
	2018	**2017**
	RM	**RM**
Corporate guarantee granted to a licensed bank for credit facilities granted to subsidiaries	38,049,920	32,257,345

36. CAPITAL COMMITMENT

		Group	
		2018	**2017**
	Note	**RM**	**RM**
As at 31 December			
Approved and contracted for but not provided for in the financial statements			
Property, plant and equipment - Capital Work In Progress	5	12,939,753	27,084,507

37. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Subsidiaries;
(ii) Associate;
(iii) Close members of the family of directors;
(iv) Key management personnel of the Group's, comprises persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly; and
(v) Entities in which directors have substantial financial interest.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Company	
	2018 RM	2017 RM
Management fee charged to subsidiaries	240,000	40,000

(c) Compensation of key management personnel

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, allowances and bonuses				
- current year	1,484,476	2,054,833	858,259	1,033,473
- prior year	(229,819)	-	(229,819)	-
Employees' Provident Funds	199,725	320,953	147,240	196,369
Other staff related benefits	43,828	8,441	2,770	4,505
	1,498,210	2,384,227	778,450	1,234,347

The estimated monetary value of benefit-in-kind of the Group and of the Company is RM25,800 (2017: RM61,127) and RM20,600 (2017: RM 28,500) respectively.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

From 1 January 2018
(i) Amortised cost

On or before 31 December 2017
(i) Loans and receivables ("L&R")
(ii) Other financial liabilities ("FL")

	Carrying amount RM	Amortised cost RM
At 31 December 2018		
Financial assets		
Group		
Trade and other receivables (excluding GST refundable and prepayments)	8,551,753	8,551,753
Fixed deposits placed with licensed banks	5,597,282	5,597,282
Cash and bank balances	1,187,912	1,187,912
	15,336,947	15,336,947
Company		
Trade and other receivables (excluding GST refundable)	1,000	1,000
Cash and bank balances	24,352	24,352
	25,352	25,352
Financial liabilities		
Group		
Finance lease liabilities	(187,253)	(187,253)
Loans and borrowings	(38,049,920)	(38,049,920)
Trade and other payables (excluding deferred income)	(27,688,204)	(27,688,204)
Preference shares	(5,611,579)	(5,611,579)
	(71,536,956)	(71,536,956)
Company		
Trade and other payables	(2,018,938)	(2,018,938)

38. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned (continued):

	Carrying amount RM	L&R RM	FL RM
At 31 December 2017			
Financial assets			
Group			
Trade and other receivables (excluding GST refundable and prepayments)	12,887,920	12,887,920	-
Fixed deposits placed with licensed banks	5,152,499	5,152,499	-
Cash and bank balances	4,233,265	4,233,265	-
	22,273,684	22,273,684	-
Company			
Trade and other receivables (excluding GST refundable)	5,310,307	5,310,307	-
Cash and bank balances	3,903,882	3,903,882	-
	9,214,189	9,214,189	-
Financial liabilities			
Group			
Finance lease liabilities	(645,798)	-	(645,798)
Loans and borrowings	(32,257,345)	-	(32,257,345)
Trade and other payables (excluding GST payable, deferred income and provision)	(24,290,168)	-	(24,290,168)
	(57,193,311)	-	(57,193,311)
Company			
Trade and other payables	(1,302,017)	-	(1,302,017)

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company use derivative financial instruments, such as, foreign exchange contracts to hedge certain exposures. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade and other receivables). The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables and contract assets

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by their carrying amounts in the statements of financial position.

The carrying amount of trade and other receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

Credit risk concentration profile
The Group determines the credit risk concentration of its trade receivables by industry sector profile on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	2018		2017	
	RM	%	RM	%
Group				
Provision of palm oil milling systems and solutions	6,556,742	81%	9,178,753	73%
Supply of parts and maintenance services	1,567,940	19%	3,480,278	27%
	8,124,682	100%	12,659,031	100%

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risks characteristics and the days past due. The Group also assessed the risk of loss of each customer based on their financial information and past trend of payments, where applicable.

The information about the credit risk exposure on the Group's trade receivables are as follows:

	Gross carrying amount RM
Group	
At 31 December 2018	
Current	7,409,793
1 to 30 days past due not impaired	579,613
31 to 60 days past due not impaired	14,142
61 to 90 days past due not impaired	15,475
More than 90 days past due not impaired	105,659
	8,124,682
Individually impaired	291,446
	8,416,128

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

There is no material impact arising from application of simplified approach to record the lifetime expected credit losses.

As at 31 December 2017, the ageing analysis of the Group's trade receivables were as follows:

	Group 2017 RM
Neither past due nor impaired	2,707,590
Past due but not impaired:	
1 to 30 days past due not impaired	193,585
31 to 60 days past due not impaired	172,673
61 to 90 days past due not impaired	18,321
More than 90 days past due not impaired	9,566,862
	9,951,441
Individually impaired	1,604,404
	14,263,435

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties and the Company monitors the results of the subsidiaries in determining the recoverability of these intercompany balances. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.13(a) to the financial statements for the Group's and the Company's other accounting policies for impairment of financial assets.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM38,049,920 (2017: RM32,257,345) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 35 to the financial statements. As at the reporting date, there was no loss allowance for expected credit losses as determined by the Company for the financial guarantee.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by RM8,532,031.

The Group has obtained financial supports from the Executive Directors. The Group also has certain unutilised banking facilities.

