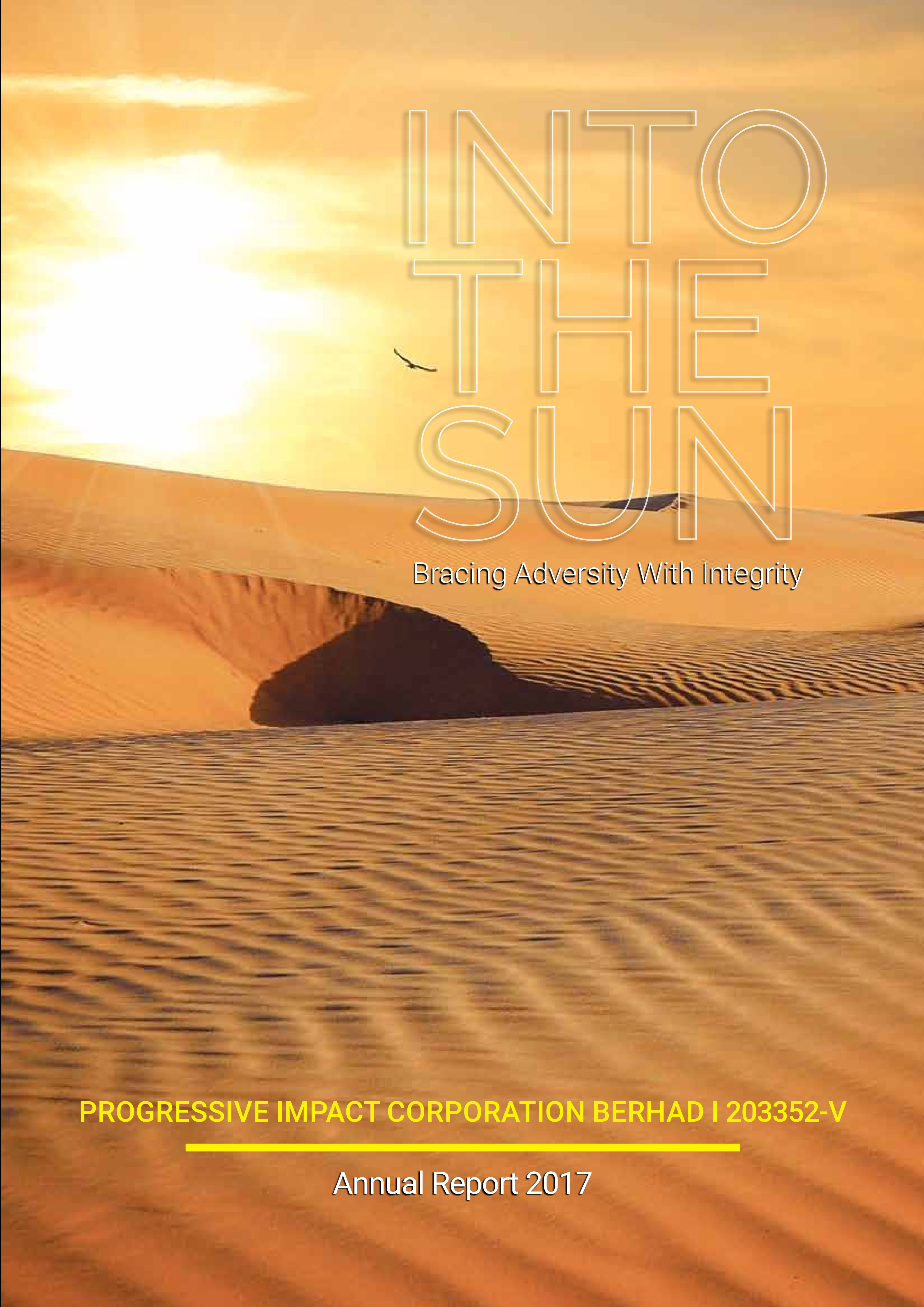


INTO THE SUN

Bracing Adversity With Integrity

PROGRESSIVE IMPACT CORPORATION BERHAD I 203352-V

Annual Report 2017

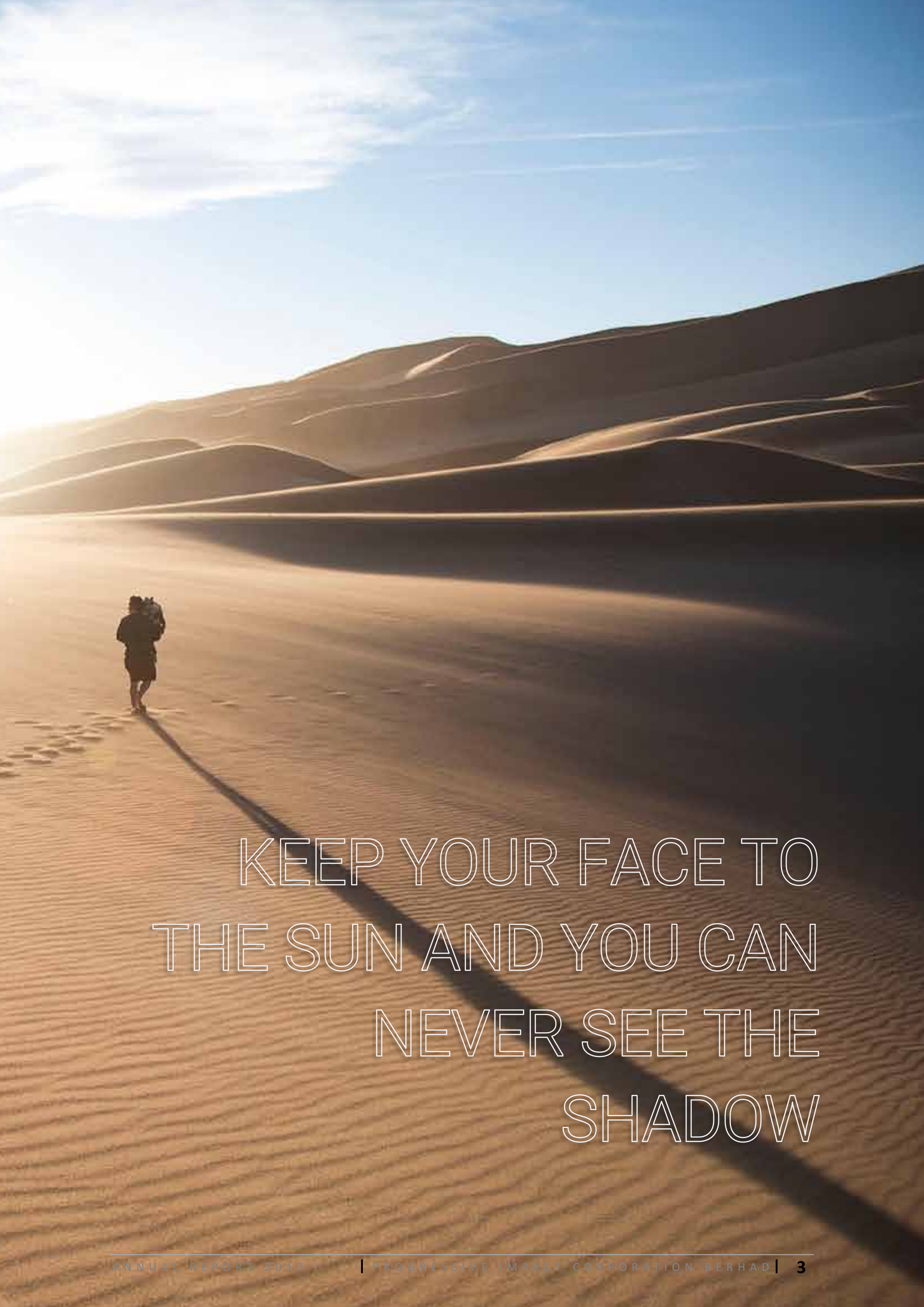
Bracing Adversity With Integrity

In PICORP, we let our conscience be our utmost foundation by demonstrating integrity. And we do believe that honesty, selflessness, and trust are inextricably intertwined. Hence we are confident that when honesty is expressed, selflessness is treasured, and trust is generated, our integrity is preserved in our commitment to serve Allah, respect for the people and the environment; we shall soar upwards, into the sun.

Shadows are your past and what you left behind

Face the perpetual sun, move on from your own limitations and draw energy to keep on trying to make it through each day.

Follow your heart and move in the direction of all goodness.


KEEP YOUR FACE TO THE SUN AND YOU CAN NEVER SEE THE SHADOW

HONESTY

We believe that the first step toward greatness is to be honest.

When respect is earned, honesty is appreciated. When trust is gained, loyalty is returned.

SELFLESSNESS

Selflessness can bring pure value to the society. In PICORP, we inspire our people to be selfless, and to touch people in a positive way.

We believe that by harnessing the power of selflessness, society will treasure our effort to serve them better and gain their reliance on us.

Hence, always do good to others.

GENERATING TRUST

For a service to be of any true value, they have got to be trusted and consistent. Trust is essential to foster reputation and build bridges in the society. We are trusted because of our way of being, not because of our polished exteriors or our expertly crafted communications.

PICORP

PROGRESSIVE IMPACT CORPORATION BERHAD

Inside This Report

Corporate Disclosure

Leadership

Performance

Sustainability

Accountability

Financial Statements

Supplementary Information

HONESTY SELFLESSNESS GENERATING TRUST

"Your Total Environmental Solutions Provider"

1

CORPORATE DISCLOSURE

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK ABDUL HAMID BIN SAWAL
Chairman/Senior Independent Non-Executive Director

ZAID BIN ABDULLAH
Executive Deputy Chairman

ZAIDAH BINTI MOHD SALLEH
Non-Independent Non-Executive Director

LEE WENG CHONG
Independent Non-Executive Director

DATO' HAJJAH ROSNANI BINTI IBARAHIM
Independent Non-Executive Director

USAMAH BIN ZAID
Non-Independent Non-Executive Director

DATO' DR. LUKMAN BIN IBRAHIM
Group Executive Director

FATIMAH ZAHRAH BINTI ZAID
Alternate Director to Zaidah binti Mohd Salleh

AUDIT COMMITTEE

LEE WENG CHONG
Chairman
DATUK ABDUL HAMID BIN SAWAL
ZAIDAH BINTI MOHD SALLEH
DATO' HAJJAH ROSNANI BINTI IBARAHIM

REMUNERATION COMMITTEE

DATUK ABDUL HAMID BIN SAWAL
Chairman
DATO' HAJJAH ROSNANI BINTI IBARAHIM
LEE WENG CHONG

NOMINATING COMMITTEE

DATUK ABDUL HAMID BIN SAWAL
Chairman
DATO' HAJJAH ROSNANI BINTI IBARAHIM

BOARD RISK MANAGEMENT COMMITTEE

DATO' HAJJAH ROSNANI BINTI IBARAHIM
Chairman
DATO' DR. LUKMAN BIN IBRAHIM

COMPANY SECRETARIES

ZAIDAH BINTI MOHD SALLEH
(MIA 3313)
WONG WAI FOONG
(MAICSA 7001358)
KUAN HUI FANG
(MIA 16876)

HEAD OFFICE & REGISTERED OFFICE

Suite 5.02, Mercu PICORP
Lot 10, Jalan Astaka U8/84
Bukit Jelutong
40150 Shah Alam
Selangor Darul Ehsan
Telephone No. : 03 - 7845 6566
Facsimile No. : 03 - 7845 7566

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
(11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone No. : 03 - 2783 9299
Facsimile No. : 03 - 2783 9222

AUDITORS

Ernst & Young (AF No. 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur
Telephone No. : 03 – 7495 8000

PRINCIPAL BANKER

AmBank Islamic Berhad

CORPORATE STRUCTURE

Environment

100%	Alam Sekitar Malaysia Sdn Bhd
100%	Asma Environmental Consultancy Sdn Bhd
90%	Alam Sekitar Eco-Technology Sdn Bhd

Lab Testing

59%	ALS Technichem (M) Sdn Bhd
80%	P.T. ALS Indonesia

PROGRESSIVE IMPACT CORPORATION BERHAD
(Company No.: 203352V)
(Incorporated in Malaysia)

International

100%	Asma International Sdn Bhd
100%	Saudi Asma Environmental Solutions LLC
60%	Asma Advanced Solutions LLC

Others

100%	Quantum Up Returns Sdn Bhd Dormant
100%	Vertical Plus Sdn Bhd Dormant
100%	Premiere Leap Sdn Bhd Dormant
100%	PI Enviro Technologies Sdn Bhd Dormant
100%	Perunding Good Earth Sdn Bhd Dormant
50%	Progressive Uni San International Sdn Bhd Dormant

26th ANNUAL GENERAL MEETING

Venue : Velocity Room, Ground Floor, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan

Date : Wednesday, 13th June 2018

Time : 10 am

14 June 2018

Entitlement to 2017 Final Dividend

29 June 2018

Proposed Payment of 2017 Final Dividend

Connect with us via:

www.picorp.com.my

PICORP Berhad

Progressive Impact Corporation Berhad

picorp_berhad

"Serving Allah, respect for the people and the environment"

2

LEADERSHIP

ADDITIONAL INFORMATION

Board of Directors

Save as disclosed, all the Directors have no family relationship with any Director and/or major shareholder of Progressive Impact Corporation Berhad ("PICORP"), unless otherwise stated; have no conflict of interest with PICORP, have no directorship in public companies and listed issuers, have not been convicted of any offences within the past five years, and have not been imposed any penalty or any public sanction by the relevant regulatory bodies during the financial year 2017.

Key Senior Management

Save as disclosed, the Key Senior Management members in the following section have no family relationship with any Director and/or major shareholder of PICORP, have no conflict of interest with PICORP, have no directorship in public companies and listed issuers, have not been convicted of any offences within the past five years and have not been imposed any penalty or any public sanction by the relevant regulatory bodies during the financial year 2017.

