SARAWAK ENERGY BERHAD
(007199-D)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2018

Company No: 007199-D

Sarawak Energy Berhad
(Incorporated in Malaysia)

Directors:	Datuk Amar Abdul Hamed Bin Sepawi Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani Tan Sri Dato Sri Mohd Hassan Bin Marican Dato' Haji Idris Bin Haji Buang Dato Sri Fong Joo Chung
Secretary:	Lim Li Na
Registered office:	9th Floor, Menara Sarawak Energy No. 1, The Isthmus 93050 Kuching, Sarawak
Auditors:	Ernst & Young

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Sarawak Energy Berhad
(Incorporated in Malaysia)

Directors' Report

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

Principal activities

The principal activities of the Company are investment holding as well as undertaking development and construction of power generation facilities. The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit net of tax	1,280,620	42,246
Profit attributable to:		
Owners of the Company	1,279,878	42,246
Non-controlling interests	742	-
	1,280,620	42,246

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

Reserves and provisions

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

Dividends

On 27 March 2019, the Board of Directors declared a single-tier dividend of 4.21 sen per ordinary share on 1,610,568,979 ordinary shares amounting to RM67,804,954.02 in respect of the financial year ended 31 December 2018. The dividends will be payable on 10 April 2019. The dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

Directors

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

Directors of the Company

Datuk Amar Abdul Hamed Bin Sepawi* - Chairman
Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani*
Tan Sri Dato Sri Mohd Hassan Bin Marican
Dato' Haji Idris Bin Haji Buang*
Dato Sri Fong Joo Chung*

* Directors of the Company and of its subsidiary(ies)

Directors of the subsidiaries

The Directors of the subsidiaries of the Company since the beginning of the financial year to the date of this report (not included those Directors listed above) are:

Dato Ir. Alice Jawan Empaling
Datuk Joseph Mauh Ak Ikeh
Dato Sri Ahmad Tarmizi Bin Haji Sulaiman
Palu @ Paulus Palu Anak Gumbang
Gerald Rentap Jabu
Hasmawati Binti Sapawi (Alternate Director to Dato Sri Ahmad Tarmizi Bin Haji Sulaiman)
Datu Sharbini Bin Suhaili
Lu Yew Hung @ Lu Yew Hong
Ung Sing Kwong
Aisah Eden
Ting Ching Zung
Alexander Chin
Tuan Haji Sulaiman Bin Haji Abdul Hamid
Dr. Mak Anak Met
David James Lawrence
Polycarp Wong Heang Fui @ Wong Heong Fui
Alvin Lim Khiok Leong
Chan Siak Phui @ Chen Shick Pei
Richard Wong Shoon Fook
Bernard Wong Shoon Tet
Adrian Ling Yew Huang
Chean Chee Meng
Sim Boon Hiong
Siaw Lu Howe
Paramanathan a/l Sathasivam (Alternate Director to Sim Boon Hiong)
Chan Choo Teck (Alternate Director to Ting Ching Zung)

Directors of the subsidiaries (cont'd.)

Yong Kiam Shin (Alternate Director to Alexander Chin)
Tan Eke Luck (Alternate Director to Bernard Wong Shoon Tet)
Chen Shyong Chang (Alternate Director to Adrian Ling Yew Huang) (appointed on 20.8.2018)
Phang Chung Tchet
Madinah Binti Abang
Miguel Maria Pereira Viladebó Loureiro
Rui Alexandre Pires Diniz
Leong Nam Sen
Tuan Haji Yusri Bin Safri (appointed on 23.1.2019)
Dato' Sri Ir. Wahab Bin Suhaili (resigned on 1.1.2018)

Directors' benefits

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' interests

None of the Directors in office at the end of the financial year had any interest in the shares of the Company or of its related corporations during the financial year.

Directors' remuneration

The Directors' remuneration was disclosed in Note 10 to the financial statements in accordance with the requirements of the Companies Act 2016.

Indemnification to Directors and officers

During the financial year, the Group maintained a Directors' and Officers' Liability ("DOL") Insurance for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the DOL Insurance effected for the Directors and officers of the Group was RM50 million in aggregate. The amount of insurance premium paid for the financial year was RM91,208.

Other statutory information

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

    (ii) to ensure that current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

    (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

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

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

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

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

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

    (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

Other statutory information (cont'd.)

(f) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations when they fall due.

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

Controlling shareholder

The Directors regard State Financial Secretary, Sarawak, a statutory corporation established under the State Financial Secretary (Incorporation) Ordinance of Sarawak, as the controlling shareholder of the Company.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office. Auditors' remuneration was disclosed in Note 8 to the financial statements.

Indemnification of auditors

Any indemnity given to or insurance effected for the auditors of the Company is to be made to the extent as permitted under Section 289 of the Companies Act 2016. There was no amount of indemnity given or insurance effected for its auditors during the financial year.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 27 March 2019

Datuk Amar Abdul Hamed Bin Sepawi **Dato' Haji Idris Bin Haji Buang**

Company No: 007199-D

Sarawak Energy Berhad
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

We, **Datuk Amar Abdul Hamed Bin Sepawi** and **Dato' Haji Idris Bin Haji Buang**, being two of the Directors of **Sarawak Energy Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 12 to 178 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 dated 27 March 2019

Datuk Amar Abdul Hamed Bin Sepawi **Dato' Haji Idris Bin Haji Buang**

Statutory Declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Alexander Chin**, being the officer primarily responsible for the financial management of **Sarawak Energy Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 178 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Alexander Chin** at Kuching in the State of Sarawak on 22 March 2019

Alexander Chin

Before me,

PESURUHJAYA SUMPAH
Q137
Evelyn Lau Sie Jiong
01.07.2018 - 31.12.2020
MALAYSIA

EVELYN LAU SIE JIONG
Commissioner For Oaths
No.10, Lot 663, Ground Floor
Lorong 2 Jalan Ong Tiang Swee
93200 Kuching, Sarawak.

Building a better working world

Ernst & Young AF: 0039
SST ID: W10-1808-31043558
Chartered Accountants
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93100 Kuching
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Company No: 007199-D

Independent Auditors' Report to the Members of
Sarawak Energy Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Sarawak Energy Berhad**, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 178.

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

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International 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.

Report on the audit of the financial statements (cont'd.)

Information other than the financial statements and auditors' report thereon

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

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Company No: 007199-D

Independent Auditors' Report to the Members of Sarawak Energy Berhad (cont'd.)

Report on the audit of the financial statements (cont'd.)

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.

Report on the audit of the financial statements (cont'd.)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

- 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.

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.

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Independent Auditors' Report to the Members of
Sarawak Energy Berhad (cont'd.)

Other matters

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

LOW KHUNG LEONG
No. 02697/01/2021 J
Chartered Accountant

Kuching, Malaysia
Date: 27 MAR 2019

Company No: 007199-D

Sarawak Energy Berhad

Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 (Restated)	Company 2018 RM'000	Company 2017 RM'000
Revenue	4	5,423,281	4,926,363	523,066	753,007
Cost of sales		(2,560,012)	(2,894,506)	(418,954)	(643,785)
Gross profit		2,863,269	2,031,857	104,112	109,222
Other items of income					
Finance income	5	124,825	69,950	37,274	26,873
Other income	6	147,347	198,404	2,379	9,443
Other items of expense					
Administrative and other expenses		(531,252)	(464,408)	(30,014)	(19,888)
Finance costs	7	(872,556)	(530,532)	(70,782)	(29,479)
Share of results of associates, net of tax		1,616	3,562	-	-
Share of results of joint venture		(42)	-	-	-
Profit before tax, exclusive of one-off gain		1,733,207	1,308,833	42,969	96,171
Gain on bargain purchase	17(a)	-	508,790	-	-
Profit before tax, inclusive of one-off gain	8	1,733,207	1,817,623	42,969	96,171
Income tax expense	11	(452,587)	(338,283)	(723)	1,227
Profit net of tax		1,280,620	1,479,340	42,246	97,398
Profit attributable to:					
Owners of the Company		1,279,878	1,479,597	42,246	97,398
Non-controlling interests		742	(257)	-	-
		1,280,620	1,479,340	42,246	97,398
Basic earnings per ordinary share attributable to owners of the Company (sen)	12	79.5	91.9		

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Sarawak Energy Berhad

Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2018 (cont'd.)

	Note	Group		Company	
		2018	**2017**	**2018**	**2017**
		RM'000	RM'000 (Restated)	RM'000	RM'000
Profit net of tax		1,280,620	1,479,340	42,246	97,398
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Loss on fair value changes of available-for-sale financial assets		-	(17,291)	-	(17,291)
Share of other comprehensive income of joint venture		(231)	-	-	-
Items that will not be reclassified subsequently to profit or loss:					
Net change in fair value of equity investments designated at fair value through other comprehensive income		(20,436)	-	(20,436)	-
Other comprehensive income, net of tax		(20,667)	(17,291)	(20,436)	(17,291)
Total comprehensive income for the financial year		1,259,953	1,462,049	21,810	80,107
Total comprehensive income attributable to:					
Owners of the Company		1,259,211	1,462,306	21,810	80,107
Non-controlling interests		742	(257)	-	-
		1,259,953	1,462,049	21,810	80,107

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

Company No: 007199-D

Sarawak Energy Berhad

Statements of Financial Position as at 31 December 2018

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000 (Restated)	Group 1.1.2017 RM'000 (Restated)	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000
ASSETS						
Non-current assets						
Property, plant and equipment	13	28,997,902	27,093,907	16,710,211	62	3,541
Mine development expenditure	14	89,156	29,392	2,300	-	-
Exploration and evaluation expenditure	15	70,750	109,666	83,084	-	-
Deferred stripping costs	16	4,866	376	-	-	-
Investment in subsidiaries	17	-	-	-	2,524,729	2,274,729
Investment in associates	18	22,775	22,359	33,314	14,100	14,100
Investment in joint venture	19	6,732	-	-	-	-
Other investments	20	16,767	37,203	54,494	16,767	37,203
Deferred tax assets	21	982,380	1,029,118	1,098,065	811	1,193
Other receivables	25	-	-	-	6,720,847	5,948,598
		30,191,328	28,322,021	17,981,468	9,277,316	8,279,364
Current assets						
Inventories	22	177,879	141,508	133,762	-	-
Contract assets	24	-	-	-	3,081,839	2,660,812
Trade and other receivables	25	1,167,490	945,632	893,384	550,798	727,565
Income tax recoverable		2,548	60,997	813	1,184	1,656
Other current assets	26	818,987	457,662	311,913	6,248	26,072
Cash and bank balances	27	4,216,264	3,937,077	2,032,350	1,732,541	1,831,402
		6,383,168	5,542,876	3,372,222	5,372,610	5,247,507
Land held for sale	23	9,316	9,316	-	9,171	9,171
		6,392,484	5,552,192	3,372,222	5,381,781	5,256,678
TOTAL ASSETS		36,583,812	33,874,213	21,353,690	14,659,097	13,536,042

Sarawak Energy Berhad

Statements of Financial Position as at 31 December 2018 (cont'd.)

	Note	Group			Company	
		31.12.2018 RM'000	**31.12.2017** RM'000 (Restated)	**1.1.2017** RM'000 (Restated)	**31.12.2018** RM'000	**31.12.2017** RM'000
EQUITY AND LIABILITIES						
Current liabilities						
Contract liabilities	24	106,126	130,642	125,520	-	-
Trade and other payables	28	2,670,255	2,363,573	2,118,182	417,544	337,228
Other current liabilities	29	264,972	8,256	4,940	170,820	-
Loans and borrowings	30	1,320,019	1,770,018	80,017	250,000	700,000
Income tax payable		67,054	6,275	31,494	-	-
Retirement benefit obligations	32	9,122	7,810	6,711	42	29
		4,437,548	4,286,574	2,366,864	838,406	1,037,257
Non-current liabilities						
Deferred tax liabilities	21	1,535,458	1,362,576	605,506	-	-
Loans and borrowings	30	19,142,668	18,090,184	9,800,038	11,100,000	9,800,000
Deferred income	31	1,910,271	1,850,492	1,779,467	-	-
Retirement benefit obligations	32	257,373	243,846	228,323	1,632	1,536
		22,845,770	21,547,098	12,413,334	11,101,632	9,801,536
Total liabilities		27,283,318	25,833,672	14,780,198	11,940,038	10,838,793

Sarawak Energy Berhad

Statements of Financial Position as at 31 December 2018 (cont'd.)

	Note	Group			Company	
		31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000
EQUITY AND LIABILITIES (CONT'D.)						
Equity attributable to owners of the Company						
Share capital	33	1,833,341	1,833,341	1,610,569	1,833,341	1,833,341
Share premium		-	-	149,644	-	-
Capital redemption reserve		-	-	73,128	-	-
Reserves	34	7,441,838	6,182,627	4,720,321	885,718	863,908
		9,275,179	8,015,968	6,553,662	2,719,059	2,697,249
Non-controlling interests		25,315	24,573	19,830	-	-
Total equity		9,300,494	8,040,541	6,573,492	2,719,059	2,697,249
TOTAL EQUITY AND LIABILITIES		36,583,812	33,874,213	21,353,690	14,659,097	13,536,042

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

Company No: 007199-D

Sarawak Energy Berhad

Statements of Changes in Equity
For the financial year ended 31 December 2018

	← Equity attributable to owners of the Company →						
	← *Non-distributable* →			*Distributable*			
Group	**Share capital** RM'000	**Fair value reserve of financial assets at FVOCI** RM'000	**Translation reserve** RM'000	**Retained earnings** RM'000	**Total** RM'000	**Non-controlling interests** RM'000	**Total equity** RM'000
Opening balance at 1 January 2018, restated	1,833,341	(18,688)	-	6,201,315	8,015,968	24,573	8,040,541
Profit for the year	-	-	-	1,279,878	1,279,878	742	1,280,620
Other comprehensive income	-	(20,436)	(231)	-	(20,667)	-	(20,667)
Total comprehensive income for the financial year	-	(20,436)	(231)	1,279,878	1,259,211	742	1,259,953
Closing balance at 31 December 2018	1,833,341	(39,124)	(231)	7,481,193	9,275,179	25,315	9,300,494
	(Note 33)	(Note 34)	(Note 34)	(Note 34)		(Note 17)	

Sarawak Energy Berhad

Statements of Changes in Equity
For the financial year ended 31 December 2018 (cont'd.)

Group (cont'd.)	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Available-for-sale reserve RM'000	General reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	← Equity attributable to owners of the Company →									
		← *Non-distributable* →				← *Distributable* →				
Opening balance at 1 January 2017, as previously reported	1,610,569	149,644	85,355	73,128	(1,397)	94,147	4,626,007	6,637,453	19,830	6,657,283
Adjustment on initial application of of MFRS 15, net of tax	-	-	-	-	-	-	(83,791)	(83,791)	-	(83,791)
Opening balance at 1 January 2017, restated	1,610,569	149,644	85,355	73,128	(1,397)	94,147	4,542,216	6,553,662	19,830	6,573,492
Profit for the year	-	-	-	-	-	-	1,479,597	1,479,597	(257)	1,479,340
Other comprehensive income	-	-	-	-	(17,291)	-	-	(17,291)	-	(17,291)
Total comprehensive income for the financial year	-	-	-	-	(17,291)	-	1,479,597	1,462,306	(257)	1,462,049
Subtotal	1,610,569	149,644	85,355	73,128	(18,688)	94,147	6,021,813	8,015,968	19,573	8,035,541

Sarawak Energy Berhad

Statements of Changes in Equity
For the financial year ended 31 December 2018 (cont'd.)

		Equity attributable to owners of the Company									
			Non-distributable				*Distributable*				
Group (cont'd.)	**Note**	**Share capital** RM'000	**Share premium** RM'000	**Capital reserve** RM'000	**Capital redemption reserve** RM'000	**Available-for-sale reserve** RM'000	**General reserve** RM'000	**Retained earnings** RM'000	**Total** RM'000	**Non-controlling interests** RM'000	**Total equity** RM'000
Subtotal (cont'd.)		1,610,569	149,644	85,355	73,128	(18,688)	94,147	6,021,813	8,015,968	19,573	8,035,541
Transactions with owners											
Capital contribution from non-controlling interests	17(c)	-	-	-	-	-	-	-	-	5,000	5,000
Transition to no-par value regime on 31 January 2017 *		222,772	(149,644)	-	(73,128)	-	-	-	-	-	-
Transfer to retained earnings		-	-	(85,355)	-	-	(94,147)	179,502	-	-	-
Closing balance at 31 December 2017, restated		1,833,341	-	-	-	(18,688)	-	6,201,315	8,015,968	24,573	8,040,541
		(Note 33)				(Note 34)		(Note 34)		(Note 17)	

* 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 amounts standing to the credit of the share premium and capital redemption reserve became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) 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 accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sarawak Energy Berhad

Statements of Changes in Equity
For the financial year ended 31 December 2018 (cont'd.)