The Group has prepared a cash flow forecast to consider the availability of funding in supporting the management of liquidity risk that the Group will have sufficient financial resources for a period of at least 12 months from the end of the financial year. Significant assumptions and judgements are used in the preparation of the cash flow forecast.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis
The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations as follows:

		Contractual undiscounted cash flows			
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
At 31 December 2018					
Group					
Trade and other payables (excluding deferred income)	27,688,204	27,688,204	-	-	27,688,204
Finance lease payable	187,253	105,701	99,119	-	204,820
Loans and borrowings	38,049,920	10,606,308	27,360,949	8,056,652	46,023,909
Preference shares	5,611,579	-	8,020,000	-	8,020,000
	71,536,956	38,400,213	35,480,068	8,056,652	81,936,933
Company					
Financial guarantee	-	38,049,920	-	-	38,049,920
Trade and other payables	2,018,938	2,018,938	-	-	2,018,938
	2,018,938	40,068,858	-	-	40,068,858

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)
The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations as follows (continued):

		Contractual undiscounted cash flows			
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
At 31 December 2017					
Group					
Trade and other payables (excluding GST payable, deferred income and provision)	24,290,168	24,290,168	-	-	24,290,168
Finance lease payable	645,798	414,556	276,940	-	691,496
Loans and borrowings	32,257,345	22,492,268	5,060,947	15,076,967	42,630,182
	57,193,311	47,196,992	5,337,887	15,076,967	67,611,846
Company					
Financial guarantee	-	32,257,345	-	-	32,257,345
Trade and other payables	1,302,017	1,302,017	-	-	1,302,017
	1,302,017	33,559,362	-	-	33,559,362

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales and purchases that are denominated in a foreign currency) and the Group's net investments in a foreign subsidiary.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

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

	Group Functional currencies RM
2018	
Financial assets and liabilities not held in functional currencies:	
Trade receivables	
United States Dollar	1,813,429
Indonesian Rupiah	248,101
	2,061,530
Cash and cash equivalents	
United States Dollar	120,492
Indonesian Rupiah	93,746
	214,238
2017	
Financial assets and liabilities not held in functional currencies:	
Trade receivables	
United States Dollar	1,019,185
Indonesian Rupiah	4,880,109
	5,899,294
Cash and cash equivalents	
United States Dollar	81,109
Indonesian Rupiah	207,777
	288,886

Sensitivity analysis for foreign currency risk

The Group's and the Company's principal foreign currency exposure relates mainly to United States Dollar ("USD") and Indonesian Rupiah ("IDR").

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk (continued)
The following table demonstrates the sensitivity to a reasonably possible change in the USD and IDR, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Change in rate	Effect on profit for the financial year RM	Effect on Equity RM
2018			
- USD	+ 15%	290,088	290,088
	- 15%	(290,088)	(290,088)
- IDR	+ 15%	51,277	51,277
	- 15%	(51,277)	(51,277)
2017			
- USD	+ 15%	165,044	165,044
	- 15%	(165,044)	(165,044)
- IDR	+ 15%	763,183	763,183
	- 15%	(763,183)	(763,183)

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates. The Group's and the Company's policy to manage their interest rate risk is to hedge all material floating rate borrowings using interest rate swaps.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Change in basis points	Effect on profit or loss for the financial year RM	Effect on Equity RM
Group			
2018	+ 50	(144,590)	(144,590)
	- 50	144,590	144,590
2017	+ 50	(122,578)	(122,578)
	- 50	122,578	122,578

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

The carrying amounts of long-term floating rate term loan is reasonable approximate of fair values as the loan will be repriced to market interest rate on or near reporting date.

The fair value of the hire purchase payables is determined using the discounted cash flows method based on the discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

There has been no transfer between Level 1 and Level 2 during the financial year (2017: no transfer in either directions).

38. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

	Carrying amount RM	Fair value of financial instruments not carried at fair value Level 3 RM
Group		
2018		
Financial liabilities		
Finance lease liabilities	187,253	181,537
2017		
Financial liabilities		
Finance lease liabilities	645,798	598,162

There were no financial instruments carried at fair value under Company level as at 31 December 2018 that are required to be disclosed.

39. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to maintain a strong credit rating and healthy capital ratio, ensure sufficient funds to manage day-to-day business operation and to fund their expansion and growth.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The gearing ratio at 31 December 2018 and 31 December 2017 are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade and other payables	27,732,150	27,680,538	-	-
Loans and borrowings	38,049,920	32,257,345	-	-
Finance lease liabilities	187,253	645,798	-	-
Preference share	5,611,579	-	-	-
Total debts	71,580,902	60,583,681	-	-
Total equity	23,948,018	26,234,032	18,952,084	26,667,656
Gearing ratio	298.9%	230.9%	-	-

39. CAPITAL MANAGEMENT (CONTINUED)

A subsidiary of the Group is required to maintain a tangible net worth of not less than RM7,500,000 by each financial year end.

40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(i) On 7 March 2018, PT Dolphin Indonesia (“PTDI”) (“Plaintiff”), a subsidiary of the Company, attended the court hearing for the Writ of Summons filed on 1 February 2018 at the District Court of Indonesia against PT Himalaya Transmeka (“PTHT”), being the defendant.

Based on the decision of court dated 10 October 2018, defendant has committed a default action by not working and completing the work project on time and also default committed by the defendant to the plaintiff for the plaintiff’s time limit of the work project given to the defendant.