BOARD OF DIRECTORS

DATUK ABDUL HAMID BIN SAWAL

Chairman, Senior Independent Non-Executive Director

Malaysian, Age 69, Male.
Date of Appointment: 23 May 2011
Board Meeting Attendance in 2017: 5/5
Board Committees Membership(s):
Chairman of Nominating Committee, Chairman of Remuneration Committee, Member of Audit Committee.

Academic:

- Bachelor of Economics, University of Malaya
- MBA in Agribusiness, University of Santa Clara, California, USA.

Experience:

- Director General, Malaysian Rubber Board (January 2000-2006)
- Deputy Secretary General, Ministry of Primary Industries (June 1999)
- Deputy Director General (Sectoral) in the Economic Planning Unit
- Head of Privatisation Task Force, Economic Planning Unit in the Prime Minister's Department (1989)
- Ministry of Primary Industries (1974)
- Malaysian Civil Service (1971 – 2006)
    - Ministry of Finance Division (Treasury)
    - Accountant General's Department

ZAID BIN ABDULLAH

Executive Deputy Chairman
Malaysian, Age 66, Male.

Date of Appointment: 1 November 1990
Board Meeting Attendance in 2017: 4/5

Academic/Professional Qualification/Membership(s):

- Bachelor of Economics (Accounting), University of Malaya
- Advance Diploma in Accounting, University of Malaya
- Malaysian Institute of Accountants (MIA)

Experience:

- The founder of PICORP Group and holds directorships in all the subsidiary companies of the Company.
- Group Executive Director of Shapadu Group of Companies (1982-1992)
- Director of Finance in Shapadu Corporation (1978 – 1982)

Award and recognition:
Most Promising Entrepreneurship Award | APEA 2013

He is the spouse of Zaidah binti Mohd Salleh, father of Usamah bin Zaid and Fatimah Zahrah binti Zaid and a major shareholder of PICORP.

DATO' DR. LUKMAN BIN IBRAHIM

Group Executive Director
Malaysian, Age 52, Male.
Date of Appointment: 9 January 2015
Board Meeting Attendance in 2017: 4/5
Board Committees Membership(s): Member of Board Risk Management Committee

Academic/Professional Qualification/Membership(s):
- PhD in Accountancy, MARA University of Technology (2014)
- Association of Certified Chartered Accountants ACCA, UK. (2001)
- Master of Business Administration, Temple University, Philadelphia, USA. (1990)
- Bachelor of Business Administration (BBA) Magna Cum Laude (majoring in Accounting and Finance), Temple University, Philadelphia, USA. (1989)
- President of ACCA Malaysia Advisory Committee
- Fellow Member of Association of Chartered Certified Accountants (ACCA), UK
- Malaysian Institute of Certified Public Accountant (CPA)
- Malaysian Institute of Accountants (MIA)

Experience:
- Deputy Chief Executive Officer of Proton Holdings Berhad (2012-2014)
- Group Chief Operating Officer (2011-2012)
- Group Chief Financial Officer, DRB-HICOM Berhad (2008-2011)
- Proton Berhad (1991 – 2008: 17 years)
  - Proton Part Centre Sdn Bhd
  - PHN Industry Sdn Bhd (with his last position as the Managing Director)
- Automotive Corporation (Malaysia) Sdn. Bhd. (1990-1991)
- Sun Refining and Marketing, Philadelphia, U.S.A. (1989-1990)

Award and recognition:
- Best National Award for Management Accounting
- DRB-HICOM's Best CEO of 2007
- Best Vendor Awards from TOYOTA, Honda, Proton and Perodua

ZAIDAH BINTI MOHD SALLEH

Non-Independent Non-Executive Director
Malaysian Age 63, Female.

Date of Appointment: 1 November 1990
Board Meeting Attendance in 2017: 5/5
Board Committees Membership(s): Member of Audit Committee

Academic/Professional Qualification/Membership(s):
- University of Malaya with Bachelor of Economics (Accounting) (1977)
- Advance Diploma in Accounting (1978)
- Member of the Malaysian Institute of Accountants (MIA)
- Chartered Accountant

Experience:
- Co-founder of PICORP Group of Companies
- Company Secretary of PICORP Group of Companies
- Group Executive Director, PICORP Group of Companies (2003-2009)
- Group Financial Controller, PICORP Group of Companies (1993-2003)
- Senior Accountant (Operations), Telekom Malaysia (1989-1993)
- Regional Accountant, Regional Accounts Division, Telekom Malaysia (1984-1989)
- Financial Controller ("G") Jabatan Telekom (1981-1984)
- Accountant, Jabatan Telekom (1978-1981)

She is the spouse of Zaid bin Abdullah, mother of Usamah bin Zaid and Fatimah Zahrah binti Zaid and a major shareholder of PICORP.

LEE WENG CHONG

Independent Non-Executive Director
Singaporean, Age 61, Male.

Date of Appointment: 2 September 2016
Board Meeting Attendance in 2017: 4/5
Board Committees Membership(s): Chairman of Audit Committee, Member of Remuneration Committee

Academic/Professional Qualification/Membership(s):
- Bachelor of Science Degree in Chemical Engineering, University of Aston, Birmingham, UK.
- Fellow of Institute of Chemical Engineers, UK.
- Member of Singapore Institute of Directors

Experience:
- President (Asia Pacific region), Trelleborg Sealing Solutions, Singapore (2004 – present)
- President, Asia Pacific (based in Singapore), Invensys plc (1996 – 2004)
- Divisional Manager (based in Singapore & UK), Alfa Laval Pte Ltd (1979 – 1993)

DATO' HAJJAH ROSNANI BINTI IBARAHIM

Independent Non-Executive Director
Malaysian, Age 64, Female.

Date of Appointment: 14 May 2012
Board Meeting Attendance in 2017: 5/5
Board Committees Membership(s): Member of Audit Committee, Member of Nominating Committee, Member of Remuneration Committee, Chairman of Board Risk Management Committee

Academic/Professional Qualification/Membership(s):
Bachelor of Science Degree in Chemical Engineering, University of Leeds, United Kingdom

Experience:
Director General of the Department of Environment Malaysia (1998 to 2011)

Award and recognition:
Asian Environmental Compliance and Enforcement Network (AECEN) Award for Excellence for Environmental Governance in Malaysia (2011)

USAMAH BIN ZAID

Non-Independent Non-Executive Director
Malaysian, Age 34, Male.

Date of Appointment: 9 October 2014
Board Meeting Attendance in 2017: 5/5
Academic/Professional Qualification/Membership(s):

- Master in Business Administration, Management & Science University (2015)
- General Islamic Studies, Darul Uloom Zakariya Islamic University, South Africa (2010)

Experience:

- Chief Executive Officer, Intelligent Aqua Sdn. Bhd (2018)
- General Manager (Business Development), Alam Sekitar Malaysia Sdn. Bhd (2016 – 2018)
- Business Development Executive, Alam Sekitar Eco-Technology Sdn Bhd (2013 – 2016)
- Business Development Executive, PJBumi Berhad (2010-2013)
- Syariah Advisor to the Group, Progressive Impact Corporation Berhad (July 2010 – October 2010)

Usamah is the son of Zaid bin Abdullah and Zaidah binti Mohd Salleh and brother of Fatimah Zahrah binti Zaid.

FATIMAH ZAHRAH BINTI ZAID

Alternate Director to Zaidah binti Mohd Salleh
Malaysian, Age 33, Female.

Date of Appointment: 9 April 2015
Academic/Professional Qualification/Membership(s):

- Bachelor Degree in Engineering (Chemical), University of Malaya
- Master in Business Administration, Putra Business School, University of Putra Malaysia (UPM)

Experience:

Proposal Engineer, Foxboro (Malaysia) Sdn. Bhd (2010)
Project Engineer, Foxboro (Malaysia) Sdn. Bhd (2007)

Fatimah Zahrah is the daughter of Zaid bin Abdullah and Zaidah binti Mohd Salleh and sister of Usamah bin Zaid.


CONCEPT
NO
FAIL
strategy
PIAN
AND THEN...
TEAM
2x
All recycling
45% is
money recycling
sales not everyone
Business
MARKETING
15% - ??
A. B.
money
pursuit
DRAW
46x
STEAL
ING TV SERVE
main
C. USA


PICORP
PROGRESSIVE IMPACT CORPORATION BERHAD
innovation
73%
25%
idea
ties

CORPORATE OFFICE TEAM

1/ **DATO' DR. LUKMAN BIN IBRAHIM**
Group Executive Director
Leads Progressive Impact Corporation Berhad (PICORP) Group of Companies

Note: The full profile of the Group Executive Director is available at the Leadership Section: Profile of Directors as set out in this Annual Report.

2/ **NADZRAH HASHIM**
Group Chief Financial Officer
Malaysian, Age 49, Female

Date of appointment: 1 October 2011
Academic/Professional Qualification(s):
Master in Business Administration, UiTM
B.A (Hons.) in Accounting and Finance, South Bank University, UK.
Work experience:
Joined PICORP in 1998 and has held various positions in PICORP, the last being the Group Financial Controller.

3/ **DR. SALINAH BINTI HJ TOGOK**
Group Financial Controller
Group Risk and Compliance Manager
● Financial Reporting ● Risk and Compliance
● Financial Planning & Budget ● Procurement
● ERP ● Taxation & Regulatory

4/ **AZLI BIN MD ZIN**
Group Legal Manager
- Legal Advisory

5/ **ABD. RAZAK BIN MASIRUN**
Group IT Manager
- IT System and Infrastructure
- Network

6/ **AHMAD SHAHDAN BIN KASSIM**
General Manager – Research & Development
- Innovation

7/ **ANIZA AKMAR BINTI ABDUL RAHIM**
Group Human Resource Manager
- Human Resource Management
- Human Capital Development


ASMA
ALAM SEKITAR MALAYSIA

ENVIRONMENTAL TEAM

1/ **SHAMUDDIN BIN SULAIMAN**
Chief Executive Officer
Leads Alam Sekitar Malaysia Sdn. Bhd
Malaysian, Age 53, Male

Date of appointment: 1 February 2018
Academic/Professional Qualification(s):
Bachelor of Science in Civil Engineering,
University of Wisconsin, Milwaukee, USA.

Work experience:
Joined ASMA in October 2006 and has held various positions in ASMA, the last being the Chief Operating Officer.

2/ **AMIRUL SHAZLI BIN MOHAMED**
General Manager - Consultancy & Technical
● Environmental Consultancy ● Water Resources Management

3/ **SYAMSUL AMRI BIN A RAZAK**
General Manager - Business Development
● Environmental Services ● Wastewater Treatment & Solution

4/ **ARDI BIN BAKHTIAR**
Head of Execution | Environment

5/ **NORAIDAH BINTI AB HAMID**
Head of Execution | Waste Water

6/ **AZIZAH BINTI SALLEH**
Finance Manager
● Operation ● Treasury ● Reporting ● Budgeting

7/ **AZMI BIN SUMAIRI**
Head of Department | Technical - Air Technology

8/ **AZMAN BIN SULAIMAN**
Head of Department | Air

9/ **ZAFINA BINTI ZAINOL ABIDIN**
Head of Department | Water

10/ **SUZANA BINTI SHAARI**
Head of Department | Environmental Monitoring Services

11/ **MUHAMMAD FAIRUZ BIN HASSIM**
Head of Department | Project Management and Control

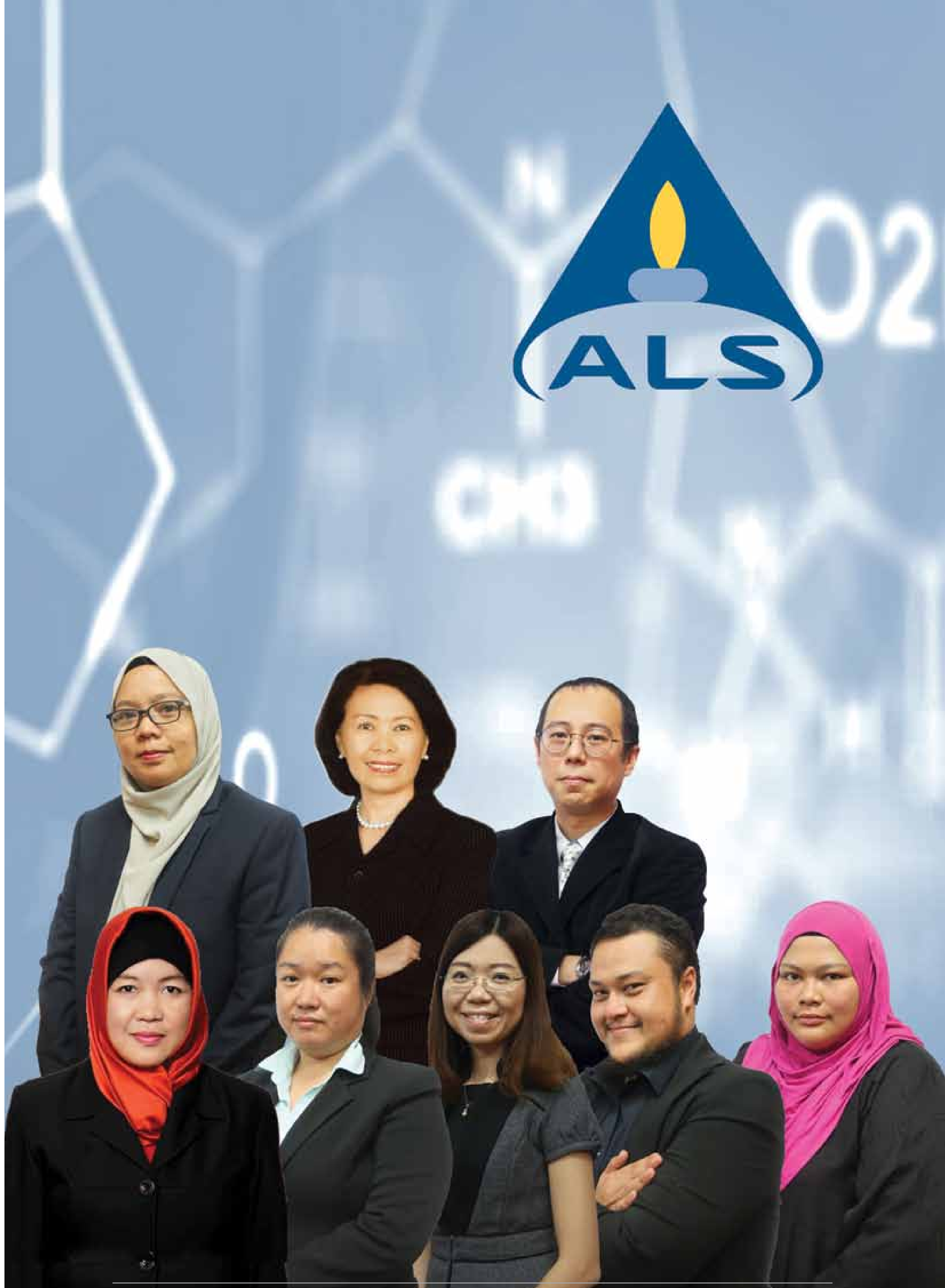
12/ **ABD. RAZAK BIN MASIRUN**
Head of Department | IT System and Infrastructure

13/ **SAMSUL BIN KASPIN**
Head of Department | Environmental IT

14/ **SITI JOHARA BINTI SULAIMAN**
Head of Department | Quality & EHS

15/ **Gs. SITI MANEESA BINTI AMIRUDDIN**
Head of Department | Geographic Information System (GIS)

16/ **HASLINA BINTI MANSOR**
Lead Consultant | Consultancy & Technical


ALS

LAB TESTING TEAM

1/ **DR. CHIN TEEN TEEN**
Chief Executive Officer
Leads ALS Technichem (M) Sdn. Bhd ("ALSM")
& PT. ALS Indonesia ("PT ALSI")
Malaysian, Age 54, Female

Date of appointment: 1 November 1998
Academic/Professional Qualification(s):
PhD in Analytical and Inorganic Chemistry, University of Vermont, USA.
MSc (Chemistry), University of British Columbia, Canada.
BSc, University of New Brunswick, Canada.
Work experience:
Joined ALS in March 1997 and has held the current position since November 1998.