		Non-distributable	*Distributable*	
Company	**Share capital** RM'000	**Fair value reserve of financial assets at FVOCI** RM'000	**Retained earnings** RM'000	**Total** RM'000
Opening balance at 1 January 2018	1,833,341	(18,688)	882,596	2,697,249
Profit for the year	-	-	42,246	42,246
Other comprehensive income	-	(20,436)	-	(20,436)
Total comprehensive income for the financial year	-	(20,436)	42,246	21,810
Closing balance at 31 December 2018	1,833,341	(39,124)	924,842	2,719,059
	(Note 33)	(Note 34)	(Note 34)	

Sarawak Energy Berhad

Statements of Changes in Equity
For the financial year ended 31 December 2018 (cont'd.)

	←	*Non-distributable*		→	← *Distributable*	→	
Company (cont'd.)	**Share capital** RM'000	**Share premium** RM'000	**Capital redemption reserve** RM'000	**Available-for-sale reserve** RM'000	**General reserve** RM'000	**Retained earnings** RM'000	**Total** RM'000
Opening balance at 1 January 2017	1,610,569	149,644	73,128	(1,397)	5,000	780,198	2,617,142
Profit for the year	-	-	-	-	-	97,398	97,398
Other comprehensive income	-	-	-	(17,291)	-	-	(17,291)
Total comprehensive income for the financial year	-	-	-	(17,291)	-	97,398	80,107
Transition to no-par value regime on 31 January 2017*	222,772	(149,644)	(73,128)	-	-	-	-
Transfer to retained earnings	-	-	-	-	(5,000)	5,000	-
Closing balance at 31 December 2017	1,833,341	-	-	(18,688)	-	882,596	2,697,249
	(Note 33)			(Note 34)		(Note 34)	

* 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 amounts standing to the credit of the share premium and capital redemption reserve became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) 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 accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company No: 007199-D

Sarawak Energy Berhad

Statements of Cash Flows
For the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 (Restated)	Company 2018 RM'000	Company 2017 RM'000
Operating activities					
Profit before tax, inclusive of one-off gain		1,733,207	1,817,623	42,969	96,171
Adjustments for:					
Amortisation of:					
- deferred income	6	(90,617)	(108,860)	-	-
- mine development expenditure	8	2,333	162	-	-
- deferred stripping costs	8	10,259	-	-	-
Bad debts written off	8	1,547	310	-	-
Depreciation of property, plant and equipment	8	1,168,964	1,030,269	34	364
Dividend income from:					
- subsidiaries	4	-	-	(100,000)	(100,000)
- other investment	4	-	(1,572)	-	(1,572)
Gain on bargain purchase	17(a)	-	(508,790)	-	-
Interest expense on loans and borrowings	7	120,106	32,938	705	914
Profit payments on Islamic debt securities	7	752,450	497,594	70,077	28,565
Finance income	5	(124,825)	(69,950)	(37,274)	(26,873)
Net loss/(gain) on disposal of property, plant and equipment	8	1,802	3,384	(25)	(9)
Impairment loss on investment in associate	8	-	14,517	-	-
Net expected credit losses on receivables	8	2,765	42,317	-	-
Property, plant and equipment written off	8	86	1,001	-	-
Inventory written off	8	1,052	282	-	-
Provision for stock obsolescence	8	317	2,156	-	-
Retirement benefit obligations	9	24,934	24,338	168	160
Share of results of associates		(1,616)	(3,562)	-	-
Share of results of joint venture		42	-	-	-
Unrealised (gain)/loss on foreign exchange, net	8	(1,972)	22,576	(2,358)	(3,873)
Operating cash flows before changes in working capital		3,600,834	2,796,733	(25,704)	(6,153)

Statements of Cash Flows
For the financial year ended 31 December 2018 (cont'd.)

	Note	Group 2018 RM'000	Group 2017 RM'000 (Restated)	Company 2018 RM'000	Company 2017 RM'000
Operating activities (cont'd.)					
Changes in working capital:					
Inventories		(37,740)	(7,382)	-	-
Contract assets		-	-	(421,027)	(629,719)
Receivables		(226,823)	619,054	(45,487)	1,239,019
Other current assets		(361,325)	(145,380)	19,824	48,835
Contract liabilities		(24,516)	5,122	-	-
Payables		685,110	(304,946)	75,292	(128,568)
Other current liabilities		256,716	3,316	170,820	-
Total changes in working capital		291,422	169,784	(200,578)	529,567
Cash flows from/(used in) operations		3,892,256	2,966,517	(226,282)	523,414
Interest paid		(14,962)	(15,889)	(3,070)	(914)
Taxes paid, net of refund		(113,739)	(173,494)	131	(2,184)
Retirement benefit paid	32	(10,095)	(7,716)	(59)	(28)
Net cash flows from/(used in) operating activities		3,753,460	2,769,418	(229,280)	520,288
Investing activities					
Acquisition of exploration and evaluation expenditure	15	(15,189)	(26,582)	-	-
Acquisition of mine development expenditure	14	(7,992)	(27,254)	-	-
Incurrence of deferred stripping costs	16	(14,749)	(376)	-	-
Capital contributions received	31	150,396	179,885	-	-
Acquisition of property, plant and equipment	13	(3,076,440)	(2,912,164)	(1,856)	(3,446)
Proceeds from disposal of an associate		1,200	-	-	-
Proceeds from disposal of property, plant and equipment		1,593	936	5,326	9
Interest received		125,385	93,903	39,397	34,911
Dividends received		-	1,572	-	101,572
Acquisition of subsidiaries, net of cash acquired	17(a)	-	(1,858,235)	-	-
Repayment of monthly instalment in respect of acquisition of subsidiaries		(300,000)	(200,000)	-	-
Investment in joint venture	19	(7,005)	-	-	-
Increase in investment in existing subsidiaries	17(c)	-	-	(250,000)	(759,000)
Decrease/(Increase) in short-term deposits with maturity more than 3 months		351,862	(5,190)	350,000	-
Net cash flows (used in)/from investing activities		(2,790,939)	(4,753,505)	142,867	(625,954)

Sarawak Energy Berhad

Statements of Cash Flows
For the financial year ended 31 December 2018 (cont'd.)

	Note	Group 2018 RM'000	Group 2017 RM'000 (Restated)	Company 2018 RM'000	Company 2017 RM'000
Financing activities					
Profit payments on Islamic debt securities		(827,166)	(516,586)	(512,448)	(477,285)
Interest paid for other loans and borrowings		(107,140)	-	-	-
Net drawdown and repayment of Islamic debt securities		730,000	820,000	800,000	1,000,000
Net repayment and drawdown of other loans and borrowings		(127,515)	2,520,147	50,000	-
Increase in cash and bank balances placed in designated accounts		(129,015)	(27,587)	-	-
(Increase)/Decrease in short-term deposits with licensed bank pledged for borrowings		(3,165)	4,881	(812)	136
Capital contribution from non-controlling interests	17(c)	-	5,000	-	-
Net cash flows (used in)/from financing activities		(464,001)	2,805,855	336,740	522,851
Net increase in cash and cash equivalents		498,520	821,768	250,327	417,185
Effect of exchange rate changes on cash and cash equivalents		349	(24,612)	-	(2)
Cash and cash equivalents at 1 January		2,275,748	1,478,592	1,333,111	915,928
Cash and cash equivalents at 31 December	27	2,774,617	2,275,748	1,583,438	1,333,111

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

1. Corporate information

The principal activities of the Company are investment holding as well as undertaking development and construction of power generation facilities. The principal activities of the subsidiaries are disclosed in Note 17. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The controlling shareholder of the Company is the State Financial Secretary, Sarawak, a statutory corporation established under the State Financial Secretary (Incorporation) Ordinance of Sarawak. The registered office of the Company is located at 9th Floor, Menara Sarawak Energy, No. 1, The Isthmus, 93050 Kuching, Sarawak.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy. An additional statement of financial position as at 1 January 2017 is presented in these consolidated financial statements due to the retrospective application of accounting policies as a result of the adoption of new accounting standards and change in accounting policies as referred to Note 2.2.

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies

Government grants related to assets

The Group re-assessed the presentation of government grants related to assets. The Group had previously presented government grants in the form of non-monetary assets in the statement of financial position as property, plant and equipment and deferred income, which were initially recognised at their fair value and recognised to profit or loss on a systematic basis over the expected useful life of the related assets.

On 1 January 2018, the Group had elected to change the method of presentation of government grants related to assets, as the Group is of the opinion that deducting the grant in arriving at the carrying amount of the assets and grant is recognised in profit or loss over the expected useful life of the depreciable asset as a reduced depreciation charge provides more reflective information to the users of the financial statements. The Group had applied the change in presentation retrospectively.

The other accounting policies adopted were consistent with those of the previous financial year except as disclosed below:

On 1 January 2018, the Group and the Company adopted the applicable new and amended MFRSs and Annual Improvements, which were effective for annual financial periods beginning on or after 1 January 2018 as set out below.

Description	**Effective for annual periods beginning on or after**
Annual Improvements to MFRSs 2014-2016 Cycle:	
(i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
(ii) Amendments to MFRS 128: Investments in Associates and Joint Ventures	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

The adoption of these new standards did not have a material financial impact on the financial statements of the Group and of the Company, except as disclosed below.

(a) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. MFRS 15 supersedes the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations.

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

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

The Group and the Company adopted the new standard on the required effective date using the full retrospective method. The Group and the Company had assessed the effects of applying the new standard on the Group's and the Company's financial statements and had identified the following areas that were affected.

(i) Transfer of assets from customers

In previous financial years, the Group accounted for the revenue arising from assets transferred from customers in profit or loss when the performance obligations associated with receiving those customer contribution are met. Revenue is recognised based on service rendered. Under MFRS 15, revenue from transfer of assets from customers shall be amortised over the estimated useful life of the assets.

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

(a) MFRS 15 Revenue from Contracts with Customers (cont'd.)

(ii) Recognition of breakage from take or pay volume

If the Group expects to be entitled to breakage from take or pay volume, it shall recognise the estimated breakage amount as revenue proportion to the pattern of rights exercised by the customer (i.e. by comparing the goods or services delivered to date with those expected to be delivered overall) subject to recoverability.

(iii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the previous standards. Many of the disclosure requirements in MFRS 15 are new and the Group and the Company have incorporated these requirements in the preparation of these financial statements. In accordance with MFRS 15, the Group and the Company has disaggregated the revenue into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows. These information are disclosed in Note 4.

(b) MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139.

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

(b) MFRS 9 Financial Instruments (cont'd.)

Based on the analysis of the Group's and the Company's financial assets and liabilities as at 1 January 2018 on the basis of facts and circumstances that exist at that date, the Group and the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

(i) Classification and measurement

There are no significant financial impact on the Group's and the Company's statements of financial position or equity on applying the classification and measurement requirements of MFRS 9. The Group and the Company continue to measure at fair value all financial assets previously held at fair value under MFRS 139. Quoted equity shares, previously classified as available-for-sale ("AFS") financial assets measured at fair value with gains and losses recognised in Other Comprehensive Income ("OCI") is now classified and measured as financial assets at fair value through OCI. Therefore, the application of MFRS 9 do not have significant financial impact. Dividends are continued to be recognised in profit or loss if it is a return on investment. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group and the Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

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

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

(b) MFRS 9 Financial Instruments (cont'd.)

(ii) Impairment

The Group and the Company have applied the simplified approach and record lifetime expected credit losses on trade receivables and contract assets. The expected credit loss model is forward-looking and eliminates the needs for a trigger event to have occurred before credit losses are recognised. The application of MFRS 9 does not have a significant financial impact to the Group's and the Company's financial statements.

(iii) Hedge accounting

As MFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of MFRS 9 do not have a significant financial impact on the Group's and the Company's financial statements.

(c) IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

The application of these amendments do not have an impact on the Group and on the Company as the Group and the Company are already accounting for transactions involving the payment or receipt of advance consideration in foreign currency in a way that is consistent with the amendments.

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

Impacts on the financial statements

The following tables summarise the impacts arising from the adoption of MFRS 15 Revenue from Contracts with Customers and changes in existing accounting policy, namely MFRS 120 Accounting for Government Grants and Disclosure of Government Assistance on the Group's financial statements.

a) Statement of financial position

Group As at 1 January 2017	As previously reported RM'000	MFRS 15 adjustments RM'000	MFRS 120 adjustments RM'000	As restated RM'000
Assets				
Non-current assets				
Property, plant and equipment	17,019,679	-	(309,468)	16,710,211
Liabilities				
Non-current liabilities				
Deferred income	2,005,144	83,791	(309,468)	1,779,467
Equity attributable to owners of the Company				
Reserves	4,804,112	(83,791)	-	4,720,321

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

Impacts on the financial statements (cont'd.)

a) Statement of financial position (cont'd.)

Group **As at 31 December 2017**	**As previously reported** RM'000	**MFRS 15 adjustments** RM'000	**MFRS 120 adjustments** RM'000	**As restated** RM'000
Assets				
Non-current assets				
Property, plant and equipment	27,558,928	-	(465,021)	27,093,907
Liabilities				
Non-current liabilities				
Deferred income	2,216,158	99,355	(465,021)	1,850,492
Equity attributable to owners of the Company				
Reserves	6,281,982	(99,355)	-	6,182,627

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

Impacts on the financial statements (cont'd.)

b) Statement of profit or loss and other comprehensive income

Group	**As previously reported** RM'000	**MFRS 15 adjustments** RM'000	**MFRS 120 adjustments** RM'000	**As restated** RM'000
For the financial year ended 31 December 2017				
Cost of sales	(2,913,291)	-	18,785	(2,894,506)
Other operating income	232,753	(15,564)	(18,785)	198,404
Profit before tax, inclusive of one-off gain	1,833,187	(15,564)	-	1,817,623
Profit net of tax	1,494,904	(15,564)	-	1,479,340

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

Impacts on the financial statements (cont'd.)

b) Statement of profit or loss and other comprehensive income (cont'd.)

Group	As previously reported	As restated
For the financial year ended 31 December 2017 (cont'd.)		
Basic earnings per ordinary share attributable to owners of the Company (sen)	92.8	91.9

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

Impacts on the financial statements (cont'd.)

c) Statement of cash flows

Group	As previously reported RM'000	MFRS 15 adjustments RM'000	MFRS 120 adjustments RM'000	As restated RM'000
For the financial year ended 31 December 2017				
Operating activities				
Profit before tax inclusive of one-off gain	1,833,187	(15,564)	-	1,817,623
Adjustments for:				
Amortisation of deferred income	(122,514)	(5,131)	18,785	(108,860)
Depreciation of property, plant and equipment	1,049,054	-	(18,785)	1,030,269

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

Impacts on the financial statements (cont'd.)

c) Statement of cash flows (cont'd.)

Group	As previously reported RM'000	MFRS 15 adjustments RM'000	MFRS 120 adjustments RM'000	As restated RM'000
For the financial year ended 31 December 2017 (cont'd.)				
Investing activities				
Acquisition of property, plant and equipment	(3,086,502)	-	174,338	(2,912,164)
Capital contributions received	333,528	20,695	(174,338)	179,885

2. Summary of significant accounting policies (cont'd.)

2.3 Accounting standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 16 Leases	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle:	
(i) Amendments to MFRS 3: Business Combinations	1 January 2019
(ii) Amendments to MFRS 11: Joint Arrangements	1 January 2019
(iii) Amendments to MFRS 112: Income Taxes	1 January 2019
(iv) Amendments to MFRS 123: Borrowings Costs	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128: Long-term Interest in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Except for the new or revised MFRSs and amendments to MFRSs discussed below, there are no standards that have been issued but not yet effective that would be expected to have a material financial impact on the Group and on the Company in the current or future reporting periods.

2. Summary of significant accounting policies (cont'd.)

2.3 Accounting standards issued but not yet effective (cont'd.)

(a) IC Interpretation 23 Uncertainty over Income Tax Treatments

IC Interpretation 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

(i) Whether an entity considers uncertain tax treatments separately;

(ii) The assumptions an entity makes about the estimation of tax treatments by taxation authority;

(iii) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(iv) How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date.

2. Summary of significant accounting policies (cont'd.)

2.3 Accounting standards issued but not yet effective (cont'd.)

(b) MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation

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

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

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

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

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation (cont'd.)

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

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

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

Business combinations

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

2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation (cont'd.)

Business combinations (cont'd.)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 Financial Instruments either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. Other contingent considerations shall be measured at fair value and such changes shall be recognised in profit or loss.

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

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

The excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed is recorded as goodwill. If this consideration is lower than fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit or loss.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of profit or loss and other comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

2. Summary of significant accounting policies (cont'd.)

2.5 Subsidiaries

A subsidiary is an entity over which the Group has power to exercise control over the financial and operating policies of the investee as defined in Note 2.4.

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

2.6 Associates

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

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

An associate is equity accounted for from the date on which the investee becomes an associate.

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

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

2. Summary of significant accounting policies (cont'd.)

2.6 Associates (cont'd.)

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

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

2.7 Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group has rights to the assets and obligations for the liabilities relating to an arrangement. The Group accounts for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Group's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. Summary of significant accounting policies (cont'd.)