On 24 October 2018, the defendant filed an appeal on decision of District Court and the appeal process is still ongoing.

(ii) Dolphin Construction Sdn. Bhd. (“DCTSB”) had on 3 August 2018 completed the incorporation of Dolphin Rashford Sdn. Bhd. (“DRSB”), in which 51% of equity interest hold by DCTSB, which in turn a sub-subsidiary of the Company.

41. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

(i) On 8 December 2017, PTDI (“Plaintiff”) had filed a Writ of Summons (“Suit”) at the High Court of Indonesia against PT Arka Jaya Mandiri (“PTAJM”), being the Defendant. The lawsuit is a petition for Serang District Court to state that the defendant had made a negligence by not completing the project on time and that the Company has no obligation at all to the defendant.

14 February 2019, PTAJM filed a lawsuit to East Jakarta District Court stated that the Company had made a default. The Company filed a counter-claim over PT Arka Jaya Mandiri’s lawsuit and such legal proceedings are still on going.

42. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group Managing Director for the purpose of making decisions about resource allocation and performance assessment.

The reportable operating segments are as follows:

(a) Provision of milling systems and solutions
(b) Supply of parts and maintenance services; and
(c) Investment holding and management services.

Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment profit
Segment performance is used to measure performance as the Group Managing Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets
The total of segments assets is measured based on all assets (excluding current tax assets and investment in an associate) of a segment, as included in the internal reports that are reviewed by the Group Managing Director.

42. SEGMENT INFORMATION (CONTINUED)

Segment liabilities
The total of segment liabilities are measured based on all liabilities (excluding provision of retirement benefits, current and deferred tax liabilities) of a segment, as included in the internal reports that are reviewed by the Group Managing Director.

(a) Operating segment

	Provision of milling systems and solutions RM	Supply of parts and maintenance services RM	Investment holdings and management services RM	Adjustments and eliminations RM	Consolidation RM
2018					
Revenue					
Segment revenue	7,416,638	5,936,850	-	-	13,353,488
Inter-segment revenue	14,912,611	1,792,241	240,000	(16,944,852)	-
	22,329,249	7,729,091	240,000	(16,944,852)	13,353,488
Results					
Segment (loss)/profit	(2,682,767)	284,219	(1,150,169)	(841,109)	(4,389,826)
Net assets					
Current tax assets	351,232	51,047	-	-	402,279
Segment assets	111,864,004	11,352,154	32,633,758	(59,299,037)	96,550,879
Total segment assets	112,215,236	11,403,201	32,633,758	(59,299,037)	96,953,158
Current tax liabilities	-	(400)	-	-	(400)
Deferred tax liabilities	(521,267)	(60,852)	-	-	(582,119)
Provision of retirement benefits	-	(32,022)	-	-	(32,022)
Segment liabilities	(82,887,034)	(11,942,708)	(2,021,872)	24,412,557	(72,439,057)
Total segment liabilities	(83,408,301)	(12,035,982)	(2,021,872)	24,412,557	(73,053,598)
Total segment net assets	28,806,935	(632,781)	30,611,886	(34,886,480)	23,899,560

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42. SEGMENT INFORMATION (CONTINUED)

(a) Operating segment (continued)

	Provision of milling systems and solutions RM	Supply of parts and maintenance services RM	Investment holdings and management services RM	Adjustments and eliminations RM	Consolidation RM
2018					
Other information (continued)					
Depreciation for property, plant and equipment	480,408	114,629	-	-	595,037
Depreciation of investment property	-	-	2,467	-	2,467
Gain on disposal of property, plant and equipment	(186,826)	(35,039)	-	-	(221,865)
Interest expenses	2,308,202	310,332	-	-	2,618,534
Interest income	(628,765)	(29,086)	(1,267)	-	(659,118)
Income tax expenses	(103,209)	(39,379)	-	-	(142,588)
Impairment loss on trade receivable	15,420	24,883	-	-	40,303
Provision for foreseeable loss	13,411	-	-	-	13,411
Provision of retirement benefits	-	11,066	-	-	11,066
Property, plant and equipment written off	3,635	793	-	-	4,428
Rental of property, plant and equipment	766,168	207,240	-	(356,509)	616,899
Reversal of impairment loss on trade receivables	-	(1,132,214)	-	-	(1,132,214)
Unrealised loss on foreign exchange	105,863	23,093	-	-	128,956

42. SEGMENT INFORMATION (CONTINUED)

(a) Operating segment (continued)

	Provision of milling systems and solutions RM	Supply of parts and maintenance services RM	Investment holdings and management services RM	Adjustments and eliminations RM	Consolidation RM
2017					
Revenue					
Segment revenue	3,967,684	6,673,581	-	-	10,641,265
Inter-segment revenue	15,763,212	1,105,810	40,000	(16,909,022)	-
	19,730,896	7,779,391	40,000	(16,909,022)	10,641,265
Results					
Segment (loss)/profit	(54,859,711)	(2,577,363)	(8,691,815)	8,187,914	(57,940,975)
Net assets					
Current tax assets	599,608	208,588	-	-	808,196
Segment assets	86,880,182	18,425,896	73,074,938	(91,895,476)	86,485,540
Total segment assets	87,479,790	18,634,484	73,074,938	(91,895,476)	87,293,736
Current tax liabilities	-	(18,764)	-	-	(18,764)
Deferred tax liabilities	(173,017)	(57,437)	-	-	(230,454)
Provision for retirement benefits	-	(21,984)	-	-	(21,984)
Segment liabilities	(61,350,760)	(20,095,707)	(6,598,917)	27,172,606	(60,872,778)
Total segment liabilities	(61,523,777)	(20,193,892)	(6,598,917)	27,172,606	(61,143,980)
Total segment net assets	25,956,013	(1,559,408)	66,476,021	(64,722,870)	26,149,756