2/ **NOR HAFIZAH ALI**
Finance & Admin Manager (ALSM)
● Operation ● Reporting ● Treasury ● Budgeting

3/ **LIM ENG HWA**
Sales Manager (ALSM)
● Sales Operation

4/ **DR. CH'NG AI YING**
Laboratory Manager – Food (ALSM)
● Food and Pharmaceutical Chemistry
● PCR Laboratory
● Technical Consultancy Laboratory

5/ **JONES HUTAGAOL**
Finance & Admin Manager (PT ALSI)
● Operation ● Reporting ● Treasury
● Procurement ● Budgeting & Expense Control
● Taxation & Regulatory

6/ **YAP CHEN LOON**
Technical Business Manager (ALSM)
● Technical Consultancy ● Molecular Biology
● Food and Environmental Testing ● Marketing

7/ **SUZANNA O.R. LUMME**
Business Manager (PT ALSI)
● Sales ● Marketing

PT. ALS Indonesia

6/ **ABU UBAIDAH BIN ZAID**
Islamic Affairs and Halal Coordinator (ALSM)
● Syari'ah matters ● Halal Assurance Testing

7/ **HANNAH YASMIN ANNE BINTI ABDULLAH LEE**
Laboratory Manager – Microbiology (ALSM)
● Microbiology Laboratory Operation ● Technical Consultancy
● Technical Manager for ALS JB Branch

8/ **DANNY YEO SIOW YAK**
Quality Manager (ALSM)
● Laboratory Quality Management System
● Laboratory Equipment ● Laboratory Performance

9/ **LEE YIU LAY**
Laboratory Manager – Environmental (ALSM)
● Environmental Laboratory Management (Organic, Inorganic-Metal and Wet Chemistry Laboratory) ● Technical Consultancy

10/ **SUZILAWATI BINTI SUTRISNO**
Team Leader (Sample Login) (ALSM)
● Environmental and Food & Pharmaceutical Operation ● Logistics

11/ **NAZIRAH BINTI ARIFFIN**
Lab Supervisor – Environmental (ALSM)
● Metals and Wet Chemistry section (Inorganics)
● Technical Consultation

12/ **DR. TASQIAH JULIANTI**
Laboratory Manager (PT ALSI)
- Environmental & Food Safety

13/ **DANIEL AGUNG PRIMANTO**
Research and Development (PT ALSI)

14/ **DR. HERNIWANTI**
Operations Manager (PT ALSI)

15/ **ASYIK AULADI**
Project Manager (PT ALSI)

PT. ALS Indonesia


SAUDI
ASMA
SAUDI ASMA
ENVIRONMENTAL SOLUTIONS LLC
ASMA
ASMA ADVANCED SOLUTIONS
LCC

INTERNATIONAL TEAM

1/ JOHAR YUSOF

Chief Executive Officer, ASMA International Sdn. Bhd
President, ASMA Advanced Solutions LLC
Leads the International Team
Malaysian, Age 53, Male

Date of appointment: 1 March 2018
Academic/Professional Qualification(s):
Master in Business Administration (Finance), IIUM
Bachelor in Electrical Engineering, University of Miami, USA

Work experience:
Joined PICORP Group of Companies in 2003 and has held various positions in PICORP, the last being the Group Chief Executive Officer.

2/ AHAMAD KAMEL ISMAIL
Chief Executive Officer
Leads Saudi ASMA Environmental Solutions LLC

3/ NADZRAH HASHIM
Group Chief Financial Officer
● Strategic Financing ● Governance, Risk & Compliance
● Planning & Analysis
● Communications & Investor Relation

4/ ADIB NOR AFIFI
Financial Controller
● Operation ● Treasury ● Reporting ● Procurement
● Budgeting & Expense Control ● Taxation & Regulatory

5/ IZHAN ZANI MOHAMAD REDUAN
Business Development Manager
● Environmental Management ● Sales
● Marketing

6/ YOUSSIF ELSMANI
Project Manager- Jeddah KPI
● Public Health Management ● Technical Consultancy

7/ DR. AYMAN IBRAHIM
Project Manager - Makkah Health Monitoring
● Technical Consultancy – Health & Safety

8/ MOHAMED IBRAHIM
IT Manager
● IT System & Infrastructure ● Network

9/ AHMAD TAHLAL SOHFI
Office Administrator
● Administration ● Government Relation Officer

10/ NUR SYUHADA FARHANA A ZAHARI
Assistant Manager | Digital Marketing
● Digital Marketing ● Marketing Communication
● Creative Writing

11/ FARAHEEN MOHAMAD FAZIN
Executive Assistant
● Liaison ● Specific Project & Research
● Marketing

“To be a world class business organisation focused on cost effective environmental solutions which shall benefit mankind.”

3

PERFORMANCE

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

GROUP BUSINESS AND OPERATIONS

Progressive Impact Corporation Berhad ("PICORP") through its subsidiary companies (collectively, "PICORP Group" or "the Group") are involved in the provision of environmental consultancy and monitoring, laboratory testing and wastewater treatment & solution services to various governmental bodies and private sectors which involved namely in the oil and gas, energy, petrochemicals, manufacturing, properties developers and constructions sectors. PICORP was incorporated in 1991 as an investment holding company and commenced its operation in 1992. PICORP was listed on the second board of Bursa Malaysia ("Bursa") in October 2004 and was transferred to the Main Board of Bursa in January 2008.

PICORP Group's products and services are offered in Malaysia, Indonesia and Kingdom of Saudi Arabia ("Saudi Arabia") and can be categorised into three main segments:-

ENVIRONMENTAL CONSULTANCY & MONITORING SERVICES

TYPE OF SERVICES

- Environmental Consultancy
- Environmental Monitoring
- Environmental Monitoring Equipment & Systems
- Environmental Data Management
- Environmental Training
- Public Health Management

LABORATORY TESTING SERVICES

TYPE OF SERVICES

- Environmental Sampling & Testing
- Food Safety testing
- Halal &Toyyiban Assurance testing
- Pharmaceutical & Medical Devices Testing

WASTE WATER TREATMENT & SOLUTION

TYPE OF SERVICES

- Design, technology provider and construction of sewage treatment plants
- Operation & Maintenance of sewage treatment plants

PICORP Group is a well-established participant in the Malaysian environmental market particularly in the segment of environmental monitoring and laboratory testing services, holding a market share of approximately 20%.

PICORP is an experienced environmental services provider in Malaysia. Over the last 22 years, PICORP has through its subsidiaries Alam Sekitar Malaysia Sdn Bhd ("ASMA") and ALS Technichem (M) Sdn Bhd ("ALS") played an integral role in helping develop and shape the Malaysian environmental monitoring services market and will continue to do so.

PICORP Group has begun exploring the international market since year 2005 when it expand its laboratory testing services to Indonesia and the environmental management services to Saudi Arabia.

PICORP GROUP AT A GLANCE

Market Capitalisation

RM85 million
As at 31 December 2017

Key Business Activity	
1	Environmental Consultancy & Monitoring
2	Laboratory Testing Services
3	Wastewater Treatment & Solution

Market Presence	
1	Malaysia
2	Indonesia
3	Saudi Arabia

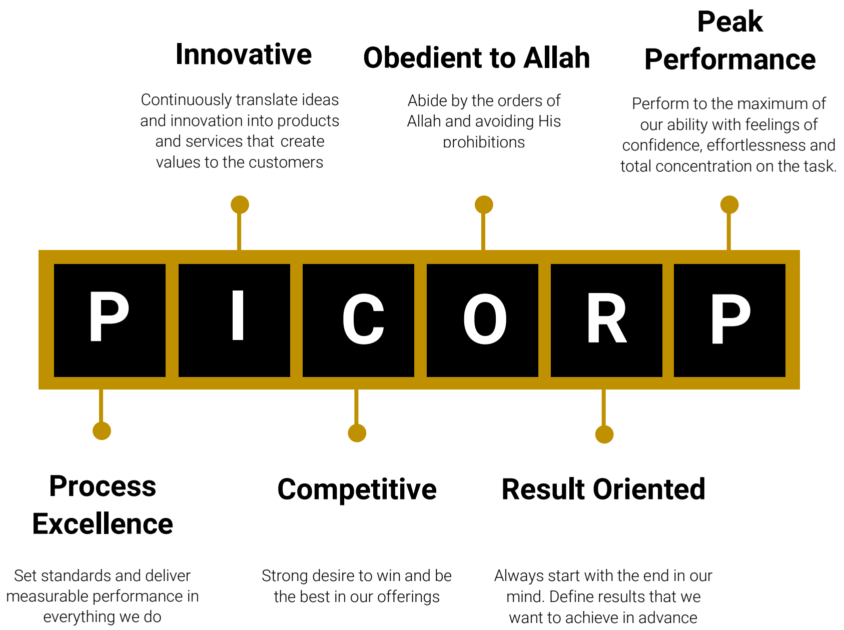
Total Number of Employees Working in Respective Country

Country	Employees
Malaysia	256
Indonesia	174
Saudi Arabia	81
Total	511

BUSINESS OBJECTIVES AND STRATEGIES

It is **PICORP's Vision** to become a world class business organisation focused on cost effective environmental solutions which shall benefit mankind. Its **Mission** is to be a world class business organisation providing innovative technology and quality products and services in the field of environmental solutions for local and overseas markets through a team of highly motivated, competent and quality employees.

PICORP Way core values set of principles and behaviour underline PICORP Group way of carrying out its business and operations worldwide. PICORP Way streamlines the work culture, the people and the processes within the group towards achieving the company's goals and objectives through the following:-



PICORP group's **Business Strategies** focuses on seven paradigm that cover **Growth, Margins, Cash, Velocity, Customer Management, Technology and Risk Management** to achieve sustainable business performance for growth in the long-term.

The Group has recently made a significant move for its growth strategy where in ensuring sustainable growth moving forward, the Group has taken a bold step by re-designating its Group Chief Executive Officer, En. Johar Yusof as the Chief Executive Officer of ASMA International Sd. Bhd to lead the International Business in Saudi Arabia. The move signifies the Group's commitment towards enhancing returns on its investments in the country. Such commitment requires focus on the business development activities, good monitoring and control on the operation and having adequate financing in place to fuel the growth. The Group believe that all these can be better achieved by dedicating the Group's best leader in upholding the role.

Having taken the bold step, the Group is mindful of the needs to have a good, dependable and reliable leader to hold the fort and hence, has re-designate its Independent Non-Executive Director, Dato' Dr. Lukman bin Ibrahim as the Group Executive Director to oversee the Group's business direction and activities.

A dedicated team was also formed within the Corporate Office in Malaysia to support the International operation focusing on the strategic financing, digital marketing communication and technical proposal roles. Recognising the importance of achieving long term value creation for its shareholders through innovation, the Group has also established an Innovation Division within the Corporate Office to focus towards accelerating the Group's product development activities and time to market.