2.8 Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

2.9 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2. Summary of significant accounting policies (cont'd.)

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Major spare parts and standby equipment are recognised as assets when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Leasehold land with an unexpired lease term of less than 50 years is classified as short term. Whilst those with unexpired lease terms in excess of 50 years are classified as long term.

2. Summary of significant accounting policies (cont'd.)

2.10 Property, plant and equipment (cont'd.)

Freehold land is not depreciated. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Leasehold land	-	over period of the lease
Buildings	-	2% to 10%
Structures and improvements	-	1% to 100%
Plant and machinery	-	2.86% to 33%
Lines and distribution mains	-	2.85% to 4%
Distribution services	-	4%
Meters	-	6.67%
Public lighting	-	4%
Motor vehicles	-	20%
Furniture, fittings, equipment and others	-	10% to 33%

Capital work-in-progress are not depreciated as these assets are not available for use.

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

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

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

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments

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

(a) Financial assets

Initial recognition and measurement

Current financial year

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's or the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15 Revenue from Contracts with Customers.

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

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

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

Current financial year (cont'd.)

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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.

Previous financial year

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

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

Previous financial year (cont'd.)

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

Categories and subsequent measurement

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(i) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method and are subjected to impairment. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Categories and subsequent measurement (cont'd.)

Current financial year (cont'd.)

(ii) Fair value through other comprehensive income

(a) Debt instruments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains or losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(b) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Categories and subsequent measurement (cont'd.)

Current financial year (cont'd.)

(iii) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is designated as effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates, or significantly reduces, an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

Previous financial year

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Categories and subsequent measurement (cont'd.)

Previous financial year (cont'd.)

(a) Financial assets at fair value through profit or loss (cont'd.)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) 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. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Categories and subsequent measurement (cont'd.)

Previous financial year (cont'd.)

(c) Held-to-maturity investments

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

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Categories and subsequent measurement (cont'd.)

Previous financial year (cont'd.)

(d) Available-for-sale financial assets (cont'd.)

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. 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 right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Impairment of financial assets

Current financial year

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Impairment of financial assets (cont'd.)

Current financial year (cont'd.)

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income 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 the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amount due.

Previous financial year

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Impairment of financial assets (cont'd.)

Previous financial year (cont'd.)

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Impairment of financial assets (cont'd.)

Previous financial year (cont'd.)

(a) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)

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

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Impairment of financial assets (cont'd.)

Previous financial year (cont'd.)

(c) Available-for-sale financial assets (cont'd.)

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in 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 in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Current financial year

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

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

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(b) Financial liabilities (cont'd.)

Initial recognition and measurement (cont'd.)

Previous financial year

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

Financial liabilities, within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, 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 instrument.

Categories and subsequent measurement

Current financial year

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

(i) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9 Financial Instrument. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(b) Financial liabilities (cont'd.)

Categories and subsequent measurement (cont'd.)

Current financial year (cont'd.)

(i) Fair value through profit or loss (cont'd.)

Gains or losses on liabilities held for trading, including any interest expense are recognised in profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(ii) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains or losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

Previous financial year

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(b) Financial liabilities (cont'd.)

Categories and subsequent measurement (cont'd.)

Previous financial year (cont'd.)

(i) Financial liabilities at fair value through profit or loss (cont'd.)

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables, amount due to related companies and loans and borrowings.

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

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

2. Summary of significant accounting policies (cont'd.)

2.11 Financial instruments (cont'd.)

(c) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, 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 of the financial asset and sum of 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 expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

2. Summary of significant accounting policies (cont'd.)

2.12 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2. Summary of significant accounting policies (cont'd.)

2.12 Derivative financial instruments and hedge accounting (cont'd.)

Initial recognition and subsequent measurement (cont'd.)

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.12 Derivative financial instruments and hedge accounting (cont'd.)

Initial recognition and subsequent measurement (cont'd.)

Fair value hedges (cont'd.)

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as other income or expense.

Before 1 January 2018, the Group designated all of the forward contracts as hedging instrument. Any gains or losses arising from changes in the fair value of derivatives were taken directly to profit or loss, except for the effective portion of cash flow hedges, which were recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

Beginning 1 January 2018, the Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

2. Summary of significant accounting policies (cont'd.)

2.12 Derivative financial instruments and hedge accounting (cont'd.)

Initial recognition and subsequent measurement (cont'd.)

Cash flow hedges (cont'd.)

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2.13 Financial guarantee

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 terms of a debt instrument.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- The amount of the loss allowance; and
- The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15 Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

2. Summary of significant accounting policies (cont'd.)

2.13 Financial guarantee (cont'd.)

Previous financial year

Financial guarantees are recognised initially as a liability at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.14 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units ("CGU")'s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

2. Summary of significant accounting policies (cont'd.)

2.14 Impairment of non-financial assets (cont'd.)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.15 Fair value measurements

The Group measures financial instruments, such as, derivatives, at fair value at each reporting date. Also, fair values of the financial instruments measured at amortised cost at each reporting date are disclosed in Note 38.

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

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

2. Summary of significant accounting policies (cont'd.)

2.15 Fair value measurements (cont'd.)

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair values are measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

2. Summary of significant accounting policies (cont'd.)

2.16 Foreign currency

The Group's consolidated financial statements are presented in Malaysian Ringgit, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(a) Transaction and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in other comprehensive income.

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

2. Summary of significant accounting policies (cont'd.)

2.16 Foreign currency (cont'd.)

(a) Transaction and balances (cont'd.)

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

(b) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Malaysian Ringgit at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2. Summary of significant accounting policies (cont'd.)

2.17 Cash and cash equivalents

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

2.18 Inventories

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

- Purchased raw materials and consumables: purchase costs on a weighted average cost basis.

- Own produced raw materials: all costs incurred related to bringing the inventory to its current condition, including contract costs, direct and allocated indirect operating overhead and amortisation expense.

- 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 estimated costs of completion and the estimated costs necessary to make the sale.

2. Summary of significant accounting policies (cont'd.)

2.19 Provisions

General

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

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

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2. Summary of significant accounting policies (cont'd.)

2.21 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Group makes contributions to the Employees' Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Defined benefit plans

The Group operates an unfunded, post-retirement medical benefit plan ("the Plan") for its eligible employees and their eligible family members. The Group's obligation under the Plan, calculated using the Projected Unit Credit Cost Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. All actuarial gains or losses are recognised immediately through other comprehensive income. All past service costs are recognised at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognised.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations.

2. Summary of significant accounting policies (cont'd.)

2.22 Leases

(a) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(b) As lessee

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

2. Summary of significant accounting policies (cont'd.)

2.22 Leases (cont'd.)

(b) As lessee (cont'd.)

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

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

(c) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.23 Revenue and other income

(a) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group and the Company recognise revenue when (or as) it transfers control over a good or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group and the Company transfer control of a good or service at a point in time unless one of the following over time criteria is met:

(i) The customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(ii) The Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(iii) The Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

2. Summary of significant accounting policies (cont'd.)

2.23 Revenue and other income (cont'd.)

(b) Dividend income

Dividend income is recognised when the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(c) Interest income

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

(d) Rental income

Rental income is recognised on an accrual basis based on the rates agreed with tenants.

2.24 Taxes

(a) Current income tax

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

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

2. Summary of significant accounting policies (cont'd.)

2.24 Taxes (cont'd.)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (cont'd.)

2.24 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. Summary of significant accounting policies (cont'd.)

2.24 Taxes (cont'd.)

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

Revenues, expenses and assets are recognised net of the amount of GST except:

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.

The GST in Malaysia was abolished and replaced by the sales and services tax effective from 1 September 2018.

2.25 Share capital and share issuance expenses

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.26 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.

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

2. Summary of significant accounting policies (cont'd.)

2.27 Exploration and evaluation expenditure

(i) Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

(ii) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

2. Summary of significant accounting policies (cont'd.)

2.27 Exploration and evaluation expenditure (cont'd.)

(ii) Exploration and evaluation expenditure (cont'd.)

Exploration and evaluation expenditure incurred on a licence where the resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish the resource. Costs expensed during this phase are included in "other operating expenses" in the statement of profit or loss and other comprehensive income.

Upon the establishment of the resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the particular licence as exploration and evaluation assets up to the point when the reserve is established. Capitalised exploration and evaluation expenditure is considered to be a tangible asset.

Exploration and evaluation expenditure acquired in a business combination are initially recognised at fair value, including resources and exploration potential that are valued beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation expenditure (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment. Exploration and evaluation expenditure is tested for impairment and transferred to mine development expenditure. No amortisation is charged during the exploration and evaluation phase.

2.28 Mine development expenditure

(i) Initial recognition

Once the economically recoverable resources in an area of interest have been identified and a decision taken to develop and exploit the specific area, the exploration and evaluation expenditure previously incurred in that area is transferred to mine development expenditure.

Upon completion of the mine construction phase, the assets are transferred into mine development expenditure. Items of production mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

2. Summary of significant accounting policies (cont'd.)

2.28 Mine development expenditure (cont'd.)

(i) Initial recognition (cont'd.)

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in property, plant and equipment.

Mine development expenditure also consists of the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

(ii) Amortisation

Accumulated mine development expenditure is amortised on a unit-of-production ("UOP") basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose mining license lease is shorter than the life of the mine, in which case the straight-line method over the remaining mining license lease is applied. Rights and concessions are depleted on the UOP basis over the economically recoverable reserves of the relevant area. The UOP rate calculation for the amortisation of mine development expenditure takes into account expenditures incurred to date, together with sanctioned future development expenditure.

2. Summary of significant accounting policies (cont'd.)

2.28 Mine development expenditure (cont'd.)

(ii) Amortisation (cont'd.)

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis whereby the denominator is the proven and probable reserves and the portion of resources expected to be extracted economically. The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortisation, until the resource becomes probable of economic extraction in the future and is recognised in exploration and evaluation expenditure. The premium paid in excess of the intrinsic value of land to gain access is amortised over the life of the mine.

The asset's residual values, useful lives and methods of amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

2.29 Deferred stripping costs

Overburden removal costs

In open pit mining operations, overburden and other waste materials must be removed to access ore from which minerals can be extracted economically.

The process of removing overburden and other waste materials to access minerals deposits is referred to as stripping. Stripping is necessary to obtain access to minerals deposits and occurs throughout the life of an open pit mine. Development and production stripping costs are classified as deferred stripping costs.

Stripping costs are accounted for separately for individual components of an ore body. The determination of components is dependent on the mine plan and other factors, including the size, shape and geotechnical aspects of an ore body. The Group accounts for stripping activities are as follows:

2. Summary of significant accounting policies (cont'd.)

2.29 Deferred stripping costs (cont'd.)

Overburden removal costs (cont'd.)

(a) Development stripping costs

These are initial overburden removal costs incurred to obtain access to mineral deposits that will be commercially produced. These costs are capitalised when it is probable that future economic benefits (access to mineral ores) will flow to the Group and costs can be measured reliably.

Once the production phase begins, capitalised development stripping costs are depreciated using the units of production method based on the proven and probable reserves of the relevant identified component of the ore body to which the initial stripping activity benefits.

(b) Production stripping costs

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping (as outlined above).

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'deferred stripping costs', if the following criteria are met:

(a) Future economic benefits (being improved access to the ore body) are probable;

(b) The component of the ore body for which access will be improved can be accurately identified; and

(c) The costs associated with the improved access can be reliably measured.

2. Summary of significant accounting policies (cont'd.)

2.29 Deferred stripping costs (cont'd.)

Stripping costs incurred during the production stage of a mine are deferred when this is considered the most appropriate basis for matching the costs against the related economic benefits. The amount deferred is based on the waste-to-ore ratio ("stripping ratio"), which is calculated by dividing the tonnage of waste mined by the quantity of expected life-of-mine ratio. Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current period ratio falls below the life-of-mine ratio. The life-of-mine stripping ratio is calculated based on proved and probable reserves. Any changes to the life-of-mine ratio are accounted for prospectively.

Where a mine operates more than one open pit that is regarded as a separate operation for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e. overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

Deferred stripping costs are included in the cost base of assets when determining a cash generating unit for impairment assessment purposes.

2. Summary of significant accounting policies (cont'd.)

2.30 Non-current asset held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment once classified as held for sale of distribution are not depreciated.

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

2.31 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset including non-monetary asset, the grant are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant is then recognised in profit or loss over the expected useful life of the depreciable asset as a reduced depreciation charge.

Grants that compensate the Group for expenses incurred are deducted in reporting the related expense.

2. Summary of significant accounting policies (cont'd.)

2.32 Contract asset/Contract liability

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group or the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. A contract asset is subject to impairment in accordance with MFRS 9 Financial Instruments.

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

2.33 Contract cost

(i) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Costs to fulfil a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical judgement in applying accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group.

3.2 Key sources of estimation uncertainty

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

(a) Depreciation of property, plant and equipment and amortisation of deferred income

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Deferred income (i.e. capital contributions received from customers) is transferred to profit or loss based on the estimated useful lives of the related property, plant and equipment. Management estimates the useful lives of the property, plant and equipment to be within 2 to 100 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges and amortisation of deferred income could be revised.

3. Significant accounting estimates and judgements (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(b) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation ("E&E") expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In addition to applying judgement to determine whether future economic benefits are likely to arise from the Group's E&E assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Group has to apply a number of estimates and assumptions. The determination of the resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e. measured, indicated or inferred). The estimates directly impact when the Group defers E&E expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off to profit or loss in the period when the new information becomes available.

3. Significant accounting estimates and judgements (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(c) Deferred tax assets

Deferred tax assets are recognised for all unutilised investment allowances to the extent that is probable that taxable profit will be available against which the tax losses and investment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of deferred tax assets on recognised investment allowances of the Group was RM1.24 billion (2017: RM1.25 billion).

(d) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer type and credit rating, and coverage by letters of guarantee and collateral deposits).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance is calculated after taken into consideration customers' collateral deposits received and bank guarantee secured. The carrying amount of the Group's and the Company's trade receivables at the reporting date is disclosed in Note 25.

3. Significant accounting estimates and judgements (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(e) Defined benefit plan

The cost of post-retirement medical benefit plan ("the Plan") as well as the present value of the obligation under the Plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The key assumptions used in determining the net cost/(income) and the present value of the obligation for the Plan include discount rate and medical claim inflation rate. Any changes in these assumptions will impact the carrying amount of the obligation under the Plan.

(i) Discount rate

The Group and the Company determine the appropriate discount rate at the end of each financial year. This is the interest rate used to determine the present value of estimated future cash outflows required to settle the pension obligations. In determining the appropriate discount rate, the Group and the Company consider the interest rates of private debt securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefit obligations.

(ii) Medical claim inflation rate

The medical claim inflation rate for general practitioner, hospitalisation and specialist medical claims, as determined by the Group and the Company, is based on the annualised increase in average claims over the past 5 years.

Other key assumptions for employee benefit obligations are based in part on current market conditions. Additional information is as disclosed in Note 32 to the financial statements.

(f) Fair values of assets transferred from customers and revenue recognition

The fair values of assets transferred from customers are estimated by the Group's in-house professionals and expertise and the corresponding fair values related to the services identified for revenue recognition are based on certain assumptions and valuation techniques, after considering the relevant rate-regulated framework governing those assets.

3. Significant accounting estimates and judgements (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(g) Accrued revenue

Electricity revenue for energy supply activities includes an estimated value of energy supplied to customers between the date of the last meter reading and the reporting period end of the Group (unread and unbilled). An estimated value is also made on any factors that are likely to materially affect the ultimate economic benefits which will flow to the Group, including bill cancellations and adjustments. These estimations will have a corresponding adjustment to trade receivables. To the extent that the economic benefits are not expected to flow to the Group, the value of that revenue is not recognised. Accrued revenue is reversed in the following month when actual billings occur.