42. SEGMENT INFORMATION (CONTINUED)

(a) Operating segment (continued)

	Provision of milling systems and solutions RM	Supply of parts and maintenance services RM	Investment holdings and management services RM	Adjustments and eliminations RM	Consolidation RM
2017					
Other information (continued)					
Deposit written off	9,583	3,213	-	-	12,796
Depreciation for property, plant and equipment	747,519	285,482	-	-	1,033,001
Depreciation of investment property	-	-	2,497	-	2,497
Gain on disposal of property, plant and equipment	(110,076)	(112,094)	-	-	(222,170)
Impairment of intangible assets	-	208,913	-	-	208,913
Impairment of Goodwill	-	-	-	20,046	20,046
Interest expenses	1,883,351	641,395	-	-	2,524,746
Interest income	(171,714)	(59,349)	(86,368)	-	(317,431)
Income tax expenses	(9,083)	16,394	-	(656,830)	(649,519)
Inventories written down	-	117,597	-	-	117,597
Impairment loss on trade receivables	1,420,344	153,146	-	-	1,573,490
Provision for foreseeable loss	35,642,447	-	-	-	35,642,447
Provision for liquidated and ascertained damages	3,337,248	-	-	-	3,337,248
Provision for retirement benefits	-	4,316	-	-	4,316
Property, plant and equipment written off	10,076	3,393	-	-	13,469
Reversal on impairment loss on investment in an associate	-	-	(54,483)	-	(54,483)
Share of results of an associate, net of tax	-	-	-	(36,485)	(36,485)
Unrealised loss on foreign exchange	278,795	94,619	-	-	373,414

42. SEGMENT INFORMATION (CONTINUED)

(a) Operating segment (continued)

Note:
Nature of elimination to arrive at amounts reported in the consolidated financial statements:

(a) Inter-segment revenue is eliminated in consolidated statements;
(b) Inter-segment expenses are eliminated on consolidation; and
(c) Inter-segment assets and liabilities are eliminated on consolidation.

Geographical information
Revenue and non-current assets information based on the geographical location of customers are as follows:

	Revenue RM	Non-current assets RM
2018		
Malaysia	12,050,074	71,968,831
Indonesia	1,303,414	129,587
	13,353,488	**72,098,418**
2017		
Malaysia	9,462,417	60,917,673
Indonesia	1,178,848	162,565
	10,641,265	**61,080,238**

Information about major customers
For provision of milling systems and solutions segment revenue from three major customers represented RM6,861,025 (2017: RM2,463,642) of the Group total revenue.

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

We, **LOW TECK YIN** and **HOH YEONG CHERNG,** being two of the directors of DOLPHIN INTERNATIONAL BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 42 to 150 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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

....

LOW TECK YIN
Director

....

HOH YEONG CHERNG
Director

Kuala Lumpur

Date: 29 April 2019

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

I, **FOO PHUI FOONG**, being the officer primarily responsible for the financial management of DOLPHIN INTERNATIONAL BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 42 to 150 are 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.

....………………
FOO PHUI FOONG
MIA Membership No: 39028

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 29 April 2019.

Before me,

………...……….
HADINUR MOHD SYARIF (No. W761)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOLPHIN INTERNATIONAL BERHAD

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Dolphin International Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 150.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Qualified Opinion

Included in Intangible Assets (Note 7(a)) and Property, Plant and Equipment (Note 5(a)) of the Group is development costs of RM17,604,551 and capital work-in-progress for a palm oil mill enhancement and optimisation project of RM5,972,131 as at the end of the financial year.

As disclosed in Note 7(a), the development expenditures incurred were in relation to the development of an improved automated sterilisation system for palm oil extraction and yet to be commercialised. In the previous financial year, the Group has secured a palm oil mill enhancement and optimisation project. Due to the unfavourable market and financial condition, the project has yet to be completed todate. The Group is optimistic to secure the additional funding required and the project is expected to be completed after the end of financial year and to generate revenue on a recurring basis upon its completion.

We were unable to obtain sufficient appropriate audit evidence on the recoverability of the carrying amount of the development costs and capital work-in-progress. Therefore, we could not determine the effect of any adjustment, if any, on the financial statements of the Group.

Basis for Qualified Opinion (continued)

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 are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in *Basis for Qualified Opinion* section, we have determined the matters below to be the key audit matters to be communicated in our report.

Group

Funding requirements and ability to meet short term obligations (Note 38(b)(ii) to the financial statements)

The directors have prepared a cash flows forecast supporting the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the end of the financial year. The directors' assessment on this was an area of focus as the assessment requires the exercise of significant judgment by the directors on assumption supporting the cash flow forecast, including the forecast revenue and profit margin which was adopted for the preparation of the financial statements.