PICORP GROUP BUSINESS STRATEGIES

GROWTH STRATEGIES	MARGIN STRATEGIES	CASH STRATEGIES	VELOCITY STRATEGIES
1	2	3	4
Organic growth via market and product development in countries that the Group has already had its presence namely Malaysia, Indonesia & Saudi Arabia. Accelerating growth via partners, allies and collaborators who complement our strengths to create a win-win situation	Continuous improvement of operational efficiency & cost management	Ensuring adequate financing facilities in place to ensure smooth project execution. Ensuring timely collection of the receivables. Maximise returns of the Group's cash deposits.	Focus towards Process Excellence Develop competencies and skills that increases job effectiveness and efficiency resulting in higher productivity
Initiatives	Initiatives	Initiatives	Initiatives
Offer Build-Operate-Transfer / Build-Own-Operate project business models to strategic accounts for integrated environmental monitoring system / waste water treatment plants Group re-organisation Identify strategic partners that could complement our strength	Integration of automated analysers with Laboratory Information Management System Long term collaborations with customers. Utilisation of cloud computing Build strong relationship with suppliers - pay on-time or earlier for early payment discounts.	Strategic Financing activities Ongoing monitoring of its Days Sales Outstanding Placements of the Group's cash deposit in a tax-free investment funds.	Implementation of Enterprise Resource Planning system across the Group Roll out talent management program for key positions

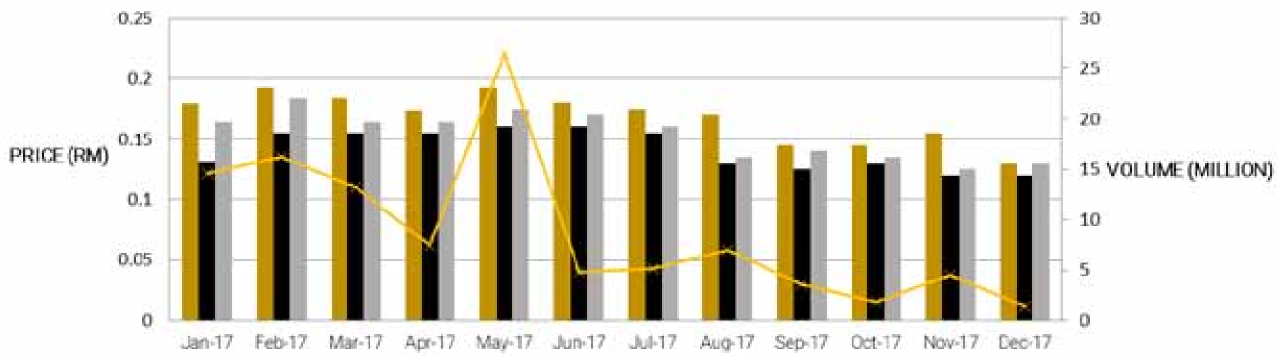
Expected Outcome	Expected Outcome	Expected Outcome	Expected Outcome
Long term concession contracts for business sustainability Market Penetration of the strategic key accounts	Reduced overhead cost per job. Reduced client acquisition costs Greater flexibility and reduced IT maintenance costs Better leverage in negotiation with the strategic suppliers	Mitigate the risk of delayed projects execution due to insufficient financing. Maintaining the debtors aging within the approved credit period. Efficient and effective cash investments.	Optimise business processes. Systematic Talent Acquisition, Talent Development and Talent Retention process, aligned to the business objectives.

CUSTOMER MANAGEMENT STRATEGIES	TECHNOLOGY STRATEGIES	RISK MANAGEMENT STRATEGIES
5	6	7
Connect to customers, exceed their expectation and customer retention.	Focus on developing the innovative technologies and services offered by the Group	Develop a structured and coherent approach to identifying, assessing and managing risk
Initiatives	**Initiatives**	**Initiatives**
Implementation of the Customer Relationship Management system Conduct Customer satisfaction survey periodically Establishment of digital marketing communication division	Set up an Innovation Division within the Group that focus towards accelerating product development and time to market	Implementation of Group wide Enterprise Risk Management system Streamlining the risk assessment process throughout the management and risk committees.
Expected Outcome	**Expected Outcome**	**Expected Outcome**
Securing orders from new customers Increased repeat orders from existing customers. Continuous improvement on quality of services Wider reach towards new prospects & building strong relationships with customers to enhance company's long-term performance.	Increased the speed of offering enhanced products value proposition to customers	Improving the quality of decision making process for strategic business pursuits and investments Embedding the risk management culture and mindset in the employees' day-to-day activities

5-YEAR GROUP FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER 2017	2013	2014	2015	2016	2017
Key Operating results (RM Thousand)					
Revenue	96,807	83,989	80,529	87,402	83,876
Profit from operations	33,386	22,455	13,125	7,264	14,106
Finance Costs	(460)	(95)	(265)	(977)	(1,282)
Profit before tax	**32,926**	**22,359**	**12,860**	**6,287**	**12,824**
Profit / (Loss) after tax	23,764	13,991	(1,006)	(2,173)	7,509
Profit / (Loss) attributable to owners of the Company	20,881	15,164	(2,283)	(7,407)	1,006
Other Key Data (RM Thousand)					
Total Assets	159,752	167,960	178,802	165,752	154,743
Total liabilities	28,154	32,809	55,313	51,242	43,358
Shareholders' Equity	110,253	111,067	96,041	88,241	84,581
FINANCIAL RATIOS					
Revenue Growth	8%	-13%	-4%	9%	-4%
Operating margin	34%	27%	16%	8%	17%
Return on average shareholders' equity	22%	13%	-1%	-2%	9%
SHARE STATISTICS					
Basic earnings per share (sen)	2.40	1.30	(0.30)	(1.10)	0.20
Net dividend per share (sen)	1.10	0.61	0.61	0.61	0.50
Dividend yield (%)	7.05	3.07	3.25	4.36	3.85
Payout ratio (%)	49	44	>100	> 100	> 100
Price earnings ratio (times)	7	15	(62)	(13)	65
Share price as at 31st December (RM)	0.16	0.20	0.19	0.14	0.13
Net assets per share attributable to owners of the Company (RM)	0.17	0.17	0.15	0.13	0.13
Market Capitalisation as at year end (RM Mil)	103	130	123	92	85

SHARE PRICE MOVEMENT



	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Highest (RM)	0.179	0.193	0.184	0.174	0.193	0.18	0.175	0.17	0.145	0.145	0.155	0.13
Lowest (RM)	0.131	0.155	0.155	0.155	0.16	0.16	0.155	0.13	0.125	0.13	0.12	0.12
Close (RM)	0.164	0.184	0.164	0.164	0.175	0.17	0.16	0.135	0.14	0.135	0.125	0.13
Volume (Million)	14.6	16.24	13.23	7.463	25.53	4.82	5.17	7.02	3.557	1.891	4.479	1.431

FINANCIAL RESULTS AND FINANCIAL CONDITIONS

Key Ratios

The following table sets forth the key financial ratios based on PICORP Group's financial statements:

	FY 2017	FY 2016
Revenue increased / (decreased)	(4%)	9%
Profit Before Tax Margin	15%	7%
Current Ratio (times)	1.97	1.70
Gearing Ratio	0.11	0.19

Revenue

The Group's revenue decreased from RM 87.4 million to RM 83.8 million during the financial year, a decrease of 4% as compared to the previous financial year.

The decrease in revenue was mainly due to the expiry of the concession contract on 13 April 2017 with Department of Environment ("DOE") for the provision of Environmental Monitoring and Data Management services resulting in reduction of revenues from concession contract by approximately RM16.3 million compared to previous year. On the other hand, revenues from the non-concession contracts have increased by RM12.7 million resulting in a 19% increase of revenues from the non-concession contracts. The increase in revenues from the non-concession contracts was a positive indicator on the Group's ability to recover the loss of revenues from the concession contract.

Financial Year ended 31st December	2017 (RM Million)	2016 (RM Million)	Increase / (Decrease) (RM Million)	Increase / (Decrease) (%)
Revenues from Concession Contract	6.6	22.9	(16.3)	(72)
Revenues from Non-Concession Contract	77.2	64.5	12.7	19
Total	**83.8**	**87.4**	**(3.6)**	**(4)**

Profit Before Tax (PBT)

The Group's PBT increased by 104% from RM6.3 million in the previous year to RM12.8 million for the current year resulting an improvement to the PBT margin from 7% in FY 2016 to 15% for FY 2017. The results have improved as there was no major impairment incurred during FY 2017 on the Group's investments as compared to the previous year where there was an impairment of goodwill amounting to RM10.9 million.

The cost of sales increased by 24% to RM22 million during the year as compared to RM17.7 million in the previous year. This is attributed mainly by the increase in revenues from the non-concession contract. The other operating expenses reduced by 52% from RM33.1 million in previous year to RM 16million for FY 2017mainly attributed by the reduced impairment and reduction of operating costs related to the concession contract. The rate of reduction of operating costs in relation to the concession contract is not linear to the reduction of its revenues as the Group decided to maintain its experienced human capital as investment towards securing and delivering future contracts.

Current Ratio

As at 31 December 2017, PICORP Group's current ratio was 1.97 times, which was higher compared to 1.70 times as at 31 December 2016. This was mainly due to increase of amount due from customer on contract and tax recoverable and reduction of the Group's trade and other payables by 36% from RM24.7 million in the previous financial year to RM15.9 million for the current year

CAPITAL MANAGEMENT

PICORP Group business has been financed via a combination of internal and external sources of funds. The internal sources comprise shareholders' equity and cash generated from the business operations while external sources are from various credit facilities extended to PICORP Group by financial institutions. PICORP Group's principal utilisation of funds has been for its business growth and operations.

As at 31 December 2017, PICORP Group had cash and bank balances of RM29.8 million. The Group's current borrowings remain marginally the same at RM21 million and the trade and other payables reduced by 36% from RM24.7 million in FY 2016 to RM15.9 million in FY 2017 resulting in Group's net debt for the year reduced by 50% from RM 15.4 million in FY 2016 to RM 7.8 million in FY 2017. The Group has no long-term borrowings.

The Board of Directors of PICORP is of the opinion that, after taking into consideration the cash and cash equivalents, trade receivables, expected funds to be generated from operating activities and amount unutilised under the existing banking facilities, PICORP Group will have adequate working capital to meet their present and foreseeable requirements for a period of 12 months from the date of this Annual Report.

PICORP Group's material capital commitments as at FY 2017 is RM6.2 million mainly for the establishment of new laboratory facilities in Pekan Baru to cater for the business expansion in laboratory testing services segment in Indonesia.

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PERFORMANCE BY CORPORATE BUSINESS SEGMENTS

1. ENVIRONMENTAL CONSULTANCY AND MONITORING SERVICES

	FY 2017 RM '000	FY 2016 RM '000
Revenue	23,972	42,364
Profit / (Loss) from operations	(296)	5,641
Revenue Increased / (Decreased)	(43%)	14%
Operating margin	(1%)	13%
Malaysia : Saudi Arabia revenues	68% : 32%	82% : 18%

Revenues for the environmental consultancy and monitoring services segment were derived from the Malaysia and Saudi Arabia operation where for FY 2017, the Malaysia operation was represented mainly by the revenues from ASMA, contributing 66% of the segment's total revenues whilst the Saudi Arabia operation which was represented mainly by Saudi Asma Environmental Solutions ("Saudi Asma") contributed 32% of the segment's total revenues. The reduction of revenues for this segment was mainly due to the expiry of the concession contract. Operating profit for ASMA operation for the FY 2017 was RM0.9 million and Saudi Asma turnaround to breakeven with operating profit of RM0.07 million. Profits from ASMA and Saudi Asma were however offset by the losses recorded by the preliminary expenditures incurred by a newly incorporated subsidiary in Saudi Arabia named ASMA Advanced Solutions ("Asma Advanced") resulting in operating loss amounting to RM0.3 million for the segment.

Operational Highlights

- Malaysia operation

ASMA, the main subsidiary for the Malaysia operation for the environmental consultancy and monitoring segment is involved in providing environmental quality monitoring services for air quality, river water quality, drinking water quality, marine water quality, ground water quality, noise and odour. The customer base comprised mainly the government agencies, states utilities provider and market players from the oil & gas, petrochemical and power industries.

Although the pursuit to recover the loss of its concession revenues was challenging in FY 2017, as part of the growth strategy, ASMA continues to widen its market reach and leverage on its 22 years' experience managing an integrated environmental quality monitoring system by offering similar solution to the relevant government agencies and industry players. The above strategy has enabled the company to achieve a breakthrough when it attained the highest non-concession orders in its 22 years of experience with total amount of RM 26.3 million during the financial year. In the past, the average value of non-concession orders attained by ASMA was around RM 10 million per annum. The achievement signifies ASMA ability to grow its customer and revenue based moving forward.

The company has also received from the DOE, the approval to be the certified provider for the Continuous Emission Monitoring Systems ("CEMS") and Predictive Emission Monitoring Systems ("PEMS"). ASMA differentiates itself from the other players with PEMS solution that offers software-based solutions with ability to provide reliable and accurate real-time *emission* estimation with lower total cost of ownership.

- Saudi Arabia operation

Saudi Asma, the main subsidiary for the Saudi Arabia operation for environmental consultancy and monitoring segment is involved mainly in providing public health and environmental management services. The customer base comprised mainly the government agencies. Presently, Saudi Asma has an ongoing contract with the Jeddah Municipality for the pest control monitoring services and the Makkah Municipality for the health monitoring services.

In FY 2017, Saudi Asma's business has shown improvement as it began to turnaround and breakeven at operation profit level. The current ongoing contract with the Jeddah Municipality for the pest control monitoring services is progressing well and in addition Saudi Asma has been ranked as the number 1 Health Monitoring services provider by the Makkah Municipality. Saudi Asma has recently on 26 March 2018, been awarded a 3- year contract by the Jeddah Municipality - for operation and development of the Jeddah Municipality's public health laboratory in Jeddah. This signifies the competitiveness of Saudi Asma and the trust that has been built with the relevant local authorities over the years. The company continues to promote and market the Group's core competency in environmental monitoring services to the Saudi Arabia market by participating in relevant tenders open by the relevant government agencies and industry players.

Looking Ahead

- Malaysia operation

Environmental regulations remain as the main driver of business opportunities.

The DOE is presently moving into new enforcement approach based on self-regulation and performance monitoring instead of command and control and compliance monitoring based. This new approach encourages and facilitates the industry players to improve and comply within an agreed timeframe. ASMA in this case would have the opportunity to offer its total environmental solution that covers from the point source to the dashboard. This will enable the industry players to establish a comprehensive environmental performance monitoring system within their operation effectively and efficiently. The Clean Air Regulation 2014 shall continue to be one of the drivers that provide opportunities to ASMA in offering its CEMS and PEMS.

Malaysia's present and upcoming mega infrastructure projects such as the Mass Rapid Transit Line, Malaysia's East Coast Rail Line, Kuala Lumpur-Singapore High Speed Rail project and many others may create opportunities for ASMA to provide environmental monitoring services to the relevant parties that need to comply with the Environmental Quality Act requirements.