4. Revenue

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Revenue from contract with customers	5,423,281	4,924,791	423,066	651,435
Other revenue				
Dividend income from:				
- subsidiaries	-	-	100,000	100,000
- other investment	-	1,572	-	1,572
	-	1,572	100,000	101,572
Total revenue	5,423,281	4,926,363	523,066	753,007

4. Revenue (cont'd.)

4.1 Disaggregation of revenue

	Reportable segments							
	Utility		Coal mining		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Major products and services								
Sale of electricity	5,384,413	4,861,415	-	-	-	-	5,384,413	4,861,415
Sale of coal	-	-	33,118	59,589	-	-	33,118	59,589
Others	-	-	-	-	5,750	3,787	5,750	3,787
	5,384,413	4,861,415	33,118	59,589	5,750	3,787	5,423,281	4,924,791
Primary geographical market								
Malaysia	4,908,123	4,514,379	4,657	8,105	5,750	3,787	4,918,530	4,526,271
Other countries	476,290	347,036	28,461	51,484	-	-	504,751	398,520
	5,384,413	4,861,415	33,118	59,589	5,750	3,787	5,423,281	4,924,791

4. Revenue (cont'd.)

4.1 Disaggregation of revenue (cont'd.)

	Reportable segments							
	Utility		Coal mining		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Timing and recognition								
At a point in time	-	-	33,118	59,589	5,750	3,787	38,868	63,376
Over time	5,384,413	4,861,415	-	-	-	-	5,384,413	4,861,415
	5,384,413	4,861,415	33,118	59,589	5,750	3,787	5,423,281	4,924,791
Revenue from contracts with customers	5,384,413	4,861,415	33,118	59,589	5,750	3,787	5,423,281	4,924,791
Other revenue	-	-	-	-	-	1,572	-	1,572
Total revenue	5,384,413	4,861,415	33,118	59,589	5,750	5,359	5,423,281	4,926,363

4. Revenue (cont'd.)

4.1 Disaggregation of revenue (cont'd.)

	Reportable segments					
	Construction		Others		Total	
	2018	2017	2018	2017	2018	2017
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Major products and services						
Construction revenue	404,990	629,719	-	-	404,990	629,719
Corporate support service fees	-	-	16,767	21,716	16,767	21,716
Others	-	-	1,309	-	1,309	-
	404,990	629,719	18,076	21,716	423,066	651,435
Primary geographical market						
Malaysia	404,990	629,719	18,076	21,716	423,066	651,435

4. Revenue (cont'd.)

4.1 Disaggregation of revenue (cont'd.)

	Reportable segments					
	Construction		Others		Total	
	2018	2017	2018	2017	2018	2017
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Timing and recognition						
Over time	404,990	629,719	18,076	21,716	423,066	651,435
Revenue from contract with customers	404,990	629,719	18,076	21,716	423,066	651,435
Other revenue	-	-	100,000	101,572	100,000	101,572
Total revenue	404,990	629,719	118,076	123,288	523,066	753,007

4. Revenue (cont'd.)

4.2 Nature of goods and services

Group

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Sale of electricity	Revenue is recognised over time when the electricity is consumed by the customers. Revenue includes an estimate of the value of units supplied between the date of the last meter reading and reporting period end.	Credit period of 10 to 30 business days from invoice date.	Not applicable	Not applicable	Not applicable
Sale of coal	Revenue is recognised at a point in time when the coal is delivered and accepted by the customers at their premises.	Credit period of 14 days from invoice date.	Selling price is adjusted based on the coal quality and stripping ratio.	Not applicable	Not applicable

4. Revenue (cont'd.)

4.2 Nature of goods and services (cont'd.)

Company

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Construction revenue	Revenue is recognised over time using the cost incurred method.	Credit period of 30 days from invoice date.	Not applicable	Not applicable	Defects Liability Period of 25 months is given to the customers.
Corporate support service fees	Revenue is recognised over time when the services are performed.	Credit period of 30 days from invoice date.	Not applicable	Not applicable	Not applicable

4.3 Transaction price allocated to the remaining performance obligations

Revenue from performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December is as follows:

Company	**2018** RM'000
Construction revenue:	
Within one year	174,487

5. Finance income

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Interest income of financial assets at amortised cost:				
- Short-term deposits	123,167	69,134	36,342	26,841
- Others	1,658	816	932	32
	124,825	69,950	37,274	26,873

6. Other income

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000 (Restated)	RM'000	RM'000
Gain on disposal of property, plant and equipment	114	9	24	9
Gain on foreign exchange				
- realised	66	20,616	-	5,529
- unrealised	2,358	4,104	2,358	3,873
Sundry income	49,920	60,622	-	16
Amortisation of deferred income (Note 31)	90,617	108,860	-	-
Rental income from land and building	4,272	4,193	(3)	16
	147,347	198,404	2,379	9,443

Sundry income comprised primarily of income from penalty and service charges, work sales, and manpower services.

7. Finance costs

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Interest expense/profit payments on:				
- Islamic debt securities	832,757	632,520	519,314	480,155
- Revolving credits	14,125	5,106	3,586	914
- Term loans	108,861	32,507	-	-
- Finance leases	1	2	-	-
- Others	-	4	-	-
	955,744	670,139	522,900	481,069
Amount charged to:				
- Subsidiaries	-	-	(312,626)	(334,747)
- Other receivables	(1,117)	(2,300)	(1,117)	(2,300)
Amount capitalised in:				
- Contract assets (Note 24)	-	-	(138,375)	(114,543)
- Capital work-in-progress (Note 13)	(80,470)	(136,560)	-	-
- Mine development expenditure (Note 14)	(1,601)	(747)	-	-
	872,556	530,532	70,782	29,479

8. Profit before tax, inclusive of one-off gain

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
The following amounts have been included in arriving at profit before tax, inclusive of one-off gain:				
Auditors' remuneration				
Audit fees				
- statutory audit current year	908	886	160	155
Other services	1,576	1,203	340	770

8. Profit before tax, inclusive of one-off gain (cont'd.)

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Amortisation of				
- mine development expenditure (Note 14)	2,333	162	-	-
- deferred stripping costs (Note 16)	10,259	-	-	-
Bad debts written off	1,547	310	-	-
Depreciation of property, plant and equipment (Note 13)	1,168,964	1,030,269	34	364
Directors' remuneration (Note 10)	2,825	1,757	2,034	1,224
Employee benefits expense (Note 9)	499,859	488,068	16,766	19,562
Gain on bargain purchase [Note 17(a)]	-	(508,790)	-	-
Net expected credit losses on				
- trade receivables, net [Note 40(a)]	8,331	26,666	-	-
- other receivables, net [Note 40(a)]	(5,566)	15,651	-	-
Impairment loss on investment in associate	-	14,517	-	-
Net loss/(gain) on disposal of property, plant and equipment	1,802	3,384	(25)	(9)
Loss/(Gain) on foreign exchange, net				
- realised	1,982	(19,923)	252	(5,529)
- unrealised	(1,972)	22,576	(2,358)	(3,873)
Property, plant and equipment written off	86	1,001	-	-
Inventories written off	1,052	282	-	-
Provision for stock obsolescence	317	2,156	-	-
Rental expense	8,004	7,237	25	-

9. Employee benefits expense

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Salaries, wages, overtime and bonus	379,858	369,662	67,654	43,466
Social security contributions	3,803	3,132	631	259
Contributions to defined contribution plan	46,140	46,271	8,809	5,190
Other benefits	88,330	63,421	8,942	4,049
Retirement benefit obligations (Note 32)	24,934	24,338	168	160
	543,065	506,824	86,204	53,124
Less: Amount capitalised in capital work-in-progress (Note 13)	(43,120)	(18,756)	-	-
Less: Amount capitalised in contract assets (Note 24)	-	-	(10,108)	(5,537)
Less: Amount charged to a third party	(86)	-	-	-
Less: Amount charged to subsidiaries, net	-	-	(59,330)	(28,025)
	499,859	488,068	16,766	19,562

10. Directors' remuneration

The details of remuneration receivable by the Directors during the year were as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Fees	1,447	1,159	1,303	1,063
Emoluments	776	185	731	161
	2,223	1,344	2,034	1,224
Other Directors of subsidiaries				
Fees	285	126	-	-
Emoluments	317	287	-	-
	602	413	-	-
Total Directors' remuneration (Note 36)	2,825	1,757	2,034	1,224

11. Income tax expense

Major components of income tax expense

The major components of income tax expense were as follows:

	Group		Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
Statements of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax	234,408	83,057	-	152
- (Over)/Under provision in respect of previous years	(1,441)	697	341	(186)
- Additional tax assessment arising from disallowed expenses *	-	6,479	-	-
	232,967	90,233	341	(34)
Deferred tax (Note 21):				
- Origination and reversal of temporary differences	211,810	247,225	969	(248)
- Under/(Over) provision in respect of previous years	7,810	1,775	(587)	-
- Recognition of deferred tax assets on previously unrecognised temporary differences and unabsorbed capital allowances	-	(950)	-	(945)
	219,620	248,050	382	(1,193)
Income tax expense recognised in profit or loss	452,587	338,283	723	(1,227)

* The Group in exercising an abundance of caution (*ex abundanti cautela*) decided to account for the tax and penalty arising from the notices of additional tax assessment for YA 2012 to YA 2014 arising from disallowed expenses. However, this should not be construed as an admission of liability on the part of the Group. The Group disagreed with the said notices and had filed an appeal to challenge the said notices before the Special Commissioners of Income Tax.

Case management date and court hearing date have been fixed on 10 December 2020 and 15 July 2021 to 16 July 2021 respectively for additional assessments in relation to disallowed expenses for YA 2012 to YA 2014.

11. Income tax expense (cont'd.)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

	Group	
	2018	**2017**
	RM'000	RM'000 (Restated)
Profit before tax, inclusive of one-off gain	1,733,207	1,817,623
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	415,970	436,230
Adjustments:		
Effect of reduction in income tax rate	(25,912)	-
Tax effect of non-deductible expenses	72,131	42,951
Tax effect of income not subject to tax	(21,824)	(149,555)
Tax effect of tax exempt income	-	(377)
Tax effect of share of results of associates	(388)	(855)
Tax effect of share of results of joint venture	10	-
(Over)/Under provision of current income tax in respect of previous years	(1,441)	697
Under provision of deferred tax in respect of previous years	7,810	1,775
Additional tax assessment arising from disallowed expenses	-	6,479
Recognition of deferred tax assets on previously unrecognised temporary differences and unabsorbed capital allowances	-	(950)
Deferred tax assets not recognised	6,231	1,888
Income tax expense recognised in profit or loss	452,587	338,283

	Company	
	2018	**2017**
	RM'000	RM'000
Profit before tax, inclusive of one-off gain	42,969	96,171
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	10,313	23,081
Adjustments:		
Tax effect of non-deductible expenses	8,750	1,200
Tax effect of tax exempt income	(24,000)	(24,377)
Under/(Over) provision of current income tax in respect of previous years	341	(186)
Over provision of deferred tax in respect of previous years	(587)	-
Recognition of deferred tax assets on previously unrecognised temporary differences and unabsorbed capital allowances	-	(945)
Deferred tax assets not recognised	5,906	-
Income tax expense recognised in profit or loss	723	(1,227)

11. Income tax expense (cont'd.)

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

12. Earnings per ordinary share

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

The following table reflects the profit and share data used in the computation of basic earnings per ordinary share for the years ended 31 December:

	Group	
	2018	**2017** (Restated)
Profit net of tax attributable to owners of the Company (RM'000)	1,279,878	1,479,597
Weighted average number of ordinary shares ('000)	1,610,569	1,610,569
Basic earnings per ordinary share attributable to owners of the Company (sen)	79.5	91.9

There was no dilution in the earnings per ordinary share for the current and previous financial year end as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

13. Property, plant and equipment

	Land* RM'000	Buildings RM'000	Structures and improvements RM'000	Plant and machinery RM'000	Lines and distribution mains RM'000	Distribution services RM'000	Meters RM'000	Public lighting RM'000	Motor vehicles RM'000	Furniture, fittings, equipment and others RM'000	Capital work-in-progress RM'000	Total RM'000
Group												
Cost												
At 1 January 2017, restated	194,154	1,381,156	3,774,500	7,218,086	3,148,616	874,437	89,727	154,356	105,840	478,601	5,136,873	22,556,346
Additions	4,467	47,269	2,086	41,820	47,319	30,129	9,007	-	2,547	5,418	2,722,102	2,912,164
Acquisition of subsidiaries	-	-	6,013,489	3,025,619	186,803	-	-	-	6,150	17,813	39,653	9,289,527
Transfer to inventories	-	-	-	-	-	-	-	-	-	-	(980)	(980)
Write-offs	-	(1,730)	(2,544)	(17,392)	(1,318)	(2,346)	(1)	(278)	(384)	(292)	-	(26,285)
Disposals	-	(19)	-	(9,488)	(2,327)	(819)	(1,721)	(192)	(3,724)	(6,535)	-	(24,825)
Reclassification/Transfer	-	320,314	-	534,590	932,952	18,382	-	16,454	163	15,499	(1,838,354)	-
Transfer to land held for sale	(11,834)	-	-	-	-	-	-	-	-	-	-	(11,834)
At 31 December 2017/ 1 January 2018, restated	186,787	1,746,990	9,787,531	10,793,235	4,312,045	919,783	97,012	170,340	110,592	510,504	6,059,294	34,694,113
Additions	5,006	14,606	-	126,190	35,309	14,689	10,699	-	6,655	52,288	2,810,998	3,076,440
Write-offs	-	-	-	(436)	(561)	(4,346)	(42)	(19)	-	(70)	(20)	(5,494)
Disposals	-	(836)	-	(8,962)	(583)	(320)	(563)	(107)	(153)	(598)	-	(12,122)
Reclassification/Transfer	-	761,423	(600,230)	687,349	111,597	20,673	-	7,021	12	27,585	(1,025,375)	(9,945)
At 31 December 2018	191,793	2,522,183	9,187,301	11,597,376	4,457,807	950,479	107,106	177,235	117,106	589,709	7,844,897	37,742,992

13. Property, plant and equipment (cont'd.)

Group (cont'd.)	Land* RM'000	Buildings RM'000	Structures and improvements RM'000	Plant and machinery RM'000	Lines and distribution mains RM'000	Distribution services RM'000	Meters RM'000	Public lighting RM'000	Motor vehicles RM'000	Furniture, fittings, equipment and others RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation												
At 1 January 2017, restated	63,212	310,102	256,873	3,027,517	1,246,527	427,957	66,062	72,351	58,837	316,697	-	5,846,135
Depreciation charge for the year (Note 8)	3,503	67,643	99,538	637,834	126,013	30,827	3,668	5,750	14,420	41,073	-	1,030,269
Acquisition of subsidiaries	-	-	326,258	395,322	33,206	-	-	-	4,423	12,900	-	772,109
Write-offs	-	(1,730)	(2,467)	(17,295)	(1,039)	(1,884)	(1)	(278)	(349)	(241)	-	(25,284)
Disposals	-	(19)	-	(6,882)	(1,373)	(758)	(1,720)	(182)	(3,590)	(5,981)	-	(20,505)
Reclassification/Transfer	-	343	-	(378)	(3)	3	-	-	1	34	-	-
Transfer to land held for sale	(2,518)	-	-	-	-	-	-	-	-	-	-	(2,518)
At 31 December 2017/ 1 January 2018, restated	64,197	376,339	680,202	4,036,118	1,403,331	456,145	68,009	77,641	73,742	364,482	-	7,600,206
Depreciation charge for the year (Note 8)	3,399	92,496	98,921	672,994	199,817	31,849	3,654	6,113	12,861	46,860	-	1,168,964
Write-offs	-	-	-	(435)	(532)	(4,319)	(42)	(19)	-	(61)	-	(5,408)
Disposals	-	(702)	-	(5,854)	(476)	(313)	(562)	(96)	(152)	(572)	-	(8,727)
Reclassification/Transfer	-	76,213	(72,543)	17,987	(35,494)	5	-	(9)	6	3,890	-	(9,945)
At 31 December 2018	67,596	544,346	706,580	4,720,810	1,566,646	483,367	71,059	83,630	86,457	414,599	-	8,745,090
Carrying amount												
At 31 December 2017, restated	122,590	1,370,651	9,107,329	6,757,117	2,908,714	463,638	29,003	92,699	36,850	146,022	6,059,294	27,093,907
At 31 December 2018	124,197	1,977,837	8,480,721	6,876,566	2,891,161	467,112	36,047	93,605	30,649	175,110	7,844,897	28,997,902

13. Property, plant and equipment (cont'd.)

Details of land are as follows:

Group	**Freehold land** RM'000	**Long term leasehold land** RM'000	**Short term leasehold land** RM'000	**Total** RM'000
Cost				
At 1 January 2017	1,180	43,335	149,639	194,154
Additions	-	4,211	256	4,467
Reclassification/Transfer	-	(1,169)	1,169	-
Transfer to land held for sale	-	-	(11,834)	(11,834)
At 31 December 2017/1 January 2018	1,180	46,377	139,230	186,787
Additions	-	5,006	-	5,006
At 31 December 2018	1,180	51,383	139,230	191,793
Accumulated depreciation				
At 1 January 2017	-	2,444	60,768	63,212
Depreciation charge for the year	-	733	2,770	3,503
Reclassification/Transfer	-	(111)	111	-
Transfer to land held for sale	-	-	(2,518)	(2,518)
At 31 December 2017/1 January 2018	-	3,066	61,131	64,197
Depreciation charge for the year	-	759	2,640	3,399
At 31 December 2018	-	3,825	63,771	67,596
Carrying amount				
At 31 December 2017	1,180	43,311	78,099	122,590
At 31 December 2018	1,180	47,558	75,459	124,197

The title deeds of certain land of certain subsidiaries are in the process of being registered in the names of the subsidiaries.