Our response:
Our audit procedures included, among others:
- comparing the Group's assumptions to our assessments in relation to key assumptions;
- testing the mathematical accuracy of the cash flow forecast calculation;
- performing stress test on cash flows forecast;
- assessing the appropriateness of disclosures in the financial statements; and
- agreeing sources of financing and uses of funds to supporting documents.

Key Audit Matters (continued)

Group (continued)

Revenue and corresponding cost recognition for contract works (Note 4(b), Note 27 and Note 28 to the financial statements)

The amount of revenue and corresponding costs of the Group's contract work is recognised over the period of contract by reference to the progress towards complete satisfaction of that performance obligation. Significant judgement is required in the estimation of total project costs. Where the actual total project costs are different from the estimated total project costs, such difference will impact the profit or loss recognised. The amount of revenue and corresponding cost of sales recognised in a financial year on the contract works are dependent on the appropriate assessment and judgement of the directors on the estimated total project revenue and costs to completion.

Our response:
Our audit procedures on the samples of major projects included, among others:
- reviewing directors' assumptions by referring to evidence including historical accuracy of the Group's estimates in previous periods, identification and analysis of changes in assumptions from prior periods, and discussing project progress with project manager; and
- checking the computation of the revenue and cost of sales for selected project and considering the implications of identified errors and changes in estimates.

The Company

Investment in subsidiaries and amount owing by subsidiaries (Note 4(c), Note 8 and Note 11 to the financial statements)

The Company determine whether there is any indication or objective evidence of impairment for investment in subsidiaries and amount owing by subsidiaries. The recoverable amount of investment in certain subsidiaries and amount owing by certain subsidiaries were determined based on value-in-use which involves exercise of significant judgement of the directors on the discount rates applied and the assumptions supporting the underlying cash flows projections which include future sales, gross profit margin and operating expenses. In addition, the directors made significant judgements over assumptions about risk of default and expected loss rate. In making the assumptions, the directors selected inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

Our response:
Our audit procedures included, among others:
- comparing the actual results with previous budget to assess the performance of the business and historical accuracy of the projections;
- comparing the Group's assumptions as well as our assessments in relation to key inputs;
- testing the mathematical accuracy of the impairment assessment;
- performing a sensitivity analysis around the key assumptions; and
- assessing the calculation of impairment loss as at the end of the reporting period.

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 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the development costs and capital work in progress as at 31 December 2018. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

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

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

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:

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of the Companies Act 2016 in Malaysia, we report that:

(a) the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.
(b) in our opinion, we have not obtained all the information and explanations that we required.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section a266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT	Ng Boon Hiang
LLP0019411-LCA & AF 0117	No. 02916/03/2020 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur

Date: 29 April 2019

List of Properties Owned by the Group

Location	Date of Acquisition	Tenure	Built-up Area (Square metres)	Description of Property / Existing Use	Net Carrying Amount as at 31 Dec 2018 (RM'000)
Dolphin Engineering (M) Sdn Bhd					
17 & 19, Jalan Puteri 5/20, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan.	13 Apr 2007	Freehold	919.74	2 units of 3 storey intermediate shop office used as our Group's office, workshop for the production and assembly of our products and store	4,000*
845, Block A, Leisure Commerce Square, No. 9, Jalan PJS 8/9, 47300 Petaling Jaya, Selangor Darul Ehsan.	20 Jan 1996	Leasehold, 99 years expiring on 17 July 2091	58.25	Office unit located on the 8th floor of a 12 storey office block rented to third party	185
32, Jalan Serindit 2, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan.	26 Mar 2008	Freehold	805.84	1 ½ storey semi-detached factory. The ground floor of the property is used as workshop for the production and assembly of our products for our Group while the first floor of the property is used as an office for the Electrical & Automation Department.	1,865 (Reclassified as Asset held for sale)
Dolphin Applications Sdn Bhd					
16, Jalan Serindit 2, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan.	15 Jun 2012	Leasehold, 99 years expiring on 1 June 2109	374.585	1 ½ storey semi-detached factory (corner unit). The ground floor of the property is used as corporate office while the first floor of the property is used as training room.	4,172 (Reclassified as Asset held for sale)
20, Jalan Industri PBP 8, Taman Industri Pusat Bandar Puchong, 47100 Puchong, Selangor Darul Ehsan.	19 Nov 2015	Freehold	2,462.77	2 storey factory cum 3 storey office building erected thereon all that piece of industrial land. Currently vacant.	13,141

- Taken into consideration the revaluation carried out during the financial year.

Analysis of Shareholdings

ANALYSIS OF SHAREHOLDINGS AS AT 8 APRIL 2019

Issued and fully paid-up share capital	:	RM81,559,823
Class of share	:	Ordinary shares`
Voting rights	:	On show of hands one vote for every shareholder or on a poll one vote for every ordinary share held
Number of shareholders	:	1,668

DISTRIBUTION OF SHAREHOLDINGS AS AT 8 APRIL 2019

Size of Shareholdings	No. of Shareholders	Holdings	Total Holdings %
Less than 100 shares	6	190	0.00
100 to 1,000 shares	113	67,879	0.03
1,001 to 10,000 shares	595	3,938,300	1.61
10,001 to 100,000 shares	726	30,002,500	12.29
100,001 to less than 5% of issued shares	226	116,746,100	47.81
5% and above of issued shares	2	93,445,041	38.27
Total	**1,668**	**244,200,010**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 8 APRIL 2019
(In accordance with the Register maintained pursuant to Section 144 of the Companies Act, 2016)