- Saudi Arabia operation

Moving forward, the Saudi Arabia operation will be carried out by two subsidiaries that are Saudi Asma and Asma Advanced. Saudi Asma will continue focusing on public health and environmental management whilst Asma Advanced will focus on water and wastewater management scope of services. The solution offered to the prospects shall be based on the existing technology, products and services of the Group as well as from other sources acquired through collaborations and strategic alliances.

The General Authority of Meteorology and Environmental Protection of Saudi Arabia has published several invitations for pre-qualification submissions for several projects related to various environmental management programs in Saudi Arabia, in which Saudi Asma has participated in the pre-qualifications submission and aims to bid and hope to secure.

It is the intention of the Group to grow Asma Advanced to secure for long term concession contract in Saudi Arabia for projects related to water and wastewater management which are under the purview of authorities such as Water & Electricity LLC and National Water Company

2. LABORATORY TESTING SERVICES

	FY 2017 RM '000	FY 2016 RM '000
Revenue	50,308	42,610
Profit from operations	20,217	17,443
Revenue Increased / (Decreased)	18%	0%
Operating margin	40%	41%
Malaysia : Indonesia revenues	56% : 44%	62% : 38%

Revenue from laboratory testing segment increased by RM7.7 million or 18% which was mainly attributed by the increased in revenues from its operation in Indonesia. The growth of revenues in Indonesia was contributed by the delineation and excavation project carried out in Sumatera in relation to facility remediation and land restoration activities for Chevron Indonesia.

The profit from operations for the laboratory testing segment increased by RM 2.8 million or 16% and the operating margin for the segment remained healthy at 40%.

The contribution of the Indonesia operation to this segment has been on increasing trend for the past 5 years and it is forecasted that the Indonesia contribution will continue to grow given the vast opportunities that lies ahead in the country.

Operational Highlights

- Malaysia operation

During the financial year, our Malaysia laboratory reinforced its position in food and pharmaceutical analysis when The Malaysia Islamic Development Department ("JAKIM") approved ALS Malaysia as their Halal Panel laboratory. With this, ALS Malaysia became the first international commercial laboratory to be awarded the Halal Panel laboratory status in Malaysia.

In addition, the laboratory was also awarded with the IKM President Laboratory Award (Commercial Laboratory category). This prestigious award is accorded every three years recognising excellent achievement in the development of the professionalism and practice in chemistry.

In October 2017, ALS Malaysia completed the mobilisation of key laboratory equipment and personnel to its new branch in Penang. The ISO 17025 accreditation is targeted to be received by the laboratory in second quarter of 2018.

ALS Malaysia new branch in Penang

ALS Penang – Microbiology Laboratory

- Indonesia operation

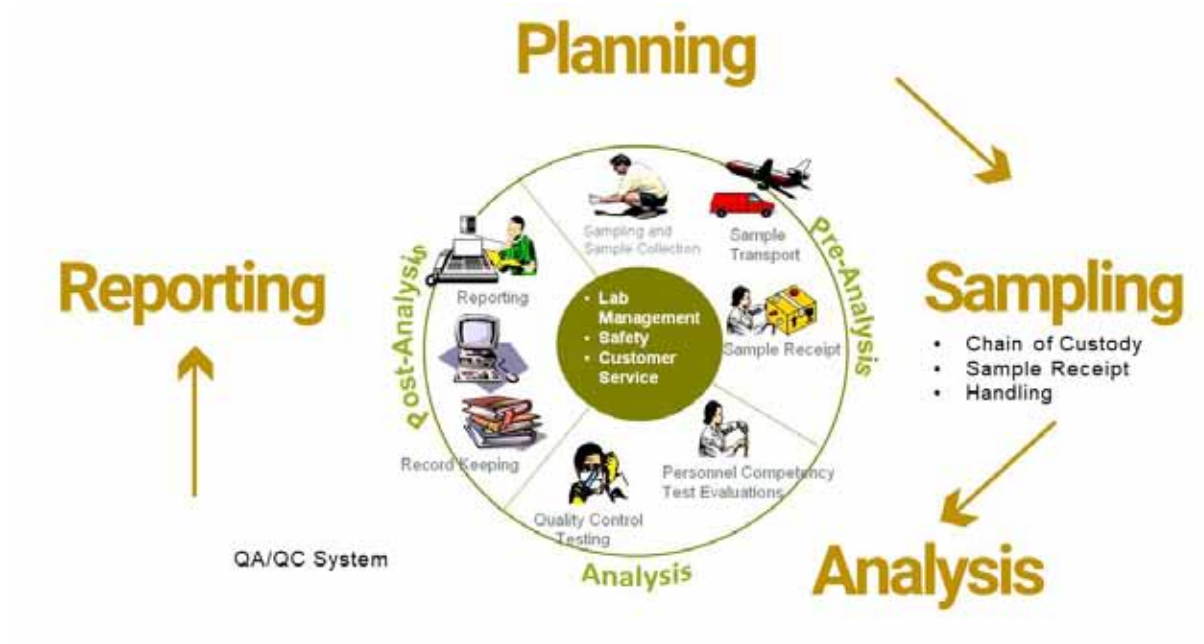
During the financial year, the Indonesia operation has set up a new laboratory in Pekan Baru, Sumatera that focuses on the provision of field sampling works (soil and water).

ALS Indonesia new branch in Pekan Baru, Sumatera

ALS Sumatera – Wet Chemistry / Extraction Laboratory

ALS Sumatera – Gas Chromatography room

As part of the process excellence initiatives, the ALS Indonesia has during the year successfully rolled out the implementation of the ALS Group Laboratory Information Management System ("LIMS") known as ANGLE LIMS. The system integrates all the Laboratory Instrument to enable direct data import from the instrument to reporting and billing, which eliminates human intervention and increases data integrity. The ANGLE LIMS is also applied in ALS Malaysia.



ANGLE LIMS:

- A computerized information management system designed for laboratories;
- Manages lab data from sample log-in to reporting;
- Interfaces with analytical instruments;
- Sorts and organises data into various report formats;
- Supports and enhances business processes of the lab.

Looking ahead

- Malaysia operation

The Malaysia operation remains focused in its organic growth strategy and continuous enhancement of its operational efficiency through effective cost management.

Moving forward, ALS Malaysia aims towards increasing its food safety analysis works which includes the *halal* and *toyyiban* assurance, leveraging on the ever-growing food and beverage industry. Our laboratory facilities and human capital resources will be enhanced in order to support the above strategy. The Malaysia operation is well positioned to continue delivering sustainable profits in the coming years.

The food safety analysis provides vast opportunities where its compliance portfolio spans the whole value chain from farm to fork.

- Indonesia operation

The contribution of the Indonesia operation to this segment has been on an increasing trend for the past 5 years and the contribution from Indonesia is expected to continuously grow given the vast opportunities that lie ahead in the country.

Moving forward, the Indonesia operation aims towards expanding its Food Safety Analysis business, hence, there will be an upgrade on its microbiology facility and a setup of the food chemistry laboratory in its headquarters in Sentul.

Presently, majority of the environmental samples received by ALS Indonesia are derived from the oil & gas and mining industry. Moving forward, ALS Indonesia aims towards diversifying the industry to cover manufacturing and power industry as well.

3. WASTEWATER TREATMENT AND SOLUTIONS

	FY 2017 RM '000	FY 2016 RM '000
Revenue	9,154	3,128
Profit / (loss) from operations	1,717	(1,338)
Revenue Increased	193%	43%
Operating margin	19%	(43%)

During the financial year, the Group has restructured the business development and execution activities for its patented product, Bi-Act SDO where it is place under the purview of ASMA. Alam Sekitar Eco-Technology ("ASET"), remains as the patent holder of the technology and continues to be responsible for the design and system supplies' scope of work. The re-structuring is undertaken to enable Bi-Act SDO realise its potential better by leveraging on ASMA's brand for its established track records and financial strength.

The above strategy has resulted in improved results for this segment where the revenue increased by 193% and recorded an operating profit of RM1.7 million with operating margin of 19%.

The product development of the Bi-Act SDO shall be carried out by the newly established Innovation Department with the first objective is to launch Bi-Act SDO 2.0.

Looking ahead

For financial year 2018 onwards, the wastewater treatment and solution is no longer be reported on its own. It shall be part of the solution for the environmental segment as well as the International segment.

On the merits of the excellent value proposition offered by the technology, the Group has move forward to reach out for potential use of the innovative technology in Saudi Arabia. Growth opportunities have been identified, Asma Advanced, the new joint venture company in Saudi Arabia will leverage on the strength of its local network to seize the available wastewater treatment business opportunities in Saudi Arabia.

BUSINESS RISKS

Risk management is embedded in our day-to-day operations. Governance policies and procedures are developed with clear accountabilities for senior management to effectively identify, assess, prevent, record and mitigate all material risks for the Group.

In pushing forward with our strategy and execution plans, key risks have been identified and continuous monitoring are undertaken to ensure our exposure to all anticipated risks stays within the Group's overall risk appetite.

Key Group Risks	Description	Key Mitigation Steps
Business expansion & growth	Initiate and develop high impact projects	- Offer Build-Operate-Transfer / Build-Own-Operate project business model to strategic accounts that requires strategic facilities for integrated environmental monitoring system / waste water treatment plants. - Participate in major tenders and collaborate with strategic partners that could complement our strength.
Human Capital Management	To equip the Group with efficient and effective Talent Management Programme and succession planning to drive the business plan forward	- Identify key areas and key positions - Identify capabilities for key areas and key positions - Identify interested employees and assess against capabilities - Develop succession planning and knowledge transfer plan

		- Set Human Resource priorities to help achieve business goals. - Evaluate effectiveness. - Measure, Monitor, Report
Human resources policy	To have standardised human resource policies across the Group that shall represent the specific guidelines and common practices.	- Review and align human resources policies and practices across the Group.
Foreign investments	Risks relating to changes in Government's policies, changes in economic conditions, fiscal or monetary policies that may materially effect the Group's operation abroad	- Diversify the clients base to cover wide range of industries to avoid dependency only on a single customer or segment. - Seek early advice from the local business lawyer to ensure compliance to the local laws. - Opt for natural hedging in financing the local projects - Consider insurance policy to mitigate the political risk

DIVIDEND

The company has a Dividend Policy to pay a total net dividend payout of not less than 40% of its net profit after tax and minority interest.

The Board of Directors has also recommended a final single tier dividend of 0.50 sen per share for the financial year ended 31 December 2017, subject to the shareholders' approval at the forthcoming Annual General Meeting. The proposed final dividend shall be equivalent to RM3,283,045 net dividend.

"Our business is not Sustainable Business,
it's Sustainability Business"

4

SUSTAINABILITY

SUSTAINABILITY STATEMENT

SUSTAINABILITY DEVELOPMENT AT PICORP

Recognising the ever-increasing relevance of sustainability to our business value, this maiden statement on sustainability aims to illustrate our strategic approach to address sustainability challenges and opportunities in contributing towards the betterment of the business, environment and society.

In line with the strategy to achieve sustainable business performance for growth in the long-term, PICORP remains committed to operating our business in an environmentally and socially responsible manner. As part of our journey to incorporate sustainability business practices we continue to live by the Seven PICORP Paradigm of Growth, Margin, Cash, Velocity, Customer Management, Technology and Risk Management assimilated into our business operations as well as corporate culture.

Being a Group of companies, which is predominantly involved in the provision of environmental monitoring services and consultancies as well as laboratory testing services, sustainability is already part and parcel of our business and embedded in the Group's organisational spine. This conviction is further reinforced in the PICORP WAY VALUES of:

"Serving ALLAH, respect for the people and the environment"

Insofar as Sustainability is concern, PICORP does not only practice sustainable business practices by providing a conducive working environment for its employees and engaging with the business and public community, it is also an engine towards compliance to the relevant environmental regulations through its business proposition as the Integrated Environmental Solutions Provider.

To further elaborate PICORP's sustainability endeavours and commitment, this Sustainability Statement is structured into four sections:

SECTION 1	An overview and scope of this Statement
SECTION 2	Group's governance structure in managing the material sustainability matters
SECTION 3	The stakeholder engagement process
SECTION 4	The outcome of the engagement

SCOPE

Unless otherwise stated, this Sustainability Statement covers PICORP and all its subsidiaries in Malaysia, Indonesia as well as Saudi Arabia.

SUSTAINABILITY GOVERNANCE STRUCTURE

The Board recognises its responsibility to promote and instill sustainability into PICORP's business strategy. It acknowledges the need for strategies and plans to promote and contribute towards sustainable development, with a particular focus on the environmental, social and governance aspects of the business. To this end, during the year, the Board formalised the Sustainability Agenda for PICORP by incorporating it into the Terms of Reference for the Board Risk Management Committee as well as the Corporate Risk Management Committee. A Sustainability Working Group ("SWG") comprising Group Risk and Compliance ("GRC"), Group Human Resource ("GHR"), Environmental, Health and Safety ("EHS") Committee and Musolla Committee ("MUSCOM") led by the Group Executive Director ("GED") was established to oversee the incorporation of sustainability in the Group's businesses, as well as to prepare the Group for its inaugural sustainability disclosure.

MATERIAL SUSTAINABILITY MATTERS

To identify what is deemed a material to the Group's business, PICORP has adopted a materiality assessment process, which is guided by Bursa Malaysia's Sustainability Reporting Guide and Toolkits.

Recognising the needs to engage with various stakeholders in order to understand their views and concerns, PICORP regularly gets in touch with them through multiple platforms and sessions to understand their views and concerns in aligning the business practices with societal needs and expectations.