13. Property, plant and equipment (cont'd.)

	Short term leasehold land RM'000	Motor vehicles RM'000	Furniture, fittings, equipment and others RM'000	Capital work-in-progress RM'000	Total RM'000
Company					
Cost					
At 1 January 2017	11,526	1,632	3,941	-	17,099
Additions	-	-	-	3,446	3,446
Disposals	-	(21)	-	-	(21)
Transfer to land held for sale	(11,526)	-	-	-	(11,526)
At 31 December 2017/ 1 January 2018	-	1,611	3,941	3,446	8,998
Additions	-	-	1	1,855	1,856
Disposals	-	(152)	-	(5,301)	(5,453)
At 31 December 2018	-	1,459	3,942	-	5,401
Accumulated depreciation					
At 1 January 2017	2,253	1,537	3,679	-	7,469
Depreciation charge for the year (Note 8)	102	34	228	-	364
Disposals	-	(21)	-	-	(21)
Transfer to land held for sale	(2,355)	-	-	-	(2,355)
At 31 December 2017/ 1 January 2018	-	1,550	3,907	-	5,457
Depreciation charge for the year (Note 8)	-	17	17	-	34
Disposals	-	(152)	-	-	(152)
At 31 December 2018	-	1,415	3,924	-	5,339
Carrying amount					
At 31 December 2017	-	61	34	3,446	3,541
At 31 December 2018	-	44	18	-	62

13. Property, plant and equipment (cont'd.)

Assets under construction

The following expenditures incurred during the year were capitalised in capital work-in-progress:

	Group 2018 RM'000	Group 2017 RM'000
Employee benefits expense (Note 9)	43,120	18,756
Finance costs (Note 7)	80,470	136,560

Security

The Group's long term leasehold land with carrying amount of RM5,309,000 (2017: RM5,386,000) are pledged as security for the Sukuk Mudharabah as disclosed in Note 30.

Leased asset is pledged as security for the related financial lease liability as referred in Note 30.

14. Mine development expenditure

	Group 2018 RM'000	Group 2017 RM'000
Cost		
At 1 January	29,878	2,624
Additions	7,992	27,254
Transfer from exploration and evaluation expenditure (Note 15)	54,105	-
At 31 December	91,975	29,878
Accumulated amortisation		
At 1 January	486	324
Charge for the year (Note 8)	2,333	162
At 31 December	2,819	486
Carrying amount		
At 31 December	89,156	29,392

14. Mine development expenditure (cont'd.)

The following expenditure incurred during the year has been capitalised in mine development expenditure:

	Group 2018 RM'000	Group 2017 RM'000
Finance costs (Note 7)	1,601	747

15. Exploration and evaluation expenditure

	Group 2018 RM'000	Group 2017 RM'000
At cost		
At 1 January	109,666	83,084
Additions	15,189	26,582
Transfer to mine development expenditure (Note 14)	(54,105)	-
At 31 December	70,750	109,666

16. Deferred stripping costs

	Group 2018 RM'000	Group 2017 RM'000
At cost		
At 1 January	376	-
Additions	14,749	376
At 31 December	15,125	376
Accumulated amortisation		
At 1 January	-	-
Charge for the year (Note 8)	10,259	-
At 31 December	10,259	-
Carrying amount		
At 31 December	4,866	376

17. Investment in subsidiaries

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares	2,524,729	2,274,729

The investment in subsidiaries is measured at cost except for capital contribution amounting to RM40.8 million (2017: RM40.8 million) arising from equity-settled share options granted to employees of subsidiaries which were dissolved in March 2010 following the de-listing of the entire issued and paid-up share capital of the Company in January 2010.

Details of the subsidiaries, all of which are incorporated in Malaysia and audited by Ernst & Young, Malaysia, are shown below:

Name	Principal activities	Proportion (%) of ownership interest 2018	Proportion (%) of ownership interest 2017
Held by the Company:			
SEB Power Sdn. Bhd.	Investment holding, development of power plant, operation, maintenance, procurement and generation support services	100	100
Syarikat SESCO Berhad	Power generation, transmission, distribution and sale of electricity	100	100
Sarawak Energy Resources Sdn. Bhd.	Investment holding	100	100
Dunlop Estates Holdings Sdn. Bhd.	Investment holding	100	100
Sarawak Energy (RES) Sdn. Bhd. (formerly known as Temesu Energy Minerals Sdn. Bhd.)	Executing agent of the State Government of Sarawak in carrying out the Rural Electrification Scheme ("RES") Project	100	-

17. Investment in subsidiaries (cont'd.)

Name	Principal activities	Proportion (%) of ownership interest 2018	2017
Held through SEB Power Sdn. Bhd.:			
PPLS Power Generation Sdn. Bhd.	Power generation	100	100
Mukah Power Generation Sdn. Bhd.	Power generation	100	100
Sarawak Power Generation Sdn. Bhd.	Power generation	100	100
Murum Hydro Power Generation Sdn. Bhd.	Power generation	100	100
Sejingkat Power Corporation Sdn. Bhd.	Power generation	100	100
Bakun Hydro Power Generation Sdn. Bhd. (formerly known as Sarawak Hidro Sdn. Bhd.)	Power generation	100	100
Batang Ai Power Generation Sdn. Bhd.	Power generation	100	100
Balingian Power Generation Sdn. Bhd.#	Intended - Power generation	100	100
Kidurong Power Generation Sdn. Bhd.#	Intended - Power generation	100	100
Samalaju Power Generation Sdn. Bhd.#	Intended - Power generation	100	100
Baleh Hydro Power Generation Sdn. Bhd.#	Intended - Power generation	100	100
Held through Syarikat SESCO Berhad:			
SESCO-EFACEC Sdn. Bhd.	Manufacturing of transformers and switch gears and contracting electrical works	51	51

17. Investment in subsidiaries (cont'd.)

Name	Principal activities	Proportion (%) of ownership interest 2018	2017
Held through Syarikat SESCO Berhad: (cont'd.)			
Sarawak Energy Services Sdn. Bhd.	Provision of project management, engineering services, operation and maintenance of power stations and contracting	100	100
Held through Sarawak Energy Resources Sdn. Bhd.:			
Global Energy Minerals Sdn. Bhd.	Exploration, production and sale of coal	60	60
Balingian Energy Minerals Sdn. Bhd.	Exploration, production and sale of coal	60	60
Mukah Energy Minerals Sdn. Bhd.	Investment holding, exploration, production and sale of coal	100	100
Held through Mukah Energy Minerals Sdn. Bhd.:			
Mukah Mining Services Sdn. Bhd.	Exploration, production and sale of coal	60	60
Held through Murum Hydro Power Generation Sdn. Bhd.:			
Murum Hydro Consortium Sdn. Bhd.	Dormant	100	100
Held through Bakun Hydro Power Generation Sdn. Bhd. (formerly known as Sarawak Hidro Sdn. Bhd.):			
Sarawakhidro Power Sdn. Bhd.	Managing of a hydroelectric power station and related services	100	100

\# These subsidiaries have yet to commence operations during the financial year.

17. Investment in subsidiaries (cont'd.)

(a) Acquisition of Bakun Hydro Power Generation Sdn. Bhd. (formerly known as Sarawak Hidro Sdn. Bhd.) and its subsidiary, Sarawakhidro Power Sdn. Bhd.

On 16 August 2017, the Company via its wholly-owned subsidiary, SEB Power Sdn. Bhd. completed its acquisition of the entire equity interest in Bakun Hydro Power Generation Sdn. Bhd. ("Bakun HPG") (formerly known as Sarawak Hidro Sdn. Bhd.) and its subsidiary, Sarawakhidro Power Sdn. Bhd. ("collectively known as Bakun HPG Group") from the Ministry of Finance and Pesuruhjaya Tanah Persekutuan at purchase consideration of RM2.5 billion in cash. The acquisition of Bakun HPG is a strategic move by the Group to further expand the power generation capacity in Sarawak.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	2017 RM'000
Fair value of consideration transferred	
Cash consideration	2,500,000
Fair value of identifiable assets acquired and liabilities assumed	
Assets	
Property, plant and equipment	8,517,418
Inventories	1,822
Trade and other receivables	740,568
Income tax recoverable	2,142
Other current assets	369
Cash and bank balances	1,221,440
	10,483,759
Liabilities	
Loans and borrowings (Note 30)	6,640,000
Trade and other payables	257,002
Deferred tax liabilities (Note 21)	577,967
	7,474,969
Total identifiable net assets	3,008,790

17. Investment in subsidiaries (cont'd.)

(a) Acquisition of Bakun Hydro Power Generation Sdn. Bhd. (formerly known as Sarawak Hidro Sdn. Bhd.) and its subsidiary, Sarawakhidro Power Sdn. Bhd. (cont'd.)

Cash flow on acquisition

		2017
		RM'000
Total consideration transferred		2,500,000
Less: Cash and cash equivalents acquired		
Cash and bank balances acquired	(1,221,440)	
Short-term deposits pledged	126,594	
Cash at banks placed in designated accounts	953,081	
		(141,765)
Less: Monthly instalments repayable to Ministry of Finance		(500,000)
Net cash outflow on acquisition		1,858,235

Gain on bargain purchase

Gain on bargain purchase was recognised in the Group's consolidated statement of profit or loss and other comprehensive income as a result of the acquisition as follows:

	2017
	RM'000
Total consideration transferred	2,500,000
Fair value of identifiable net assets	(3,008,790)
Gain on bargain purchase	508,790

Acquisition-related costs of RM4.5 million incurred were expensed off and included in administrative and other expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

17. Investment in subsidiaries (cont'd.)

(b) Acquisition of Sarawak Energy (RES) Sdn. Bhd. (formerly known as Temesu Energy Minerals Sdn. Bhd.)

On 13 November 2018, the Company acquired the entire equity interest in Sarawak Energy (RES) Sdn. Bhd. (formerly known as Temesu Energy Minerals Sdn. Bhd.) at purchase consideration of RM100 in cash. No business combination arose from this transaction.

(c) Additional investments arising from new shares issued by existing subsidiaries

On 7 February 2018, the Company subscribed additional 250,000,000 ordinary shares in SEB Power Sdn. Bhd. ("SEB Power") at RM250,000,000 in cash.

In the previous financial year:

(i) The Company subscribed additional 749,999,998 and 9,000,000 ordinary shares in SEB Power and Sarawak Energy Resources Sdn. Bhd. ("SER") at RM749,999,998 and RM9,000,000 respectively in cash; and

(ii) Balingian Energy Minerals Sdn. Bhd. ("BEM") issued 12,500,000 new ordinary shares to SER and a third party, where 7,500,000 ordinary shares at RM7,500,000 were subscribed by SER whereas 5,000,000 ordinary shares at RM5,000,000 were subscribed by the third party in cash.

The new subscriptions did not have any impact to the Group as there were no changes in the Group's equity interest in SEB Power, SER and BEM.

17. Investment in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Balingian Energy Minerals Sdn. Bhd.		SESCO-EFACEC Sdn. Bhd.		Global Energy Minerals Sdn. Bhd.		Other subsidiaries with immaterial NCI		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NCI percentage of ownership interest	40%	40%	49%	49%	40%	40%				
Carrying amount of NCI	11,691	10,434	4,659	6,925	9,964	8,197	(999)	(983)	25,315	24,573
Profit/(Loss) allocated to NCI	1,257	(2,244)	(2,266)	(242)	1,767	2,427	(16)	(198)	742	(257)

Summarised financial information before intragroup elimination

Summarised financial information of Balingian Energy Minerals Sdn. Bhd., SESCO-EFACEC Sdn. Bhd. and Global Energy Minerals Sdn. Bhd. which have non-controlling interests that are material to the Group is set out in the ensuing pages. The summarised financial information presented in the ensuing pages is the amount before inter-company elimination. The non-controlling interests in respect of Mukah Mining Services Sdn. Bhd. is not material to the Group.

17. Investment in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries (cont'd.)

Summarised financial information before intragroup elimination (cont'd.)

(i) Summarised Statements of Financial Position

	Balingian Energy Minerals Sdn. Bhd.		SESCO-EFACEC Sdn. Bhd.		Global Energy Minerals Sdn. Bhd.	
	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current assets	136,209	117,229	2,016	2,269	37,788	38,503
Current assets	50,271	16,747	13,279	16,991	38,933	37,773
Total assets	186,480	133,976	15,295	19,260	76,721	76,276
Current liabilities	62,738	107,892	5,786	5,107	32,314	33,699
Non-current liabilities	94,514	-	-	20	19,497	22,085
Total liabilities	157,252	107,892	5,786	5,127	51,811	55,784
Net assets	29,228	26,084	9,509	14,133	24,910	20,492
Equity attributable to owners of the Company	17,537	15,650	4,850	7,208	14,946	12,295
Non-controlling interests	11,691	10,434	4,659	6,925	9,964	8,197

17. Investment in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries (cont'd.)

Summarised financial information before intragroup elimination (cont'd.)

(ii) Summarised Statements of Profit or Loss and Other Comprehensive Income

	Balingian Energy Minerals Sdn. Bhd.		SESCO-EFACEC Sdn. Bhd.		Global Energy Minerals Sdn. Bhd.	
	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	25,116	-	5,750	3,788	120,294	143,663
Profit/(Loss) for the year	3,144	(5,610)	(4,624)	(494)	4,418	6,067
Profit/(Loss) attributable to owners of the Company	1,887	(3,366)	(2,358)	(252)	2,651	3,640
Profit/(Loss) attributable to the non-controlling interests	1,257	(2,244)	(2,266)	(242)	1,767	2,427

(iii) Summarised Cash Flows

	Balingian Energy Minerals Sdn. Bhd. 2018 RM'000	Balingian Energy Minerals Sdn. Bhd. 2017 RM'000	SESCO-EFACEC Sdn. Bhd. 2018 RM'000	SESCO-EFACEC Sdn. Bhd. 2017 RM'000	Global Energy Minerals Sdn. Bhd. 2018 RM'000	Global Energy Minerals Sdn. Bhd. 2017 RM'000
Net cash (used in)/from operating activities	(19,404)	78,046	(466)	366	(4,535)	15,017
Net cash (used in)/from investing activities	(31,408)	(90,137)	102	79	155	(35)
Net cash from/(used in) financing activities	53,778	12,500	(46)	(17)	(3,000)	(6,000)
Net increase/(decrease) in cash and cash equivalents	2,966	409	(410)	428	(7,380)	8,982
Cash and cash equivalents at beginning of the year	3,178	2,769	5,015	4,587	12,572	3,590
Cash and cash equivalents at end of the year	6,144	3,178	4,605	5,015	5,192	12,572

17. Investment in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries (cont'd.)

Special Rights Redeemable Preference Share

	Number of share	Amount
		RM
Issued and fully paid		
At 1 January 2017, 31 December 2017/ 1 January 2018 and 31 December 2018	1	1

The State Government of Sarawak through the State Financial Secretary Sarawak, a body corporate incorporated under the State Financial Secretary Incorporation Ordinance (Cap.36) of Sarawak, holds a Special Rights Redeemable Preference Share ('Golden Share') in a subsidiary, namely Syarikat SESCO Berhad.

The Golden Share would enable the State Government of Sarawak to ensure that certain major decisions affecting the operations of the subsidiary are consistent with State Government policies. The Special Shareholder, which may only be the State Government of Sarawak or any representative or person acting on its behalf, is entitled to receive notices, to attend and speak at meetings but has no right to vote at such meetings of the subsidiary.

The Special Shareholder has the right to appoint any person, but not more than two at any time, to be Government Appointed Directors and has the right to give or to withhold its concurrence to the appointment of a Chief Executive Officer or Managing Director of the subsidiary.

Certain matters, in particular the alteration of the Memorandum Articles of Association of the subsidiary relating to the rights of the Special Shareholder, creation and issue of additional shares which carry different voting rights, the dissolution of the subsidiary, substantial disposal of assets, amalgamations, merger and takeover, require the prior consent of the Special Shareholder.

The Special Shareholder does not have any right to participate in the capital or profits of the subsidiary.

18. Investment in associates

	Group		Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
Unquoted shares in Malaysia, at cost	30,453	31,653	30,413	30,413
Share of post-acquisition reserves	6,448	19,349	-	-
	36,901	51,002	30,413	30,413
Less: Accumulated impairment losses	(14,126)	(28,643)	(16,313)	(16,313)
	22,775	22,359	14,100	14,100

Details of the associates, all of which are incorporated in Malaysia, are shown below:

Name	**Principal activities**	**Proportion (%) of ownership interest** **2018**	**2017**
Held by the Company:			
Dectra Sdn. Bhd.	Inactive	26.24	26.24
Sarawak Coal Resources Sdn. Bhd.	Extraction and sales of coal	30.00	30.00
Seatrac Sdn. Bhd.	Inactive	50.00	50.00
Held through Sejingkat Power Corporation Sdn. Bhd.:			
Gobel Industry Sdn. Bhd.	Sale of coal, and provision of transportation, manpower supply and machinery services	20.00	20.00
Held through Syarikat SESCO Berhad:			
Sarawak Gas Distribution Sdn. Bhd. #	Distribution of gas	-	30.00

Audited by Ernst & Young, Malaysia.

(a) Disposal of Sarawak Gas Distribution Sdn. Bhd.