Name of Shareholder		Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1	Low Teck Yin	46,632,514	19.10	-	-
2	Hoh Yeong Cherng	46,812,527	19.17	(1)484,500	0.20
3	Hoh Kok Wah	25,000	0.01	(2)47,272,027	19.36
4	Hoh Yeong Jian	459,500	0.19	(3)46,837,527	19.18

Notes:
(1) Deemed interested in the direct shareholdings in Dolphin of his sibling, Hoh Yeong Jian, and father, Hoh Kok Wah.
(2) Deemed interested in the direct shareholdings in Dolphin of his sons, Hoh Yeong Cherng and Hoh Yeong Jian.
(3) Deemed interested in the direct shareholdings in Dolphin of his sibling, Hoh Yeong Cherng, and father, Hoh Kok Wah.

Analysis of Shareholdings (Continued)

THIRTY (30) LARGEST SHAREHOLDERS AS AT 8 APRIL 2019
(Without aggregating securities from different securities accounts belonging to the same person)

No	Shareholders	No. of Shares Held	% of Total Issued Shares
1.	Maybank Securities Nominees (Tempatan) Sdn Bhd – Pledged securities account for Hoh Yeong Cherng	19,260,000	7.89
2.	Maybank Securities Nominees (Tempatan) Sdn Bhd – Pledged securities account for Low Teck Yin	18,680,000	7.65
3.	Amsec Nominees (Tempatan) Sdn Bhd – Pledged securities account for Hoh Yeong Cherng	11,900,000	4.87
4.	Amsec Nominees (Tempatan) Sdn Bhd – Pledged securities account for Low Teck Yin	11,900,000	4.87
5.	Public Nominees (Tempatan) Sdn Bhd – Pledged securities account for Chong Yong Fatt	7,227,300	2.96
6.	Amsec Nominees (Tempatan) Sdn Bhd – Pledged securities account – Ambank (M) Berhad for Low Teck Yin	6,400,000	2.62
7.	Amsec Nominees (Tempatan) Sdn Bhd – Pledged securities account – Ambank (M) Berhad for Hoh Yeong Cherng	6,400,000	2.62
8.	Zaiton Binti Mohd Hassan	5,200,000	2.13
9.	Low Teck Yin	5,152,514	2.11
10.	Hoh Yeong Cherng	4,702,527	1.93
11.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged securities account for Hoh Yeong Cherng	4,550,000	1.86
12.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged securities account for Low Teck Yin	4,500,000	1.84
13.	Maybank Nominees (Tempatan) Sdn Bhd – Pledged securities account for Ang He Yam	3,650,000	1.49
14.	SJ Sec Nominees (Tempatan) Sdn Bhd – Pledged securities account for Francis Ho Ik Sing	3,296,300	1.35
15.	Lim Yee Sheng	2,972,000	1.22
16.	Public Nominees (Tempatan) Sdn Bhd – Pledged securities account for Tan Hock Chai	2,715,000	1.11
17.	Tan Cheu Khea	2,675,500	1.10
18.	Lim Thou Tun	2,244,950	0.92
19.	Lim Zhi Hui	2,090,950	0.86
20.	Sim Mui Khee	1,938,000	0.79
21.	Public Nominees (Tempatan) Sdn Bhd – Pledged securities account for Tee Kim Hew	1,831,700	0.75
22.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged securities account for Kong Kok Choy	1,700,000	0.70
23.	RHB Nominees (Tempatan) Sdn Bhd – Pledged securities account for Ooi Gim Eng	1,541,900	0.63
24.	Public Nominees (Tempatan) Sdn Bhd – Pledged securities account for Yap Leong Chin	1,483,800	0.61
25.	Ang Yin Keong	1,480,000	0.61
26.	Maybank Nominees (Tempatan) Sdn Bhd – Pledged securities account for Yeoh Hock Hwa	1,464,100	0.60
27.	Seow Lan Thye	1,457,000	0.60
28.	Anthony Abang	1,270,000	0.52
29.	Lim Kwan Joo	1,263,100	0.52
30.	Ang Yee Hock	1,260,000	0.52
Total		**142,206,641**	**58.23**

Analysis of Warrant Holdings

ANALYSIS OF WARRANTHOLDINGS AS AT 8 APRIL 2019

Number of Warrants in Issue	:	55,500,002	
Exercise Price of Warrants	:	RM0.80 per ordinary share	
Voting rights	:	One (1) vote per warrant holder on show of hands or one (1) vote per warrant on a poll	In the meeting of warrant holders
Number of Warrant Holders	:	934	

ANALYSIS BY SIZE OF WARRANT HOLDINGS (WARRANTS 2016/2021) AS AT 8 APRIL 2019

Size of Warrant holdings	No. of Warrant Holders	Holdings	Total Holdings %
Less than 100 warrants	84	3,622	0.01
100 to 1,000 warrants	160	85,755	0.15
1,001 to 10,000 warrants	350	1,326,975	2.39
10,001 to 100,000 warrants	238	9,865,725	17.78
100,001 to less than 5% of issued warrants	101	36,085,825	65.02
5% and above of issued warrants	1	8,132,100	14.65
Total	**934**	**55,500,002**	**100.00**

THIRTY (30) LARGEST WARRANT HOLDERS AS AT 8 APRIL 2019
(Without aggregating securities from different securities accounts belonging to the same person)