Based on the views and concerns obtained from the engagement sessions, PICORP identified the followings as its key sustainability matters. The list is broken down into themes of sustainable business growth, environmental stewardship as well as social responsibility ("EES")

ECONOMIC

- Community investment
- Research & development
- Corporate Governance
- Branding & Reputation
- Economic Performance
- Ethical business practices and transparency
- Sustainable value chain management
- Project Delivery
- Customer Satisfaction

ENVIRONMENTAL STEWARDSHIP

- Environmental regulatory compliance
- Environmental awareness
- Subscribed to DOE Environmental Mainstreaming Tools
  - Environmental Policy (EP)
  - Environmental Monitoring Committee (EMC)
  - Environmental Facility (EF)
  - Environmental Competency (EC)
  - Environmental Reporting and Communication (ERC)
  - Environmental Transparency (ET)

SOCIAL RESPONSIBILITY

- Diversity
- Occupational Health and Safety Management
- Human and intellectual capital development
- Labour practices
- Employee Satisfaction Index
- Anti-corruption

The outcome of the engagement with various stakeholder group were summarized below:

Stakeholder Group	Engagement Approach	Frequency of Engagement	Achievements	Material area Alignment
Employees	• PICORP weekly Stand Up meetings, 1Picorp monthly meeting, Town Hall meetings • Annual events • Employee Performance Review • Training opportunities, i.e. Workplace Safety & Health Training, ISO training • Talent & Management Programme • 360 Employee Assessment • Employee Satisfaction Index	Weekly/Monthly/ As needed Annually Annually As needed Annually / As needed As needed As needed As needed	• Regular updates on the employees/ corporate activities • Company events like Family Day, Intercompany Games, Sports Day for better work-life balance • Long service awards, salary increments and bonus to reward high performers • Effective performance tracking, improved work efficiency and better career development as well as a solid succession planning programme	• Occupational Health & Safety Management • Human and Intellectual Capital Development • Labour practices • Employee Satisfaction Index
Shareholders/ Investors	• Annual General Meeting • Analysts/bankers meeting	Annually As needed	• Briefing to shareholders on economic performance, business direction and strategies	• Corporate Governance • Branding & Reputation • Economic Performance

Stakeholder Group	Engagement Approach	Frequency of Engagement	Achievements	Material area Alignment
			• Visits to project sites	
Clients / Customers	• Appointment of a key account manager for each customer • Regular meetings/engagements with Customers to obtain feedback • Top Management engagement	As needed As needed As needed	• Evaluate capability and deliverability of jobs and services as well as identify area for improvements • Regular project management meetings • CEO Interface Session • Timely response to attend to customer needs	• Economic Performance • Project Delivery • Customer Satisfaction
Regulators / Government Authorities	• Corporate governance compliance such as Bursa Malaysia, Security Commissions, Quality Management System (ISO9001:2008) and Environmental Management System (ISO14001:2004) • Regular meetings with Departmental of Environmental (DOE) on Clean Air Regulations (CAR) • Environmental compliance at project sites	As needed As needed As needed	• Create reputable branding as well as keeping track with the current market regulations • To gain understanding on environmental regulations and to work with the authority to encourage compliance by industries • Complied with environmental requirements for SPAN, IWK, JAS, JPS, local authorities and etc	• Corporate Governance • Branding & Reputation • Environmental Regulatory Compliance
Business Partners / Associate Partners	• Strategic planning meetings	As needed	• Conduct strategic business planning meetings to improve economic performance	• Economic performance
Local community	• Charitable giving • Internship opportunities • Public events such as Hari Raya Open House • Trainings on environmental compliance and best practices	Annually As needed Annually As needed	• Build positive relationship with the community • Partnership with university college to provide internship opportunity • Create local employment at project sites	• Community engagement • Environmental awareness
Suppliers / Subcontractors	• Suppliers & sub-contractors assessment • Vendor database through pre-qualification	Annually As needed	• Performance monitoring • Improve efficiency throughout value chain	• Sustainable Value Chain Management
Media	• Media releases • One on one interview	As needed As needed	• Reach out to public on company's strategic direction, future aspirations to	• Branding & reputation

Stakeholder Group	Engagement Approach	Frequency of Engagement	Achievements	Material area Alignment
			promote company branding and reputation	
Non-Governmental Organisations / Industry Associations	• Partnership and support in community and environmental sustainability • Industry exhibitions and conferences	As needed As needed	• Keeping track with industry updates • Environmental quality conservation and education • Involved with Hari Alam Sekitar organized by DOE	• Environmental awareness

MANAGING MATERIAL SUSTAINABILITY MATTERS THROUGH WORKPLACE, MARKETPLACE, ENVIRONMENT AND COMMUNITY

Our business strategy is to drive long-term corporate growth and profitability by mandating the inclusion of economic, environmental and social issues in our business model. Being the pioneer in the air and water quality monitoring system with 22 years of concession experience serving the Department of Environmental, Ministry of National Resources and Environment of Malaysia, PICORP through its subsidiary, Alam Sekitar Malaysia Sdn Bhd ("ASMA") continues its business expansion in its air, water and waste water strategy with the government agencies, state governments as well as private sectors. In addition, ALS Technichem (Malaysia) Sdn Bhd and its subsidiary, PT ALS Indonesia remain the leading analytical laboratory testing providers in Malaysia and Indonesia. Complementing the operations in Malaysia and Indonesia are the Saudi operations through Saudi ASMA Environmental Solutions LLC and ASMA Advanced Solutions LLC in their pursuits of public health and environmental management as well as water and waste water treatment solution, respectively.

The above is a crystal-clear reflection of sustainability being integral to the way we conduct our business activities and is indeed reflected in the workplace, marketplace, environment, and community in which PICORP and its subsidiaries operate.

WORKPLACE SUSTAINABILITY

Recognising employees as the company's most valuable asset, it is important to provide our people with support and encouragement to create a sense of belonging and make them feel that they are an integral part of the Group. Thus, we are committed to providing a safe, healthy, fair and respectful workplace for everyone in the Group. Our objectives are to maximise work productivity and achieve healthy work-life balance through the creation of a harmonious working environment.

Obedient to Allah, Respectful Culture & Fair Treatment	Safe & Healthy Workplace	Embracing Diversity & Inclusion	Talent Management Programme
Our values are abiding by the orders of Allah and avoiding His prohibitions.	We advocate a healthy living style: Work-life balance & Raising health and safety awareness.	We value diversity and embrace individual differently, including women empowerment and multicultural.	Our Talent Management strategy helps us find the right talent and ensure that our people excel both personally and professionally.

Obedient to Allah, Respectful Culture & Fair Treatment

PICORP subscribes to its core value of Obedient to ALLAH by promoting a holistic working environment for all its employees. In this regard, a resident religious advisor is recruited to fulfil the religiousity and spirituality needs of the employees. Regular *Laman Hidayah* (luncheon religious sessions) are conducted covering diverse topics of rituals and daily lives which were delivered by *Ustaz* and *Ustazah* from Malaysia and abroad.

To inculcate this holistic culture, new employees are required to attend an orientation session which includes modules on becoming professionals Muslim specially tailored to PICORP. This onboarding programme help to improve employee integrity, self-confidence and productivity in making sure business objectives are achieved.

In addition, congregational prayers are organised at MERCU PICORP for the compulsory prayers during work days.

97 Laman Hidayah conducted in 2017

2,440 participants

4 Mukmin Profesional Programmes in 2017

90 Mukmin Profesional participants

Having a workforce which comprises individuals from multicultural backgrounds, with varying age group, experiences and expectations, in Malaysia, Indonesia and Saudi Arabia, PICORP provides a respectful and zero discrimination working environment to all its employees and adopts fair treatment to everyone, regardless of gender, ethnicity, age group, sexual orientation, disabilities, religion, political inclinations and nationality.

Respect for human rights

We recognise the importance of human rights in our workplace as we believe that a respectful workplace creates a happy employee and ultimately conveys productive results. We comply with the local Employment Act in the country we operate. We do not tolerate human rights abuse among our employees and we ensure equal opportunities in the workplace.

Communication

We have a whistleblowing system as a mechanism to channel employee grievances to the highest authority in PICORP. In addition, PICORP holds Speak Up Meeting as well as 1PICORP Speak Up meeting on a weekly and monthly basis to allow employees to express their views and concerns.

Safe and Healthy Workplace

Environmental, Health and Safety (EHS) is our fundamental concern in all aspects of works within the Group. Our excellence is governed by the safety, health and well-being of our employees and associates and to reflect this, a Health, Safety and Environmental Policy has been established since 2012 across the Group.

Awareness training are held for employees to emphasise on the importance of workplace health and safety. EHS team members at both offices and project sites are actively involved in conducting workplace health and safety related activities to ensure each employee is well-educated on safety and health knowledge.

Activities conducted are:

CPR : Cardiopulmonary Resuscitation
NIOSH : National Institute for Occupational Safety and Health
ERT : Emergency Response Team
OSH : Occupational Safety and Health

Guided by this policy, we are committed to foster a safe and healthy workplace to all employees, customers, contractors and community in the offices and vicinity where we operate as well as at our project sites. The Board oversees the healthy and safe workplace so the Group is able to protect its assets, ensure business continuity and maximise productivity. To assist the Board, we have an experienced consultant to advise and establish the Safety, Health & Environment aspects of the workplace in PICORP.

0 **Fatality among work-related employee or subcontractor for the past three years**

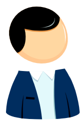
Embracing Diversity & Inclusion

We ensure that the business is driven by highly reliable and competent workforce through robust hiring process while promoting diversity and inclusivity.

Workplace Diversity Policy

Gender of Employees

511 Employees

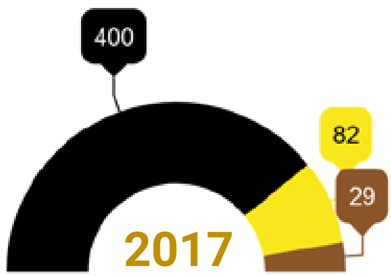


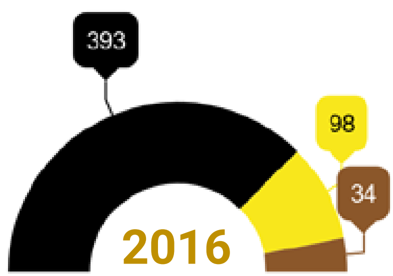
	Male	Female
2017	335 [66%]	176 [34%]
2016	347 [66%]	178 [34%]

A Multicultural Society

260	Malaysian
174	Indonesian
12	Saudi Arabian
58	Sudanese
7	Others

Age Group of Employees





Millenials

Gen – X

Baby boomers

Women Empowerment

PICORP treats both male and female employees equally in terms of salary, staff benefits and welfare as well as career opportunities. We recruit talent based on experience and related technical knowledge. Gender is not a consideration in our recruitment process. Here at PICORP, female employees are given opportunities to hold senior positions should they are capable in delivering the job.

Talent Management Programme

All efforts related to delivering the workforce and leadership capabilities needed to execute on the business strategy. Our scope of talent management starts from Talent Acquisition (TA), Talent Development (TD) and Talent Retention (TR) which includes strategy, systems, processes and practices. In other words, our talent management is our investments and activities to enhance recruitment process, development programme and retention of employees.

A. Talent Acquisition (TA)
Recruiting | Onboarding | Outsourcing | Internship Program

People are the foundation of our business. Their integrity, commitment, knowledge and performance bring life to PICORP's strategy and drive business results. PICORP adopts a robust recruitment strategy to ensure that the right people with the right integrity and skills are deployed to the best positions.

B. Talent Development (TD)

Training | Coaching and Mentoring | Leadership and Management Development | Succession Planning | High Potential Talent Pool

Continual learning and development is encouraged and supported at PICORP. Without doubt, our integrated people development model enables employees to play an active role in the learning and development process. Employees are encouraged to enhance their knowledge by pursuing tertiary educations. To further demonstrate its support, PICORP approves a policy to partially subsidise the tuition fees for those who pursue their Master's degree.

Last year, PICORP marked another milestone in its journey towards developing people. To expand its talent pipeline and increase employee engagement, PICORP rolled out a Talent Management Programme for its Level 1 Management.

TRAINING EXPENSES

2017	**RM120,908** Invested for staff training in 2017 compared to RM197,055 in 2016

C. Talent Retention (TR)

High Potential Program | Performance Program | Rotational Program | Career Counseling | Diversity Program | Retraining | Lesson Learned Databases

We see our employees as the backbone of our success and recognise employee's contribution by rewarding them through salary increment, bonus, promotion or upgrading. Besides that, long service awards in the form of Umrah packages for the employee and his or her spouse are conferred to employees who work more than 10 years as an appreciation to their loyalty to the Group.

MARKETPLACE SUSTAINABILITY

We are committed and strive to deliver the highest standard of corporate governance and transparency throughout our business operations to deliver sustainable growth to our stakeholders. These guiding principles have been embedded in the PICORP culture and we shall continue to conduct ourselves in an ethical, transparent and accountable manner.

Embedding Integrity & Ethics in Business Practices	Healthy Economic Growth	Sustainable Value Chain Management	Commitment to our Customers
Adopting the highest standards of corporate governance: Code of Ethics & Conducts and Risk Management	Healthy economic performance to create long term returns to shareholders	Strive for most cost-effective value chain management Supplier and sub-contractor evaluation process	Deliver quality solutions to customers and review our performance through Customer Satisfactory Survey: Fast-response to customer service

Embedding Integrity & Ethics in Business Practices

Obedient to ALLAH

Guided by PICORP CORE VALUE of Obedient to ALLAH, all employees of PICORP possess the highest standards of self-regulation as well as corporate governance and integrity.

Code of Ethics and Conducts

All employees are guided by the Group's Office Rules which is clearly communicated to all new recruits upon their joining the Group. Each employee is briefed clearly about do's and don'ts as well as Group's expectations on the integrity in all areas of our business operations.

Risk Management

Our risk management practices are generally aligned with the principles of ISO 31000:2010. The Group adopts a risk management framework that is integrated into and where appropriate embedded into the day-to-day business activities and management decision framework of the Group.

PICORP safeguards its shareholders' investments by identifying and mitigating potential risks through its ERM Framework. Risk Management function in PICORP is championed by the Group Risk and Compliance team alongside the Corporate Risk Management Committee where both directly report to the Board Risks Management Committee, guided by our Risk Management Policy.