On 30 June 2018, the Company's wholly-owned subsidiary, namely Syarikat SESCO Berhad disposed of its entire equity interest in Sarawak Gas Distribution Sdn. Bhd. representing 2,700,000 ordinary shares to State Financial Secretary, Sarawak for a total cash consideration of RM1.2 million. The Group had recognised an impairment loss of RM14.5 million on the investment in this associate for the financial year ended 31 December 2017.

18. Investment in associates (cont'd.)

(a) Disposal of Sarawak Gas Distribution Sdn. Bhd. (cont'd.)

The transaction has resulted in no gain no loss in profit or loss as follows:

		Group 2018 RM'000
Total consideration transferred		1,200
Less: Carrying amount of investment on date of disposal		
Cost of investment	(1,200)	
Share of post-acquisition profit	(14,517)	
Allowance for impairment loss	14,517	
		(1,200)
		-

(b) Summarised financial information

The summarised financial information of the material associates, not adjusted for the proportion of ownership interest held by the Group is as follows:

(i) Summarised Statements of Financial Position

	Sarawak Coal Resources Sdn. Bhd. 2018 RM'000	Sarawak Coal Resources Sdn. Bhd. 2017 RM'000
Non-current assets	90,037	56,478
Current assets	66,400	76,804
Total assets	156,437	133,282
Current liabilities	80,655	62,887
Total liabilities	80,655	62,887
Net assets	75,782	70,395

18. Investment in associates (cont'd.)

(b) Summarised financial information (cont'd.)

(ii) Summarised Statements of Profit or Loss and Other Comprehensive Income

	Sarawak Coal Resources Sdn. Bhd. 2018 RM'000	Sarawak Coal Resources Sdn. Bhd. 2017 RM'000
Revenue	144,923	161,617
Profit for the year	5,387	11,873
Total comprehensive income	5,387	11,873

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

	Sarawak Coal Resources Sdn. Bhd. 2018 RM'000	Sarawak Coal Resources Sdn. Bhd. 2017 RM'000
Net assets at 1 January	70,395	58,522
Profit for the year	5,387	11,873
Net assets at 31 December	75,782	70,395
Interest in associates	30%	30%
Share of net assets, representing the carrying value of the Group's interest in associates	22,735	21,119

19. Investment in joint venture

	Group 2018 RM'000
Unquoted shares outside Malaysia, at cost	7,005
Share of post-acquisition reserves	(273)
	6,732

19. Investment in joint venture (cont'd.)

Details of the joint venture are shown below:

Name	Principal activities	Proportion (%) of ownership interest 2018
Held through Sarawak Energy Services Sdn. Bhd.:		
PT Kayan Hydropower Nusantara #	Assessment on potential development of hydroelectric projects in the Regency of Malinau, Indonesia	50.00

Audited by Ernst & Young, Indonesia.

During the financial year, the Group via its wholly-owned subsidiary, namely Sarawak Energy Services Sdn. Bhd. subscribed 23,850 shares in PT Kayan Hydropower Nusantara ("PT Kayan") at RM7,005,150 in cash.

The Group's interest in PT Kayan is accounted for using the equity method in the consolidated financial statements.

The table in the ensuing page summarises the information of PT Kayan, adjusted for any material differences in accounting policies (if any) and reconciles the information to the carrying amount of the Group's interest in PT Kayan.

(i) Summarised Statement of Financial Position

	31.12.2018 RM'000
Non-current assets	11,009
Current assets	4,390
Total assets	15,399
Current liabilities	1,936
Total liabilities	1,936
Net assets	13,463

19. Investment in joint venture (cont'd.)

(ii) Summarised Statement of Profit or Loss and Other Comprehensive Income

	30.1.2018-31.12.2018 RM'000
Revenue	-
Loss for the financial period	(84)
Other comprehensive income for the financial period	(463)
Total comprehensive income for the financial period	(547)

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

	2018 RM'000
Net assets at date of incorporation	14,010
Loss for the financial period	(84)
Other comprehensive income for the financial period	(463)
Net assets as at 31 December	13,463
Interest in joint venture	50%
Share of net assets, representing the carrying value of the Group's interest in joint venture	6,732

20. Other investments

	Group/Company	
	2018 RM'000	2017 RM'000
Quoted equity instruments designated at fair value through other comprehensive income	16,767	-
Available-for-sale financial assets - quoted equity instruments in Malaysia, at fair value	-	37,203

At 1 January 2018, the Group and the Company designated the quoted equity investments at fair value through other comprehensive income as the Group and Company intend to hold for long-term strategic purpose. In 2017, these investments were classified as available-for-sale financial assets.

The fair value of quoted equity instruments is determined by reference to its quoted price on Bursa Malaysia Securities Berhad.

21. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities relate to the following:

Group	At 1 January 2017 RM'000	Recognised in profit or loss RM'000	Acquisition of subsidiaries RM'000	At 31 December 2017 RM'000	Recognised in profit or loss RM'000	At 31 December 2018 RM'000
Deferred tax liabilities:						
Property, plant and equipment	(1,203,032)	(99,596)	(1,092,084)	(2,394,712)	(89,804)	(2,484,516)
Mine development expenditure	(770)	(385)	-	(1,155)	(888)	(2,043)
Others	(6,308)	588	-	(5,720)	497	(5,223)
	(1,210,110)	(99,393)	(1,092,084)	(2,401,587)	(90,195)	(2,491,782)
Deferred tax assets:						
Property, plant and equipment	4,296	2,534	-	6,830	50,404	57,234
Retirement benefit obligations	56,064	4,782	-	60,846	3,647	64,493
Unutilised investment allowances	1,264,848	(13,818)	-	1,251,030	(10,282)	1,240,748
Unutilised tax losses	96	5,018	-	5,114	(3,584)	1,530
Trade receivables	5,873	9,944	-	15,817	(2,391)	13,426
Unabsorbed capital allowances	262,427	(61,665)	514,117	714,879	(167,558)	547,321
Other payables	109,065	(95,452)	-	13,613	339	13,952
	1,702,669	(148,657)	514,117	2,068,129	(129,425)	1,938,704

21. Deferred tax assets/(liabilities) (cont'd.)

Group (cont'd.)	At 1 January 2017 RM'000	Recognised in profit or loss RM'000	Acquisition of subsidiaries RM'000	At 31 December 2017 RM'000	Recognised in profit or loss RM'000	At 31 December 2018 RM'000
Net	492,559	(248,050)	(577,967)	(333,458)	(219,620)	(553,078)
		(Note 11)	(Note 17)		(Note 11)	
Presented after appropriate offsetting as follows:						
Deferred tax liabilities	(605,506)			(1,362,576)		(1,535,458)
Deferred tax assets	1,098,065			1,029,118		982,380
	492,559			(333,458)		(553,078)

21. Deferred tax assets/(liabilities) (cont'd.)

Company	At 1 January 2017 RM'000	Recognised in profit or loss RM'000	At 31 December 2017 RM'000	Recognised in profit or loss RM'000	At 31 December 2018 RM'000
Deferred tax liabilities:					
Property, plant and equipment	-	(7)	(7)	2	(5)
	-	(7)	(7)	2	(5)
Deferred tax assets:					
Retirement benefit obligations	-	376	376	26	402
Other payables	-	824	824	(410)	414
	-	1,200	1,200	(384)	816
Net	-	1,193	1,193	(382)	811
		(Note 11)		(Note 11)	

Unrecognised deferred tax assets

The amounts of unutilised tax losses for which no deferred tax assets are recognised in the statements of financial position are as follows:

	Group		Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
Unutilised tax losses	33,830	7,867	24,608	-

21. Deferred tax assets/(liabilities) (cont'd.)

Unrecognised deferred tax assets (cont'd.)

The Group and the Company have unutilised tax losses that are available for offset against future taxable profits of the companies in which the losses arisen, for which no deferred tax asset is recognised because it is not probable that future taxable profits will be available against which the Group and the Company can use the benefits therefrom. The use of these unutilised tax losses is subject to the agreement of the tax authorities. The unrecognised tax losses will expire by 2025.

22. Inventories

	Group	
	2018	**2017**
	RM'000	RM'000
At cost		
Fuel	37,665	34,955
Coal	31,367	21,409
Consumables	106,913	77,700
Finished goods	1,290	4,342
Work-in-progress	644	3,102
	177,879	141,508

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM544,136,000 (2017: RM524,863,000).

23. Land held for sale

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Leasehold land	9,316	9,316	9,171	9,171

The leasehold land was transferred from property, plant and equipment in previous financial year.

The carrying amount of land classified as held for sale is the same as its carrying value before it was being classified to current asset.

24. Contract assets/liabilities

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Contract assets	-	-	3,081,839	2,660,812
Contract liabilities	106,126	130,642	-	-

The contract assets of the Company are related to the Company's rights to consideration for work completed on construction of a power generation facility of a subsidiary on a turnkey basis, but not yet billed at the reporting date. Upon completion of construction of power plant and hand over to its subsidiary, the amounts recognised as contract assets are adjusted to trade receivable. At the Group level, the contract assets have been accounted for as capital work-in-progress in property, plant and equipment.

The costs incurred to-date on construction contracts include the following charges made during the financial year:

	Company	
	2018	**2017**
	RM'000	RM'000
Employee benefits expense (Note 9)	10,108	5,537
Finance costs (Note 7)	138,375	114,543

The contract liabilities of the Group are related to the advances received on sale of electricity.

25. Trade and other receivables

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current				
(a) Trade receivables				
Third parties	972,894	833,491	-	-
Less: Allowance for expected credit losses	(91,276)	(82,945)	-	-
Trade receivables, net (i)	881,618	750,546	-	-
(b) Other receivables				
Amounts due from				
- subsidiaries (ii)	-	-	477,724	659,313
- associates (iii)	10,729	10,780	10,729	10,729
Amount due from shareholder (iv)	67,828	62,024	67,828	62,024
Deposits	1,529	1,085	88	65
Sundry receivables (v)	234,611	155,588	5,158	6,163
	314,697	229,477	561,527	738,294
Less: Allowance for expected credit losses				
- associate	(10,729)	(10,729)	(10,729)	(10,729)
- third parties	(18,096)	(23,662)	-	-
	285,872	195,086	550,798	727,565
	1,167,490	945,632	550,798	727,565
Non-current				
Other receivables				
Amounts due from subsidiaries (ii)	-	-	6,720,847	5,948,598
Total trade and other receivables	1,167,490	945,632	7,271,645	6,676,163

25. Trade and other receivables (cont'd.)

(i) Trade receivables

The Group's normal trade credit term ranges from 14 days to 60 days (2017: 14 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(ii) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and non-interest bearing except for amounts of RM6,410.2 million (2017: RM6,194.1 million) which earn interest at rates ranging from 4.68% to 6.00% (2017: 4.68% to 6.00%) per annum. These amounts are repayable on demand except for RM6,736.9 million (2017: RM5,948.6 million) which are not repayable within the next twelve months.

Intercompany advances

The Company provides advances to subsidiaries. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

(iii) Amounts due from associates

Amounts due from associates are unsecured, non-interest bearing and repayable on demand.

(iv) Amount due from shareholder

Amount due from shareholder represents advances or payments made on behalf of the controlling shareholder of the Company for the Murum Hydroelectric Project's resettlement costs which bears fixed interest at the rate of 4.68% (2017: 4.68%) per annum.

25. Trade and other receivables (cont'd.)

(v) Sundry receivables

Included in sundry receivables of the Group and the Company are the following amounts:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Amount due from former associates	7,000	7,000	-	-
Interest receivables	12,470	13,030	2,495	4,618
Other receivables	215,141	135,558	2,663	1,545
	234,611	155,588	5,158	6,163

26. Other current assets

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Advance payments	344,829	246,593	51	5,179
GST recoverable	439,022	186,014	6,108	20,486
Prepayments	35,136	25,055	89	407
	818,987	457,662	6,248	26,072

27. Cash and bank balances

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
Short-term deposits placed with licensed banks	4,038,737	3,808,630	1,652,478	1,779,533
Cash at banks and on hand	177,527	128,447	80,063	51,869
Cash and bank balances	4,216,264	3,937,077	1,732,541	1,831,402
Less: Short-term deposits pledged for repayment of principal and profit payment	(278,636)	(275,471)	(99,103)	(98,291)
Less: Cash at banks placed in designated accounts [Note 30(iv) and (v)]	(1,109,683)	(980,668)	-	-
Less: Short-term deposits with maturity more than 3 months	(53,328)	(405,190)	(50,000)	(400,000)
Cash and cash equivalents	2,774,617	2,275,748	1,583,438	1,333,111

Short-term deposits are made for varying periods range from 1 day to 365 days (2017: 1 day to 365 days) depending on the cash flow requirements of the Group and of the Company, and earn interest at the respective short-term deposits rates. The interest rates of short-term deposits at the reporting date range from 2.90% to 4.05% (2017: 2.90% to 4.20%) per annum.

28. Trade and other payables

	Group		Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
Trade payables				
Third parties	524,201	479,986	252,869	165,615
Amount due to an associate	12,150	12,584	-	-
Amount due to a non-controlling shareholder of a subsidiary	4,782	6,674	-	-
	541,133	499,244	252,869	165,615

28. Trade and other payables (cont'd.)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other payables				
Other payables	392,211	397,983	158,012	149,068
Accruals	1,014,688	878,279	2,664	18,563
Amounts due to subsidiaries	-	-	3,999	3,982
Amount due to a non- controlling shareholder of a subsidiary	5,847	5,639	-	-
Collateral deposits	437,244	415,780	-	-
Deposit payables	10,778	12,384	-	-
Retention monies	268,354	154,264	-	-
	2,129,122	1,864,329	164,675	171,613
Total trade and other payables	2,670,255	2,363,573	417,544	337,228

(a) Trade payables

Trade payables are non-interest bearing. The normal trade credit terms granted to the Group range from 14 days to 120 days (2017: 14 days to 120 days).

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on credit terms ranging from 14 days to 120 days (2017: 14 days to 120 days).

Included in other payables subsisting at 31 December 2017 was an amount of RM300 million arising from the acquisition of Bakun hydro dam which was repayable to the Ministry of Finance over ten (10) monthly instalments. These amounts were unsecured, non-interest bearing and fully settled as at current reporting date.

(c) Amounts due to subsidiaries

These amounts are non-interest bearing, unsecured and repayable on demand.

29. Other current liabilities

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
GST payables	264,972	8,256	170,820	-

30. Loans and borrowings

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Current				
Secured:				
Islamic debt securities	515,000	770,000	200,000	700,000
Revolving credits	5,000	-	-	-
Obligation under finance lease	19	18	-	-
	520,019	770,018	200,000	700,000
Unsecured:				
Term loans	750,000	760,000	-	-
Revolving credits	50,000	240,000	50,000	-
	800,000	1,000,000	50,000	-
	1,320,019	1,770,018	250,000	700,000
Non-current				
Secured:				
Islamic debt securities	16,555,000	15,570,000	11,100,000	9,800,000
Term loans	49,671	-	-	-
Obligation under finance lease	1	20	-	-
	16,604,672	15,570,020	11,100,000	9,800,000
Unsecured:				
Islamic debt securities	1,000,000	1,000,000	-	-
Term loans	1,537,996	1,520,164	-	-
	2,537,996	2,520,164	-	-
	19,142,668	18,090,184	11,100,000	9,800,000
Total loans and borrowings	20,462,687	19,860,202	11,350,000	10,500,000

30. Loans and borrowings (cont'd.)

Islamic debt securities

The details of the Islamic debt securities of the Group and of the Company are as follows:

(i) 15-year RM215 million Sukuk Musharakah

This represents the Serial Sukuk Musharakah of up to an aggregate nominal amount of RM215 million ("the Sukuk Musharakah") issued under the Islamic principle of Musharakah by a subsidiary to partly finance the development and construction of a coal-fired power plant in Mukah which was undertaken by another subsidiary of the Group in prior year.

The Sukuk Musharakah is secured by a Memorandum of first legal charge over the designated accounts of the subsidiary and assignment of rights, benefits and titles over the credit balances in the designated accounts, and a debenture creating a fixed and floating charge over present and future assets of the subsidiary.

The subsidiary undertakes and has complied in maintaining a Sukuk Service Cover Ratio of not less than 1.25:1 since the drawdown of the facility.

The summary of the profit payment rates and redemption dates of the Sukuk Musharakah as at 31 December 2018 is tabulated below:

Year of Issuance	Nominal amount RM'000	Profit payment rates % per annum	Tenure Years	Redemption dates Year
2006	20,000	7.80 - 8.10	13.5 - 15	2020 - 2021

The Sukuk Musharakah is redeemable as follows:

	Group 2018 RM'000	Group 2017 RM'000
Redeemable after 1 year	20,000	20,000

30. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

(ii) 15-year RM665 million Sukuk Mudharabah

This represents the Serial Sukuk Mudharabah of up to an aggregate nominal amount of RM665 million ("the Sukuk Mudharabah") issued under the Islamic principle of Mudharabah by a subsidiary to partly finance its development and construction of a coal-fired power plant in Mukah in prior year.