No	Warrant holders	No. of Warrants Held	% of Total Issued Warrants
1.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged Securities account for Kong Kok Choy	8,132,100	14.65
2.	Lim Kwan Joo	1,372,700	2.47
3.	Zaiton Binti Mohd Hassan	1,300,000	2.34
4.	Ong Weng Hoong	1,241,300	2.24
5.	Ang Yee Hock	1,200,000	2.16
6.	Tan Hwe Chin	1,128,250	2.03
7.	Lina Yek	1,064,100	1.92
8.	Teh Boon Thong	900,000	1.62
9.	Goh Hong Hwa	892,000	1.61
10.	Ang Yin Keong	850,000	1.53
11.	Tan Meng Hooi	820,000	1.48
12.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chong Yong Fatt	729,900	1.32
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged securities account for Chua Boon Yong	700,000	1.26
14.	Ang Yee Sing	700,000	1.26
15.	Ching Ai Tiang	667,000	1.20
16.	Loh Yoon Shya	578,000	1.04
17.	Wan Mohd Zaki Bin Wan Md Ali	572,900	1.03
18.	Lim Si Xian	549,500	0.99
19.	Lim Hon Seng	530,000	0.95
20.	Tan Kok Hwa	519,300	0.94
21.	Chiang Saw Chaw	500,000	0.90
22.	Liew Sin Woh	500,000	0.90
23.	Lee Chee Kiat	500,000	0.90
24.	Mohd Ariff Akmal Bin Sahalan	500,000	0.90
25.	Mohd Azmi Bin Md Yusoff	500,000	0.90
26.	Public Nominees (Tempatan) Sdn Bhd – Pledged securities account for Too Pei Chen	500,000	0.90
27.	Public Nominees (Tempatan) Sdn Bhd – Pledged securities account for Gan Chen Liam	480,000	0.86
28.	Chong Yong Fatt	449,425	0.81
29.	Lim Kang Pow	431,250	0.78
30.	Lim Kian Leong	420,000	0.76
Total		**29,227,725**	**52.66**

Statement of Directors' Shareholdings and Warrant Holdings

DIRECTORS' SHAREHOLDINGS AS AT 8 APRIL 2019
(In accordance with the Register maintained pursuant to Section 144 of the Companies Act 2016)

Name of Director		Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1	Low Teck Yin	46,632,514	19.10	-	-
2	Hoh Yeong Cherng	46,812,527	19.17	(1)484,500	0.20
3	Dr Abdul Azis Bin Ariffin	100,000	0.04	-	-
4	Kamaruddin Bin Osman	100,000	0.04	-	-
5	Lee Yow Fui	100,000	0.04	-	-

(1) Deemed interested in the direct shareholdings in Dolphin of his sibling, Hoh Yeong Jian, and father, Hoh Kok Wah.

DIRECTORS' WARRANT HOLDINGS AS AT 8 APRIL 2019
(In accordance with the Register maintained pursuant to Section 144 of the Companies Act 2016)

Name of Director		Direct Interest		Indirect Interest	
		No. of Warrants	%	No. of Warrants	%
1	Low Teck Yin	28	00.00	-	-
2	Hoh Yeong Cherng	31	00.00	(1) 75	0.00
3	Dr Abdul Azis Bin Ariffin	25,000	0.05	-	-
4	Kamaruddin Bin Osman	25,000	0.05	-	-
5	Lee Yow Fui	25,000	0.05	-	-

(1) Deemed interested in the direct warrant holdings in Dolphin of his sibling, Hoh Yeong Jian.

DOLPHIN INTERNATIONAL BERHAD
(Company No. 1001521-X)
(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of **DOLPHIN INTERNATIONAL BERHAD** (Company No.: 1001521-X) will be held at Lily I, Level 01, Bangi Resort Hotel, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan on Friday, 28 June 2019 at 10.00 a.m. for the following purposes: -

ORDINARY BUSINESS:-

1.	To receive the Audited Financial Statements for the year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon.	**Please refer to Note 1**
2.	To approve the payment of Directors' fees and benefits for Non-Executive Directors amounting to RM256,500 for the financial year ended 31 December 2018.	*Resolution 1*
3.	To approve the payment of Directors' fees and benefits of up to RM324,000 for the Non-Executive Directors for the period from 1 January 2019 until the conclusion of the next Annual General Meeting.	*Resolution 2*
4.	To re-elect the following Directors who retire by rotation pursuant to Article 99 of the Company's Constitution:-	
	a) Mr. Hoh Yeong Cherng	*Resolution 3*
	b) Encik Kamaruddin Bin Osman	*Resolution 4*
5.	To re-elect Mr. Khor Han Leong who retire by rotation pursuant to Article 105 of the Company's Constitution.	*Resolution 5*
6.	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	*Resolution 6*

SPECIAL BUSINESS:-

To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolution:-

7. **ORDINARY RESOLUTION** *Resolution 7*

- **Authority for Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016**

"THAT pursuant to Section 76 of the Companies Act 2016 and subject always to the approvals of the relevant authorities, the Directors be and are hereby authorised to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. **SPECIAL RESOLUTION** *Resolution 8*

- **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY ("PROPOSED ADOPTION OF NEW CONSTITUTION")**

"THAT the existing Memorandum and Articles of Association of the Company be revoked and that the new Constitution as set as set out in the Appendix A to shareholders dated 30 April 2019 accompanying the Company's 2018 Annual Report be replaced thereof and adopted as the new Constitution of the Company with immediate effect"

AND THAT the Directors of the Company be authorised to do all acts and things and take all such steps that may be necessary and/or expedient to give effect to the Proposed Adoption of New Constitution with full power to assent to any modification, variation and/or amendment as may be required by the relevant authorities."