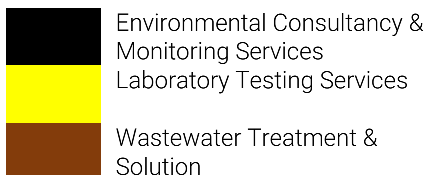
Healthy Economic Growth

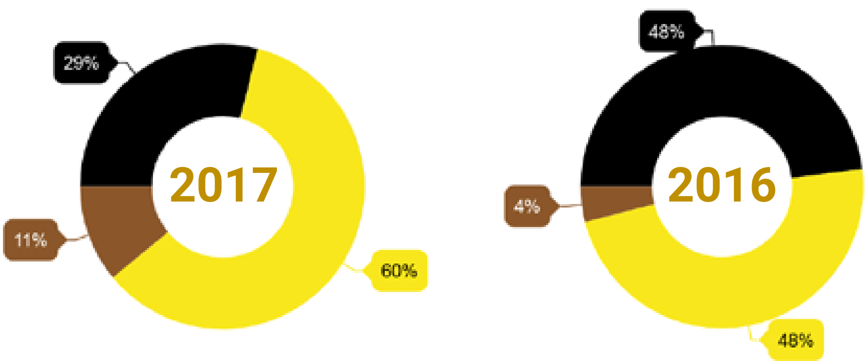
PICORP is committed to deliver healthy and sustainable returns to its shareholders. For the FYE 2017, PICORP generated a PBT of RM12.8 million as compared to RM6.3 million in 2016 despite only having the concession income for a quarter of the year.

Economic Data (Group Level)

	2015 (RM)	2016 (RM)	2017 (RM)
Revenue	80,529,140	87,402,041	83,876,301
Profit Before Tax (PBT)	12,859,504	6,287,467	12,823,698

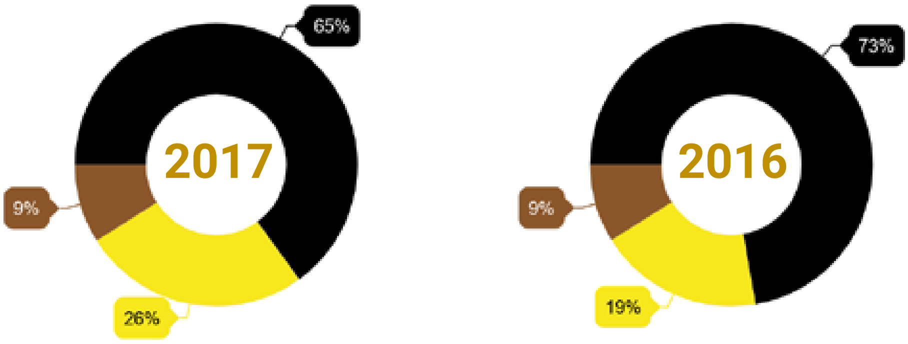
Revenue Contribution by Business Segment





Revenue Contribution by Operating Countries

Malaysia
Indonesia
Saudi Arabia



Sustainable Value Chain Management

PICORP is committed to ensuring a fair and neutral value chain throughout the Group's operation to ensure the most cost-effective solutions and efficient deliverability.

In addition, the Group continues to work with third-party vendors and service providers who, at a minimum, uphold the relevant environmental laws, regulations and policies of the countries in which they do business. In this regard, we are committed to maintain a green and clean environment guided by our Integrated Management System Policy and ISO 14001:2015 Environmental Management as well as ISO17025 for our laboratory analysis and consultancy where applicable. The ISO certification is reviewed annually by the relevant accreditation agencies.

Environmental Pledge

Creating environmental awareness among suppliers and customers	For a better future in our environment, we request all our Suppliers and Contractors to pledge and comply with our Environmental Policy. In 2016, 14 contractors signed the environmental pledge. The number of signing environmental pledge increased to 29 contractors in year 2017.

ASMA ENVIRONMENTAL PLEDGE FOR THE SUPPLIERS AND VENDORS

Dear Sir/ Madam,

Alam Sekitar Malaysia Sdn. Bhd (ASMA), as an environmental company that is committed to contribute to sustainability in Malaysia and further our Environmental Performance, has implemented Environmental Management System (EMS) complied with the ISO 14001standard requirements.

In keeping with the ASMA Environmental Management, we adhere to the attached environmental policy and request that all our Suppliers and Contractors to ensure the better future in our environment by observing the following environmental requirements.

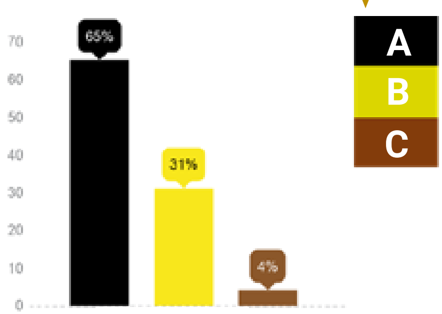
- Comply with all legal and other requirements;
- Minimise the production of all kinds of waste produced while carrying out any works outside or within our premise;
- Control the use of materials and resources (e.g. electricity, fuel, chemical, paper, etc) to be both energy and resource efficient;
- Ensure that wastewater is discharged to in accordance with legal requirement;
- Reuse and recycle in material/ waste wherever possible;
- While working on any of our premise contractors are required to ensure that all waste material are properly handled, stored and disposed of in an efficient and sensitive manner to avoid any spillages and leakages;
- Regularly maintain all vehicles used for the purpose of conducting business with the company to ensure that noise and air emission are controlled;
- For supplying products to ASMA, it is encouraged to use recyclable packaging and take back or reuse the transportation packaging wherever possible.

Vendor Evaluation

We review our suppliers' performance through annual vendor evaluation process. A total of 74 vendors were evaluated in 2017 with average score of 79% against 53 in 2016 with average score of 81%.

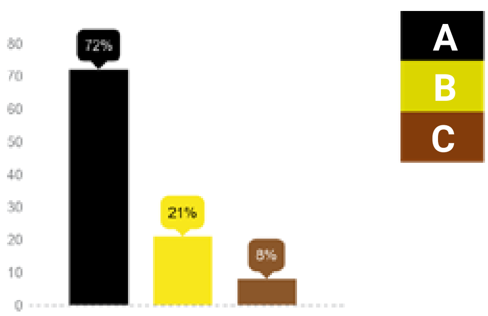
We categorised performance of our vendor into 3 categories; A (Excellent, maintain supplier), B (Satisfied, inform their performance and seek for improvement) and C (Dissatisfied, discontinued with the services).

Supplier Performance Evaluation 2017



2017

Supplier Performance Evaluation 2016



2016

Commitments to our Customers

We seek to constantly improve ourselves to provide the best possible solutions to our customers. In order to meet our customers' expectations, customers' feedback is deemed important to us. Hence, Customer Satisfaction Survey, conducted annually, is reviewed and analysed to identify any shortfalls in which any remedial action shall be taken, where necessary.

Customer Satisfaction Survey

Lab Services		Environmental Services	
2017	78%	2017	86%
2016	76%	2016	77%

2017 Achievement

DOE's certified provider for the Continuous Emission Monitoring Systems ("CEMS") and Predictive Emission Monitoring Systems ("PEMS")

Recognised as Petronas MLNG Grade "A" contractor for Petronas LNG Complex Predictive Emission Monitoring System (PEMS) project

Ranked #1 in Makkah Health Monitoring

Awarded the 2017 IKM President Laboratory Award (Commercial Testing Laboratories) for excellent achievement in the development of the professionalism and practice in chemistry

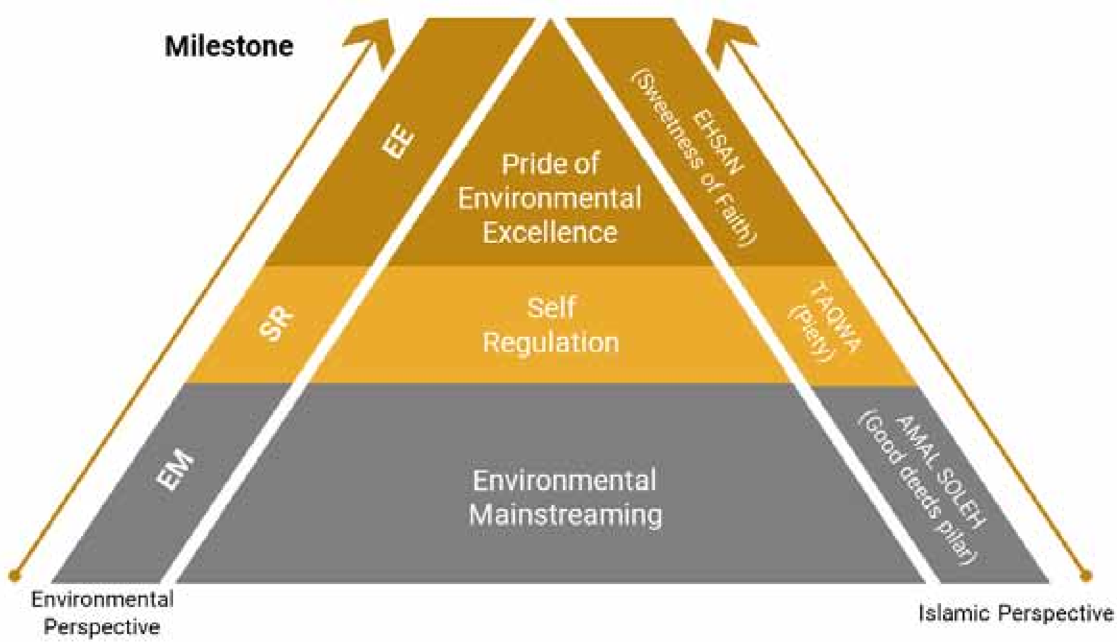
1st international commercial Halal Panel laboratory approved by JAKIM in Malaysia

ENVIRONMENTAL SUSTAINABILITY

Business for Environment	Technology for Environment	Process for Environment
Our products aids companies to comply with environmental regulations which ultimately contribute to a cleaner environment and healthier nation.	Our technology is not only environmental friendly but also catalyst in environmental protection.	Activities within the company which are environmentally cautious.
DESCRIPTIONS	**DESCRIPTIONS**	**DESCRIPTIONS**
Monitor the level of emission from selected industries Lab Testing (Environmental, Food, Pharmaceutical and Tribology)	Innovative waste water treatment technology (Bi-Act Predictive Emission Monitoring System (PEMS) Drinking Water Monitoring	Ensure e-waste contractor complies with DOE requirements Ensure workshops carry out proper e-waste disposal
TARGET GROUP	**TARGET GROUP**	**TARGET GROUP**
Any industries applied to Environmental Quality Act 1974 and Food Safety Act	Developers and IWK Oil & Gas Industrial Player Utilities Provider	PICORP's employees, subsidiaries, suppliers and sub-contractors
OUTCOMES	**OUTCOMES**	**OUTCOMES**
Helps improved the quality of air and water Compliance to Food Safety Act	- Low power consumption - Land saving - Low sludge yield - Excellent effluent quality	Improve the quality of environment by recycling, proper e-waste disposal, scheduled waste management and selection of environmental friendly vendor
ACHIEVEMENT	**ACHIEVEMENT**	**ACHIEVEMENT**
• Received DOE approval as Mobile CEMS and PEMS certified provider • Environmental Quality Monitoring (Air & Water) for Government of Malaysia (1995-2017) • Halal Panel Lab appointed by JAKIM	• 2017 Frost & Sullivan – Malaysia Sewage Treatment Technology Innovation Award (Bi-Act-SDO Hybrid Waste Water Technology) • Grade A Contractor Performance Assessment by Petronas MLNG	Improve the quality of environment by recycling, proper e-waste disposal, scheduled waste management and selection of environmental friendly vendor

Intention

Department of Environment's Goal: Self Regulation



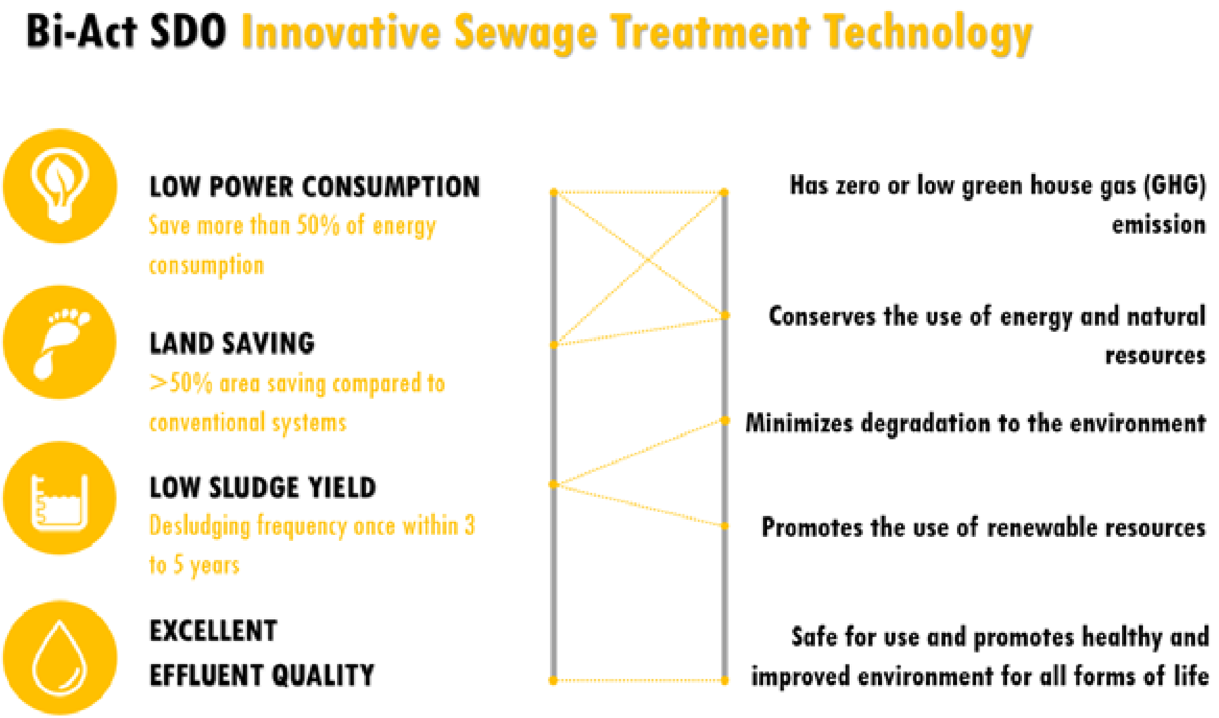
Adopted from Guided Self-Regulation ("GSR"), Department of Environment (2017)