The Sukuk Mudharabah is secured by the following:

(i) Assignment of all rights, benefits and titles of the subsidiary under its project documents;

(ii) Assignment of all rights, benefits and titles of the subsidiary's land;

(iii) Memorandum of first legal charge over the designated accounts of the subsidiary and assignment of rights, benefits and titles over the credit balances in the designated accounts; and

(iv) First ranking debenture creating fixed and floating charge over present and future assets of the subsidiary.

The subsidiary undertakes and has complied in maintaining a Sukuk Service Cover Ratio of not less than 1.25:1 since the drawdown of the facility.

The summary of the profit payment rates and redemption dates of the Sukuk Mudharabah as at 31 December 2018 is tabulated below:

Year of Issuance	Nominal amount RM'000	Profit payment rates % per annum	Tenure Years	Redemption dates Year
2006	195,000	8.10 - 8.60	12.5 - 15	2019 - 2021
2007	15,000	8.25	12	2019
	210,000			

30. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

(ii) 15-year RM665 million Sukuk Mudharabah (cont'd.)

The Sukuk Mudharabah is redeemable as follows:

	Group	
	2018	**2017**
	RM'000	RM'000
Redeemable within 1 year	70,000	70,000
Redeemable after 1 year	140,000	210,000
	210,000	280,000

(iii) 25-year RM15 billion Sukuk Musyarakah

This represents the Serial Sukuk Musyarakah of up to an aggregate nominal amount of RM15 billion ("Sukuk Musyarakah") issued under the Islamic principle of Musyarakah obtained by the Company. The proceeds from the issuance under the Sukuk Musyarakah shall be utilised by the Company and its subsidiaries to finance the Group's capital expenditure requirement and other general corporate purposes.

The Sukuk Musyarakah is secured by a first legal assignment over the designated accounts and the credit balances therein and shall have a tenor of up to 25 years from the date of first issuance. On 26 November 2018, the Company raised additional RM1.5 billion from its seventh issuance.

The summary of the profit payment rates and redemption dates of the Sukuk Musyarakah as at 31 December 2018 is tabulated below:

Year of Issuance	**Nominal amount**	**Profit payment rates**	**Tenure**	**Redemption dates**
	RM'000	% per annum	Years	Year
2011	1,800,000	5.15 - 5.65	10 - 15	2021 - 2026
2012	2,500,000	4.50 - 4.85	10 - 15	2022 - 2027
2014	1,500,000	4.50 - 5.50	5 - 15	2019 - 2029
2015	1,500,000	4.75 - 5.28	10 - 20	2025 - 2035
2016	1,500,000	5.04 - 5.18	15 - 20	2031 - 2036
2017	1,000,000	5.32	15	2032
2018	1,500,000	4.70 - 4.95	10 - 15	2028 - 2033
	11,300,000			

30. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

(iii) 25-year RM15 billion Sukuk Musyarakah (cont'd.)

The Sukuk Musyarakah is redeemable as follows:

	Group/Company	
	2018	**2017**
	RM'000	RM'000
Redeemable within 1 year	200,000	700,000
Redeemable after 1 year	11,100,000	9,800,000
	11,300,000	10,500,000

(iv) 15-year RM5.54 billion Sukuk Murabahah

This represents the Serial Sukuk Murabahah of up to an aggregate nominal amount of RM5.54 billion ("the Sukuk Murabahah") arising from the assumption of debts vis-à-vis acquisition of Bakun HPG in prior year which was issued in 2017 under the Islamic principle of Murabahah to partly finance the development and construction of the power plant.

The Sukuk Murabahah is secured by the following:

(i) A first party legal assignment of all the rights, interests, titles and benefits of the subsidiary under the Project Documents (except for the Power Purchase Agreement);

(ii) A first party legal assignment of all the rights, interests, titles and benefits under or to all the designated accounts and a first party first ranking charge over the credit balances; and

(iii) A first party legal assignment of all Takaful plans/insurance policies taken out or effected by the subsidiary in relation to its assets and proceeds of the Takaful/insurance claims arising thereunder.

The subsidiary undertakes and has complied in maintaining a Finance Service Cover Ratio ("FSCR") of not less than 1.25:1 since the drawdown of the facility. The Government of Malaysia also signed a letter of undertaking to deposit such amount of cash to top up any shortfall in cash flow to meet two times FSCR.

30. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

(iv) 15-year RM5.54 billion Sukuk Murabahah (cont'd.)

The summary of the profit payment rates and redemption dates of the Sukuk Murabahah as at 31 December 2018 is tabulated below:

Year of Issuance	**Nominal amount** RM'000	**Profit payment rates** % per annum	**Tenure** Years	**Redemption dates** Year
2016	5,540,000	4.11 - 4.67	3 - 15	2019 - 2031

The Sukuk Murabahah is redeemable as follows:

	Group	
	2018 RM'000	**2017** RM'000
Redeemable within 1 year	245,000	-
Redeemable after 1 year	5,295,000	5,540,000
	5,540,000	5,540,000

(v) 15-year RM1 billion Sukuk Ijarah

This represents the Serial Sukuk Ijarah of up to an aggregate nominal amount of RM1 billion ("the Sukuk Ijarah") arising from the assumption of debts vis-à-vis acquisition of Bakun HPG in prior year which was issued in 2013 under the Islamic principle of Ijarah to partly finance the development and construction of the power plant.

The Sukuk Ijarah is secured by an irrevocable and unconditional guarantee from the Government of Malaysia.

30. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

(v) 15-year RM1 billion Sukuk Ijarah (cont'd.)

The summary of the profit payment rates and redemption dates of the Sukuk Ijarah as at 31 December 2018 is tabulated below:

Year of Issuance	Nominal amount RM'000	Profit payment rates % per annum	Tenure Years	Redemption dates Year
2013	1,000,000	4.58 - 4.60	15	2028

The Sukuk Ijarah is redeemable as follows:

	Group 2018 RM'000	Group 2017 RM'000
Redeemable after 1 year	1,000,000	1,000,000

Term loans

During the year, the Group had secured two (2017: four) term loan facilities.

	Group 2018 RM'000	Group 2017 RM'000
Unsecured term loans of a subsidiary:		
TL1	220,000	500,000
TL2	220,000	500,000
TL3	300,000	500,000
TL4	1,000,000	780,164
TL5	547,996	-
	2,287,996	2,280,164
Secured term loan of a subsidiary:		
TL6	49,671	-
	2,337,667	2,280,164

30. Loans and borrowings (cont'd.)

Term loans (cont'd.)

The term loans are repayable as follows:

	Group 2018 RM'000	Group 2017 RM'000
Repayable within 1 year	750,000	760,000
Repayable after 1 year	1,587,667	1,520,164
	2,337,667	2,280,164

(i) 3-year RM500 million term loan ("TL1")

The term loan of RM500 million granted to a subsidiary is to part-finance the acquisition of Bakun HPG Group in prior year and is repayable over 2 years commencing 2018. Interest is charged at 4.77% (2017: 4.50%) per annum. The facility is secured by corporate guarantee from the Company.

The Group is required to maintain a consolidated gearing ratio of not more than 3.0 times throughout the tenure of the facility. Gearing ratio is defined as Total Borrowings divided by Tangible Net Worth (Shareholders' funds less any intangible assets).

(ii) 3-year RM500 million term loan ("TL2")

The term loan of RM500 million is granted to a subsidiary to part-finance the acquisition of Bakun HPG Group in prior year and is repayable over 2 years commencing 2018. Interest is charged at 4.89% (2017: 4.62%) per annum. The facility is secured by corporate guarantee from the Company.

The subsidiary is required to maintain the following significant financial covenants throughout the tenure of the facility:

(i) The subsidiary's consolidated Net Tangible Assets ("NTA") (defined as the sum of paid-up capital and retained earnings) of not less than RM1 billion;

(ii) The subsidiary's consolidated Funds From Operations Debt Cover ("FFODC") (defined as Funds from Operations against Total Bank Borrowings) ratio of not less than 0.07 times; and

(iii) The subsidiary's consolidated gearing ratio (defined as Total Bank Borrowings against NTA) not exceeding 3.0 times.

30. Loans and borrowings (cont'd.)

Term loans (cont'd.)

(iii) 4-year RM500 million term loan ("TL3")

The term loan of RM500 million granted to a subsidiary is to part-finance the acquisition of Bakun HPG Group in prior year and is repayable over 3 years commencing 2018. Interest is charged at 4.74% (2017: 4.47%) per annum. The facility is secured by corporate guarantee from the Company.

(iv) 5-year RM1 billion term loan ("TL4")

The term loan of RM1 billion granted to a subsidiary is to finance the Group's capital expenditure and/or working capital expenses and is repayable over 3 years commencing 2019. Interest is charged at 4.77% (2017: 4.50%) per annum. The facility is secured by corporate guarantee from the Company.

The Group is required to maintain a consolidated gearing ratio of not more than 3.0 times throughout the tenure of the facility. Gearing ratio is defined as Total Borrowings divided by Tangible Net Worth (Shareholders' funds less any intangible assets).

(v) 11-year RM1 billion term loan ("TL5")

The term loan of total available facility limit of RM1 billion granted to a subsidiary is to finance the Group's capital expenditure and is repayable over 10 years commencing 2021. Interest is charged at 5.05% per annum. As at the current reporting date, a total amount of RM548.0 million had been drawndown. The facility is secured by corporate guarantee from the Company.

The subsidiary is required to maintain consolidated net tangible assets of not less than RM1 billion. The Group is required to maintain a consolidated gearing ratio of not more than 3.0 times throughout the tenure of the facility.

(vi) 11-year RM85 million term loan ("TL6")

The term loan of total available facility limit of RM85 million granted to a subsidiary is to finance the Group's capital and operating expenditure and is repayable over 10 years, inclusive of 2 years grace period, commencing 2020. Interest is charged at 5.06% per annum. As at the current reporting date, a total amount of RM49.7 million had been drawndown. The facility is secured by corporate guarantee from the Company and assignment of proceeds from Coal Supply Agreement between subsidiaries.

30. Loans and borrowings (cont'd.)

Term loans (cont'd.)

(vi) 11-year RM85 million term loan ("TL6") (cont'd.)

The subsidiary is required to maintain the following significant financial covenants throughout the tenure of the facility:

(i) The subsidiary's debt to equity ratio of not more than 4 times; and

(ii) The subsidiary's net tangible assets of not less than RM18 million.

Revolving credits

The revolving credit facilities of the Group and of the Company bear interest ranging from 4.89% to 5.19% (2017: 4.62%) per annum and 4.89% per annum respectively. The revolving credit facilities granted to the subsidiaries are secured by corporate guarantee of the Company and assignment of proceeds from Coal Supply Agreement between subsidiaries.

30. Loans and borrowings (cont'd.)

Obligation under finance lease

The obligation under finance lease is secured by a charge over the leased asset (Note 13). The average discount rate implicit in the lease is 5.03% (2017: 5.03%) per annum.

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

	Group	
	2018	**2017**
	RM'000	RM'000
Minimum lease payments:		
Not later than 1 year	19	19
Later than 1 year but not later than 2 years	2	21
Total minimum lease payments	21	40
Less: Amounts representing finance charges	(1)	(2)
Present value of minimum lease payments	20	38
Present value of payments:		
Not later than 1 year	19	18
Later than 1 year but not later than 2 years	1	20
Present value of minimum lease payments	20	38
Less: Amount due within 12 months	(19)	(18)
Amount due after 12 months	1	20

30. Loans and borrowings (cont'd.)

Changes in liabilities arising from financing activities

Group	At 1 January RM'000	Cash flows RM'000	Acquisition of subsidiary RM'000	Others RM'000	At 31 December RM'000
2018					
Interest-bearing loans and borrowings					
- Current	1,770,018	(1,715,018)	-	1,265,019	1,320,019
- Non-current	18,090,184	2,317,503	-	(1,265,019)	19,142,668
	19,860,202	602,485	-	-	20,462,687
2017					
Interest-bearing loans and borrowings					
- Current	80,017	919,983	-	770,018	1,770,018
- Non-current	9,800,038	2,420,164	6,640,000	(770,018)	18,090,184
	9,880,055	3,340,147	6,640,000	-	19,860,202
			(Note 17)		

Company	At 1 January RM'000	Cash flows RM'000	Acquisition of subsidiary RM'000	Others RM'000	At 31 December RM'000
2018					
Interest-bearing loans and borrowings					
- Current	700,000	(650,000)	-	200,000	250,000
- Non-current	9,800,000	1,500,000	-	(200,000)	11,100,000
	10,500,000	850,000	-	-	11,350,000
2017					
Interest-bearing loans and borrowings					
- Current	-	-	-	700,000	700,000
- Non-current	9,500,000	1,000,000	-	(700,000)	9,800,000
	9,500,000	1,000,000	-	-	10,500,000

The 'Others' column includes the effect of reclassification of non-current balance of interest-bearing loans and borrowings to current due to the passage of time.

31. Deferred income

Deferred income represents government grants and capital contributions by customers towards the cost of capital projects and is analysed as follows:

	Group	
	2018 RM'000	**2017** RM'000 (Restated)
At 1 January	1,850,492	1,779,467
Received during the year	150,396	179,885
Amortisation during the year (Note 6)	(90,617)	(108,860)
At 31 December	1,910,271	1,850,492

Government grants of RM5,930,000 (2017: RM174,338,000) were received during the financial year whereas an amount of RM706,000 (2017: RM174,338,000) was deducted in arriving at the carrying amount of the assets.

32. Retirement benefit obligations

The Group and the Company operate on unfunded, post-retirement medical benefit plan for eligible employees and their eligible family members.

Movements in the net liability of retirement benefit obligations in the current year were as follows:

	Group		Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
At 1 January	251,656	235,034	1,565	1,433
Recognised in profit and loss (Note 9)	24,934	24,338	168	160
Benefits paid	(10,095)	(7,716)	(59)	(28)
At 31 December	266,495	251,656	1,674	1,565

32. Retirement benefit obligations (cont'd.)

The amounts recognised in the statements of financial position are determined as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Present value of unfunded defined benefit obligations				
Current	9,122	7,810	42	29
Non-current	257,373	243,846	1,632	1,536
	266,495	251,656	1,674	1,565

The amounts recognised in the statements of profit or loss and other comprehensive income are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Recognised in profit and loss:				
Current service cost	10,688	11,066	79	79
Interest cost	14,246	13,272	89	81
Total, included in employee benefits expense (Note 9)	24,934	24,338	168	160

32. Retirement benefit obligations (cont'd.)

Principal actuarial assumptions used:

	Group 2018 %	Group 2017 %	Company 2018 %	Company 2017 %
Discount rate	5.70	5.70	5.70	5.70
Medical cost inflation rate	10% reducing to 4% in 4 years	10% reducing to 4% in 4 years	10% reducing to 4% in 4 years	10% reducing to 4% in 4 years

The weighted average duration of the Group and the Company's liability for the retirement benefit obligation is estimated at approximately 16 years (2017: 16 years) for the retirement benefit obligations.

A quantitative sensitivity analysis of the change in the discount rate and medical cost inflation rate as at 31 December is shown below:

	Impact on retirement benefit obligations Increase/(Decrease)			
	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
1% increase in discount rate	(36,215)	(34,521)	(275)	(259)
1% increase in medical cost inflation rate	49,368	44,681	389	348

33. Share capital, share premium and capital redemption reserve

	Number of ordinary shares	← Share capital (Issued and fully paid)	Amount Share premium	Capital redemption reserve	Total →
	'000	RM'000	RM'000	RM'000	RM'000
Group/Company					
At 1 January 2017	1,610,569	1,610,569	149,644	73,128	1,833,341
Transition to no-par value regime on 31 January 2017*	-	222,772	(149,644)	(73,128)	-
At 31 December 2017/ 1 January 2018 and 31 December 2018	1,610,569	1,833,341	-	-	1,833,341

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

Share Premium
Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

Capital Redemption Reserve
This reserve represents cancellation of nominal value of ordinary shares arising from purchase of own shares and cancellation of nominal value of Redeemable Convertible Preference Shares redeemed in prior years.

* 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 amounts standing to the credit of the share premium and capital redemption reserve became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) 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.

34. Reserves

	Group 2018 RM'000	Group 2017 RM'000 (Restated)	Company 2018 RM'000	Company 2017 RM'000
Fair value reserve of financial assets at FVOCI	(39,124)	-	(39,124)	-
Available-for-sale reserve	-	(18,688)	-	(18,688)
Translation reserve	(231)	-	-	-
Retained earnings	7,481,193	6,201,315	924,842	882,596
	7,441,838	6,182,627	885,718	863,908

Movements in reserves are shown in the Statements of Changes in Equity.

The nature and purpose of each category of the reserves are as follows:

Fair value reserve of financial assets at FVOCI

With the adoption of MFRS 9 on 1 January 2018, the Company has designated the equity investments at fair value through other comprehensive income. The previous available-for-sale reserve has been reclassified to fair value reserve of financial assets at FVOCI.