ANY OTHER BUSINESS:-

9. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

Kuala Lumpur
Date: 15 May 2019

Notes:-

1. *This Agenda item is meant for discussion only as the provision of Section 248(2) of the Companies Act, 2016 does not require a formal approval of the shareholders and hence, is not put forward for voting.*
2. *A member of the Company shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting and where the member appoints two (2) proxies to attend, participate, speak and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be represented by each proxy.*
3. *The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or executed must be deposited at the Company's Registered Office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
4. *Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*
5. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 24 June 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.*

6. ***Explanatory Notes on Special Business***

Resolution 7 pursuant to Section 76 of the Companies Act 2016

The proposed Ordinary Resolution is intended to renew the authority granted to the Directors of the Company at the SIxth Annual General Meeting of the Company held on 8 June 2018 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued and paid-up share capital of the Company for the time being. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting.

The Company did not issue any shares pursuant to Section 76 of the Companies Act 2016 under the general authority which was approved at the Sixth Annual General Meeting held on 8 June 2018 and which will lapse at the conclusion of the Seventh Annual General Meeting to be held on 28 June 2019.

A renewal of this authority is being sought at the Seventh Annual General Meeting to provide flexibility to the Company to undertake future possible fund raising activities, including but not limited to further placement of shares for purpose of funding future investments, working capital and/or acquisitions without having to convene another general meeting.

7. ***Resolution 8 – Proposed Adoption of new Constitution***

The proposed Special Resolution, if passed, will align the Constitution of the Company with the Act, which came into force on 31 January 2017, the updated provisions of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and the prevailing statutory and regulatory requirements as well as to provide clarity and consistency with the amendments that arise from the Act and MMLR. The proposed new Constitution is set out in the Appendix A to shareholders dated 30 April 2019 accompanying the Company's 2018 Annual Report be replaced thereof and adopted as the new Constitution of the Company with immediate effect.

DOLPHIN INTERNATIONAL BERHAD
(Company No. 1001521-X)
(Incorporated in Malaysia)

FORM OF PROXY

*I/We, ____
(FULL NAME IN BLOCK LETTERS)
of ____
(ADDRESS)
being a member(s) of DOLPHIN INTERNATIONAL BERHAD, hereby appoint ______________________
(FULL NAME)
of ____
(ADDRESS)
or failing him/her,____
(FULL NAME)
of____
(ADDRESS)

or failing him/her, the Chairman of the Meeting as *my/our proxy(ies) to vote for *me/us on *my/our behalf at the Seventh Annual General Meeting of the Company to be held at Lily I, Level 01, Bangi Resort Hotel, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan on Friday, 28 June 2019 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:
*(*Strike out whichever is not desired)*

(Should you desire to direct your Proxy as to how to vote on the Resolution set out in the Notice of Meeting, please indicate an "X" in the appropriate space. Unless otherwise instructed, the proxy may vote or abstain from voting at his discretion.)

Resolutions		**FOR**	**AGAINST**
ORDINARY BUSINESS			
1.	To approve the payment of Directors' fees and benefits for Non-Executive Directors amounting to RM256,500 for the financial year ended 31 December 2018.		
2.	To approve the payment of Directors' fees and benefits of up to RM324,000 for the Non-Executive Directors for the period from 1 January 2019 until the conclusion of the next Annual General Meeting.		
3.	Re-election of Director – Mr. Hoh Yeong Cherng		
4.	Re-election of Director – Encik Kamaruddin Bin Osman		
5.	Re-election of Director – Mr. Khor Han Leong		
6.	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration		

	SPECIAL BUSINESS		
7.	Authority to Issue Shares Pursuant to Section 76 of the Companies Act, 2016		
	SPECIAL RESOLUTION		
8.	Proposed Adoption of New Constitution of the Company		

Dated this ____________________ day of _______________________2019

No of Ordinary Shares Held:	
CDS Account No.:	
Tel No. (during office hours):	

For appointment of two proxies, percentage of shareholding to be represented by the proxies:-		
	No. of Shares	**Percentage**
Proxy 1		%
Proxy 2		%
Total		100%

____
Signature/Common Seal of Shareholder
[* Delete if not applicable]

Notes:-

1. *A member of the Company shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting and where the member appoints two (2) proxies to attend, participate, speak and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be represented by each proxy.*

2. *The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or executed must be deposited at the Company's Registered Office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

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

4. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 24 June 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

DOLPHIN INTERNATIONAL BERHAD
(1001521-X)
LEVEL 2, TOWER 1
AVENUE 5, BANGSAR SOUTH CITY
59200 KUALA LUMPUR

1st fold here

Fold this flap for sealing

Then fold here

AFFIX STAMP

The Company Secretary
Dolphin International Berhad
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

1st fold here

Dolphin International Berhad
(1001521-X)

No. 17 & 19, Jalan Puteri 5/20
Bandar Puteri
47100 Puchong
Selangor Darul Ehsan

Tel: +603-8062 2289
Fax: +603-8060 8613

Website: www.dolphinbhd.com