Available-for-sale reserve

Available-for-sale reserve represents the cumulative fair value changes of available-for-sale financial assets until they are disposed of or impaired.

35. Future capital commitments

	Group 2018 RM'000	Group 2017 RM'000
Capital expenditure:		
Approved and contracted for	2,623,719	2,718,048
Approved and not contracted for	521,281	600,659
	3,145,000	3,318,707

36. Related party disclosures

(a) Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, associates, controlling shareholders and key management personnel.

36. Related party disclosures (cont'd.)

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

	Group 2018 RM'000	Group 2017 RM'000
(i) Associate:		
Expenditure		
Purchases of coal	188,964	207,631
Rental	26	22
(ii) A corporate shareholder in a subsidiary:		
Income		
Sale of coal	-	47,506
Expenditure		
Contractor service fees	104,373	123,431

	Company 2018 RM'000	Company 2017 RM'000
(iii) Subsidiaries:		
Income		
Corporate support service fees	16,767	21,716
Dividend	100,000	100,000
Expenditure		
Corporate support service fees	21,679	13,438

36. Related party disclosures (cont'd.)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year: (cont'd.)

The Directors are of the opinion that the above transactions were entered into in the normal course of business and were transacted on normal commercial terms.

Information regarding outstanding balances arising from related party transactions as at 31 December 2018 is disclosed in Note 25 and Note 28.

(c) Compensation of key management personnel

The remuneration of Directors and other members of key management during the financial year was as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 10)	2,825	1,757	2,034	1,224
Short-term employee benefits	31,448	23,202	10,228	10,512
Post-employment benefits				
- defined contribution plan	4,052	2,683	1,984	1,088
- defined benefit plan	155	191	-	-
Other benefits	147	159	65	49
	38,627	27,992	14,311	12,873

37. Dividends

On 27 March 2019, the Board of Directors declared a single-tier dividend of 4.21 sen per ordinary share on 1,610,568,979 ordinary shares amounting to RM67,804,954.02 in respect of the financial year ended 31 December 2018. The dividends will be payable on 10 April 2019. The dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

38. Fair value of financial instruments

(a) Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(i) Loans and borrowings

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(ii) Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, amount due from/to subsidiaries, trade and other payables and loans and borrowings) are, because of the short period to maturity, assumed to approximate to their fair values; or that they are floating rate instruments that are re-priced to market interest rate on or near the reporting date. No disclosure of fair value is made for non-current amounts due from/to subsidiaries as it is not practicable to determine their fair value with sufficient reliability since these balances have no fixed terms of repayment. All other financial assets and liabilities are discounted to determine their fair values, except for other investment whose fair value is determined by reference to its quoted price on Bursa Malaysia Securities Berhad.

38. Fair value of financial instruments (cont'd.)

(b) Fair values versus carrying amounts

The carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values except as follows:

	2018 Carrying amount RM'000	2018 Fair value RM'000	2017 Carrying amount RM'000	2017 Fair value RM'000
Group				
Financial liabilities				
Loans and borrowings	20,462,687	20,936,746	19,860,202	20,100,796
Company				
Financial liabilities				
Loans and borrowings	11,350,000	11,718,644	10,500,000	10,704,871

(c) Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities.

38. Fair value of financial instruments (cont'd.)

(c) Fair value hierarchy (cont'd.)

Quantitative disclosures of the fair value measurement hierarchy as at 31 December 2018 and 31 December 2017 were as follows:

	Date of valuation 31 December	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group/ Company					
Assets measured at fair values:					
Financial assets					
Other investments	2018	16,767	-	-	16,767
	2017	37,203	-	-	37,203
Group					
Liabilities for which fair values are disclosed:					
Financial liabilities					
Loans and borrowings	2018	-	20,936,746	-	20,936,746
	2017	-	20,100,796	-	20,100,796
Company					
Liabilities for which fair values are disclosed:					
Financial liabilities					
Loans and borrowings	2018	-	11,718,644	-	11,668,644
	2017	-	10,704,871	-	10,704,871

39. Categories of financial instruments

The table below provides an analysis of the Group's financial instruments as at 31 December 2018, categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through other comprehensive income ("FVOCI")
 - Equity instrument designated upon initial recognition ("EIDUIR")

2018 **Group**	**AC** RM'000	**FVOCI - EIDUIR** RM'000
Financial assets		
Other investments	-	16,767
Trade and other receivables	1,167,490	-
Cash and bank balances	4,216,264	-
Financial liabilities		
Trade and other payables	2,670,255	-
Loans and borrowings	20,462,687	-

The table below provides an analysis of the Group's financial instruments as at 31 December 2017, categorised as follows:

2017 **Group**	**Loans and receivables** RM'000	**Available-for-sale** RM'000	**Other financial liabilities at amortised cost** RM'000
Financial assets			
Other investments	-	37,203	-
Trade and other receivables	945,632	-	-
Cash and bank balances	3,937,077	-	-
Financial liabilities			
Trade and other payables	-	-	2,363,573
Loans and borrowings	-	-	19,860,202

39. Categories of financial instruments (cont'd.)

The table below provides an analysis of the Company's financial instruments as at 31 December 2018, categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through other comprehensive income ("FVOCI")
- Equity instrument designated upon initial recognition ("EIDUIR")

2018 **Company**	**AC** RM'000	**FVOCI - EIDUIR** RM'000
Financial assets		
Other investments	-	16,767
Trade and other receivables	7,271,645	-
Cash and bank balances	1,732,541	-
Financial liabilities		
Trade and other payables	417,544	-
Loans and borrowings	11,350,000	-

The table below provides an analysis of the Company's financial instruments as at 31 December 2017, categorised as follows:

2017 **Company**	**Loans and receivables** RM'000	**Available-for-sale** RM'000	**Other financial liabilities at amortised cost** RM'000
Financial assets			
Other investments	-	37,203	-
Trade and other receivables	6,676,163	-	-
Cash and bank balances	1,831,402	-	-
Financial liabilities			
Trade and other payables	-	-	337,228
Loans and borrowings	-	-	10,500,000

Net gains and losses arising from financial instruments are disclosed in Note 5, 7 and 8.

40. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's and the Company's principal financial instruments comprise loans and borrowings, cash and short-term deposits. The main purpose of these financial instruments is to manage the Group's funding and liquidity requirements. The Group and the Company have other financial assets and liabilities such as other investments, trade receivables and trade payables, which arise directly from their operations. The Company also provides unsecured financial guarantees to banks in respect of certain banking facilities extended to its subsidiaries.

The Group has established risk management policies which are periodically reviewed and approved by the Board of Directors and executed by the relevant departments within the Group to manage its exposure to these financial risks. The Group Risk Management Division provides assurance to the Board via the Board Audit & Risk Committee on the effectiveness of the enterprise risk management framework in the Group.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The key financial risks include credit risk, liquidity risk and market risk such as interest rate risk, foreign currency risk and market price risk.

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

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

(a) Credit risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limit and monitoring procedures. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at 31 December 2018, approximately 54% (2017: 66%) of the Group's trade receivables were due from 5 major customers. In addition to customers' collateral deposits, the Group holds guarantees from creditworthy financial institutions to secure the repayments of these customers.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses ("ECL"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The loss allowance is calculated after taken into consideration customers' collateral deposits received and bank guarantees secured.

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

(a) Credit risk (cont'd.)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018.

Group

2018	**Gross carrying amount** RM'000	**Loss allowance** RM'000	**Net balance** RM'000
Not past due	514,994	(6,976)	508,018
Past due			
1 to 30 days	294,336	(3,048)	291,288
31 to 60 days	33,687	(2,328)	31,359
61 to 90 days	27,589	(2,514)	25,075
91 to 120 days	30,098	(12,995)	17,103
More than 120 days	72,190	(63,415)	8,775
	457,900	(84,300)	373,600
	972,894	(91,276)	881,618

The movement in allowance accounts in respect of trade receivables were as follows:

	Group 2018 RM'000
At 1 January	82,945
Allowance for expected credit losses during the year (Note 8)	8,331
At 31 December	91,276

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

(a) Credit risk (cont'd.)

The ageing of trade receivables as at 31 December 2017 was as follows:

Group

2017	**Gross carrying amount** RM'000	**Individual impairment** RM'000	**Collective impairment** RM'000	**Net balance** RM'000
Not past due	376,100	(1,117)	(608)	374,375
Past due				
1 to 30 days	261,809	(813)	(655)	260,341
31 to 60 days	68,677	(644)	(656)	67,377
61 to 90 days	41,443	(256)	(682)	40,505
91 to 120 days	8,162	(66)	(685)	7,411
More than 120 days	77,300	(4,096)	(72,667)	537
	457,391	(5,875)	(75,345)	376,171
	833,491	(6,992)	(75,953)	750,546

The movement in allowance accounts in respect of trade receivables was as follows:

	Group 2017 RM'000
At 1 January	56,279
Impairment during the year	30,539
Reversal of impairment loss	(3,873)
Net (Note 8)	26,666
At 31 December	82,945

The Group's trade receivables amounting to RM376.2 million in the previous financial year represented trade receivables that were past due and no specific allowance for impairment was necessary as the amount was partly secured by collateral deposits.

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

(a) Credit risk (cont'd.)

The movement in allowance accounts in respect of other receivables was as follows:

	Group 2018 RM'000
At 1 January	34,391
Reversal of allowance for expected credit losses during the year (Note 8)	(5,566)
At 31 December	28,825

The movement in allowance accounts in respect of other receivables was as follows:

	Group 2017 RM'000
At 1 January	18,740
Impairment during the year (Note 8)	15,651
At 31 December	34,391

At the reporting date, the Group's and the Company's maximum exposure to credit risk are represented by the carrying amount of each class of financial assets recognised in the statements of financial position except for financial guarantees. The Company's maximum exposure relating to financial guarantees is as disclosed in the liquidity table in the ensuing pages.

Intercompany loans, advances and contract assets

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

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

(a) Credit risk (cont'd.)

Intercompany loans, advances and contract assets (cont'd.)

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Generally, the Company considers loans and advances to subsidiaries as well as contract assets with subsidiaries have low credit risk. The Company assumes that there is significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loans and advances to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans, advances and contract assets individually using internal information available.

As the subsidiaries have low credit risk, thus, there is no ECL provided.

Financial guarantees

The maximum exposure to credit risks, being the outstanding financial guarantees granted to the subsidiaries as at the end of the reporting period is summarised as follows:

	Company	
	2018	**2017**
	RM'000	RM'000
Loans and borrowings outstanding and recognised in financial statements	2,320,799	2,520,164

There is no indication that any subsidiary would default on the repayments of its loans and borrowings. The financial guarantees have not been recognised since their fair values on initial recognition are not material and the probability of the subsidiaries defaulting on the credit lines is remote.

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

(b) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The following are the expected contractual undiscounted cash flows of financial liabilities of the Group and the Company, including interest payments:

	Carrying amount RM'000	Total contractual cash flow RM'000	Within 1 year RM'000	Within 2-5 years RM'000	More than 5 years RM'000
Group					
2018					
Non-derivative financial liabilities					
Trade and other payables	2,670,255	2,670,255	2,670,255	-	-
Loans and borrowings	20,462,687	28,708,485	2,295,731	8,613,737	17,799,017
	23,132,942	31,378,740	4,965,986	8,613,737	17,799,017

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

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	Carrying amount RM'000	Total contractual cash flow RM'000	Within 1 year RM'000	Within 2-5 years RM'000	More than 5 years RM'000
Group (cont'd.)					
2017					
Non-derivative financial liabilities					
Trade and other payables	2,363,573	2,363,573	2,363,573	-	-
Loans and borrowings	19,860,202	27,863,752	2,693,386	8,640,049	16,530,317
	22,223,775	30,227,325	5,056,959	8,640,049	16,530,317
Company					
2018					
Non-derivative financial liabilities					
Trade and other payables	417,544	417,544	417,544	-	-
Loans and borrowings	11,350,000	16,972,006	820,137	4,234,017	11,917,852
Financial guarantees *	-	2,320,799	2,320,799	-	-
	11,767,544	19,710,349	3,558,480	4,234,017	11,917,852

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

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	Carrying amount RM'000	Total contractual cash flow RM'000	Within 1 year RM'000	Within 2-5 years RM'000	More than 5 years RM'000
Company (cont'd.)					
2017					
Non-derivative financial liabilities					
Trade and other payables	337,228	337,228	337,228	-	-
Loans and borrowings	10,500,000	15,655,943	1,212,925	4,256,317	10,186,701
Financial guarantees *	-	2,520,164	2,520,164	-	-
	10,837,228	18,513,335	4,070,317	4,256,317	10,186,701

* *Being corporate guarantees granted for banking facilities of the subsidiaries [see Note 30], which will only be encashed in the event of default by the subsidiary. These financial guarantees do not have an impact on group contractual cash flows.*

(c) Interest rate risk

The Group's primary interest rate risk arises primarily from interest-bearing assets and debts. The investment in financial assets are not held for speculative purposes but have been mostly placed in short-term deposits which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

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

(c) Interest rate risk (cont'd.)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points (2017: 50 basis points) higher/lower, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM9,092,000 (2017: RM9,577,000) and RM190,000 (2017: Nil) lower/higher respectively, arising mainly as a result of higher/lower interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(d) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in currency other than Malaysian Ringgit, mostly in US Dollar ("USD"), Renminbi ("RMB"), Euro ("EUR") and Singapore Dollar ("SGD"). Foreign exchange exposures in transactional currencies other than the entity's functional currency are kept to an acceptable level.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based in carrying amounts as at the end of the reporting period which were material were:

	Denominated in			
Group	**RMB**	**USD**	**EUR**	**SGD**
	RM'000	RM'000	RM'000	RM'000
Balances recognised in the statement of financial position				
2018				
Cash and bank balances	2	12,620	16	-
Other payables	(75,526)	(10,383)	(145,269)	(517)
	(75,524)	2,237	(145,253)	(517)

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

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

Exposure to foreign currency risk (cont'd.)

Group (cont'd.)	RMB RM'000	USD RM'000	EUR RM'000	SGD RM'000
		Denominated in		
2017				
Cash and bank balances	17	14,141	-	-
Other payables	(79,724)	(2,906)	(91,277)	-
	(79,707)	11,235	(91,277)	-

Company	RMB RM'000	USD RM'000	SGD RM'000
		Denominated in	
Balances recognised in the statement of financial position			
2018			
Cash and bank balances	-	21	-
Other payables	(75,526)	(154)	(517)
	(75,526)	(133)	(517)
2017			
Cash and bank balances	-	21	-
Other payables	(77,880)	(298)	-
	(77,880)	(277)	-

Currency risk sensitivity

A 10% strengthening analysis or 10% weakening of the foreign currency against RM at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

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

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

Currency risk sensitivity (cont'd.)

		Profit or loss before tax	
		2018	**2017**
		RM'000	**RM'000**
Group			
USD/RM	- strengthened 10% (2017: 10%)	224	1,124
	- weakened 10% (2017: 10%)	(224)	(1,124)
RMB/RM	- strengthened 10% (2017: 10%)	(7,552)	(7,971)
	- weakened 10% (2017: 10%)	7,552	7,971
EUR/RM	- strengthened 10% (2017: Nil)	(14,525)	(9,128)
	- weakened 10% (2017: Nil)	14,525	9,128
SGD/RM	- strengthened 10% (2017: 10%)	(52)	-
	- weakened 10% (2017: 10%)	52	-
Company			
USD/RM	- strengthened 10% (2017: 10%)	(13)	(28)
	- weakened 10% (2017: 10%)	13	28
RMB/RM	- strengthened 10% (2017: 10%)	(7,553)	(7,788)
	- weakened 10% (2017: 10%)	7,553	7,788
SGD/RM	- strengthened 10% (2017: 10%)	(52)	-
	- weakened 10% (2017: 10%)	52	-

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

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

(e) Market price risk (cont'd.)

The Group and the Company are exposed to market price risk in the value of investments held arising from its investment in quoted equity investment which is listed on Bursa Malaysia Securities Berhad. This investments is designated as fair value through other comprehensive income. The Group and the Company manage the market price risk by continuously monitoring the performance of investments held.

41. Capital management

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

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

The Group monitors capital using a gearing ratio, which is total loans and borrowings divided by total equity. Total equity comprises equity attributable to owners of the Company and non-controlling interests.

		Group		Company	
	Note	2018	2017	2018	2017
		RM'000	RM'000 (Restated)	RM'000	RM'000
Loans and borrowings	30	20,462,687	19,860,202	11,350,000	10,500,000
Total equity		9,300,494	8,040,541	2,719,059	2,697,249
Gearing ratio (times)		2.20	2.47	4.17	3.89

41. Capital management (cont'd.)

The Group is also required to maintain Sukuk Service Cover Ratio, debt to equity ratio, gearing ratio and Funds From Operations Debt Cover in order to comply with certain debt securities and borrowings covenants as disclosed in Note 30, failing which the affected facilities will be subject to downgraded ratings or recall.

The Group has complied with all these covenants as at the end of the reporting period.

42. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2018 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 March 2019.