Environmental Awareness

Training	Audience	No. of Participants
Water Quality Monitoring	EiMAS	20
Isokinetic, CEMS and PEMS Practical Training for Departmental of Environment	EiMAS	20

Technology for Environment

1 Bi-Act SDO



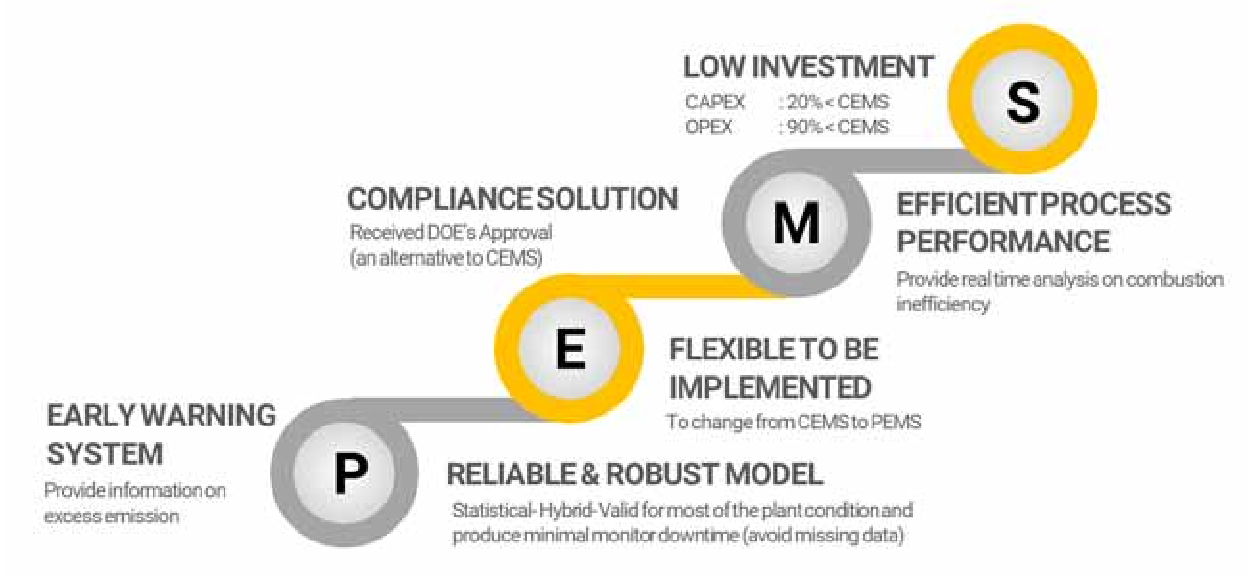
Example of Land Saving using Bi-Act SDO

	SDO Area	Conventional System	% of Land Saving
Project A (19,950 PE)	5,058m3	11,735m3	56%
Project B (8,635 PE)	2,708m3	6,272m3	56%
Project C (785 PE)	750m3	915m3	18%

The table above shows that the Bi-Act SDO technology provides land saving up to 50% compared to the conventional system. For project A and B, the percentage of land saving is 56% while land saving for Project C is about 18%. It demonstrates that the bigger capacity of a wastewater plant, the higher percentage of land saving.

2 Predictive Emission Monitoring System ("PEMS")

A Predictive Emission Monitoring System uses an advanced software model to predict emission rates of various sources such as Boilers, Gas Turbine, Furnace, Cogenerations, etc. PEMS utilises existing inputs from the process control system to determine the emission rates of various pollutants that are regulated. In other words, PEMS is an air emission monitoring system that helps us to monitor the emission data and control pollutants released into the atmosphere which may be detrimental to environmental sustainability.



COMMUNITY SUSTAINABILITY

"We care about the communities that sustain our business and we are committed to giving back to these communities through long-term partnerships, volunteer efforts and targeted social investments."

Gifts and Donations

RM66,817 **to the community compared to RM70,563 in 2016**

School Students	University Students	Charity Homes	Other Community
School Adoption Programme	Internship Programme Free Food	Philanthropic & Homeless	Local employment Blood Donation Aidilfitri Open House and Celebration

SCHOOL STUDENTS

To help the nation produce more *Hafiz* and *Hafizah*, we have established a School Adoption Programme where we contributed RM24,000/year (RM2,000 monthly). Besides, zakat contribution to other schools are as below:

Zakat Contribution

2017 | RM252,521	**Benefited 16 schools and 1,986 students**
2016 | RM161,191	**Benefited 13 schools and 1,733 students**

University Students

Knowledge Sharing Session with the Management and Science University (MSU) students

This Corporate Social Responsibility programme involves sharing and dissemination of industrial practical knowledge to the academics. While the global education remains focused on graduate skills and employability, the absence of a shared communication between student, academic and industry stakeholder groups reflects that defining industry skills requirements is both essential and challenging. Under this knowledge sharing programme, ALS Malaysia imparts essential industrial related laboratory technical knowledge for Science students from local tertiary education establishment.

Community

OSH Day and Blood Donation Campaign was organized to create health and safety awareness and encourage blood donation awareness among PICORP employees and the community. Activities held included Blood Donation by National Blood Centre ("NDC"), Free Health Screening, Light Exercise, Health Talk and Safety, and Health Booths.

On the other hand, ALS Malaysia was appointed by JAKIM as one of their *Halal* panel laboratories on July 25, 2017. Being one of JAKIM's official panel laboratories, ALS Malaysia put in place essential *Halal* training programmes to educate the staffs and keep abreast with the latest technology trends in the realm of *Halal*. ALS Malaysia carried out this *Halal* Awareness Training on November 9, 2017 with Institut Penyelidikan Produk Halal UPM (IPPH UPM) to introduce the meaning of halal and segments related to halal product and services available not only in Malaysia but also globally. Objectives of this training is to learn more about *Halalan Toyyiban* and *Haram* concept according to Science and *Syariah* perspectives. The trainer also provided the insights on basics in *Halal* industry that includes *Halal* market, prospects and basic Islamic transactions.

PICORP Group Raya Open House was held on July 14, 2017 to celebrate *Aidilfitri* festive season with our stakeholders. We invited our suppliers, customers, *tahfiz* students and public in the neighbourhood to celebrate with us. The objectives are to maintain good relationship and foster harmony among PICORP's stakeholders.

CONCLUSION

A sustainable financial performance balanced with a healthy performance on environmental, social and corporate governance (ESG) issues require persistent and long-term effort. Hence, we remain committed to achieving more milestones in our marketplace, workplace, environmental and community sustainability in the coming years to provide a better and healthier living environment for all.

“Surely with every difficulty, there is relief”

5

ACCOUNTABILITY

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Progressive Impact Corporation Berhad ("PICORP or the Company") presents this statement to provide the shareholders and investors with an overview of the Corporate Governance ("CG") practices of the Company under the leadership of the Board during the financial year ended 31 December 2017 ("FY 2017"). This overview takes guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance ("MCCG").

This statement is made pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") with guidance drawn from Practice Note 9 of the MMLR and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia.

This overview statement is to be read together with other statements in this Annual Report, namely the Statement on Risk Management and Internal Control, Audit Committee Report and Sustainability Report as well as the CG Report 2017 ("CG Report") which is available at the Company's website, www.picorp.com.my.

The Board considers that the Company has complied with the Practices of MCCG in all material aspects except for the following Practices: -

- Practice 4.1 (At least half of the board comprises independent directors);
- Practice 6.1 (The board has in place policies and procedures to determine the remuneration of Senior Management);
- Practice 7.2 (The board discloses on a named basis the top five senior management's remuneration component in bands of RM50,000).

The explanation for departures is disclosed in the CG Report.

EMBRACING THE CG CULTURE

In building a sustainable business and discharging its regulatory role, the Board is mindful of its accountability to the shareholders and various stakeholders of the Company. Towards this endeavour, the Board is committed to cultivating a responsible organisation by ensuring excellence in CG standards at all time.

The Board believes that a robust and dynamic CG framework is essential to form the bedrock of responsible and responsive decision making by the Group, hence the PICORP Way Values – *Process Excellence, Innovative, Competitive, Obedient to Allah, Result Oriented* & *Peak Performance* in which we have closely embraced for many years still remains true and congruous.

The Group regularly reviews its CG arrangements and practices to ascertain if they reflect prevailing norms, market dynamics, emerging trends, developments in the regulatory tapestry and evolving stakeholder expectations. Premised on the belief that improving CG is aspirational in nature, the Group will continue to enhance its daily business activities to ensure that they are guided by their pledge in expressing honesty, treasuring selflessness and generating trust.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board is responsible for the CG practices of the Group. Being at the helm of the Group, the Board governs the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group. The Board determines the strategic objectives and policies of the Group, and ensures effective leadership through oversight on management and robust monitoring of the activities and performance of the Group.

In order to ensure orderly and effective discharge of the above functions and responsibilities of the Board, it has established various Board Committees with delegation of specific responsibility areas, as depicted below:-

BOARD OF DIRECTORS
Responsible for providing stewardship and oversight of the Group's business affairs

Audit Committee ("AC")	Nominating Committee ("NC")	Remuneration Committee ("RC")	Board Risk Management Committee ("BRMC")
Reviews financial reporting, internal controls, related party transactions and conflict of interest, internal audit as well as external audit processes	Reviews candidates for Board appointment and re-appointment as well as annual assessment of the Board, Board Committees and Directors	Reviews and oversees the administration of remuneration policies and procedures of Directors and Senior Management	Oversees the overall risk management activities and approves appropriate risk management framework and procedures and measurement methodologies for the Group

Corporate Risk Management Committee ("CRMC")
Designs, proposes, implements and monitors the overall risk management framework and procedures for the Group

The Board retains collective oversight over the above Board Committees. These Board Committees have been constituted with clear terms of reference and they are actively engaged to ensure that the Group is in adherence to good CG practices.

In fostering a strong CG culture within the Group, the Board has always strived for the highest standard of CG practice and adopted the same as a "way of life" in every aspect of the organization. The Chairman leads the Board by setting the tone at the top and managing the Board effectiveness by focusing on strategy, governance and compliance.

The Board has formalised a Board Charter which sets out the ethos of the Group, structure and authority of the Board. The Board Charter is a comprehensive reference document for Directors on matters relating to the Board and its processes. It also sets out the roles and responsibilities of the Board, the individual Directors, Senior Independent Director as well as the Senior Management. As documented in the Board Charter, the positions of the Chairman and Group Chief Executive Officer are held by different individuals with clear and distinct roles.

On 20 November 2017, the Board updated the Board Charter and Terms of Reference of the various Board Committees, to be in line with the practices in the MCCG.

Additionally, the Company has also put in place the Whistleblowing Policy as an avenue for employees and stakeholders to report genuine concerns about malpractices, unethical behaviour, misconduct or failure to comply with regulatory requirements without fear of reprisal. Whistleblowing reports can be addressed directly to the Chairman of the Board or Chairman of the AC via their mobile numbers and email addresses. Staff have been notified via email that any information received including the identity of the individual who discloses such information shall be provided with the legal protection accorded under the Whistleblower Protection Act 2010 (ACT 711). All reports and information received shall be investigated and acted upon accordingly.

Further details pertaining to the Board Charter, Terms of Reference of various Board Committees and Whistleblowing Policy are set out in the CG Report, and these documents can be found at the Company's website, www.picorp.com.my.

The Directors allocate ample time to discharge their responsibilities effectively and attend Board and Board Committee meetings with sufficient regularity to deliberate on matters under their purview. Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. During the year, the Board has deliberated on business strategies and critical issues concerning the Group, including business plan, annual budget and financial results. The attendance of individual Directors at Board and Board Committees meetings during FY 2017 are outlined below: -

BOARD MEETING	DATE
01/2017	27 February 2017
02/2017	17 April 2017
03/2017	22 May 2017
04/2017	21 August 2017
05/2017	20 November 2017

Directors	Number of Meetings Attended				
	Board	AC	NC	RC	BRMC
Chairman / Senior Independent Non-Executive Director					
Datuk Abdul Hamid bin Sawal	5/5	4/4	2/2	1/1	N/A
Executive Directors					
Zaid bin Abdullah	4/5	N/A	N/A	N/A	N/A
Dato' Dr Lukman bin Ibrahim	4/5	3/4	1/2	1/1	4/4
Non-Independent Non-Executive Directors					
Zaidah binti Mohd Salleh	5/5	4/4	N/A	N/A	N/A
Usamah bin Zaid	5/5	N/A	N/A	N/A	N/A
Independent Non-Executive Directors					
Dato' Hajjah Rosnani binti Ibarahim	5/5	2/2	2/2	1/1	4/4
Lee Weng Chong	4/5	N/A	N/A	N/A	N/A

In performing their duties, the Board members have full access to the Company Secretaries, who are qualified to act under the Companies Act 2016 and provide advisory to the Board, particularly on CG issues and compliance with the relevant policies and procedures, laws and regulatory requirements in addition to the administrative matters.

The Board members are guided by the Code of Ethics for Directors issued by the Companies Commission of Malaysia. They are expected to observe high ethical business standards of honesty and integrity and apply these values in all aspects of the business and professional practices in line with the PICORP Way Values. The Directors shall also continue to act in good faith in the best interest of the Company and its shareholders.

2. Board Composition

The Board recognises that diversity brings a wide range of perspectives and diverse set of competencies, experience and knowledge that enable the Group to keep pace with the changing dynamics of the business environment and retain its competitive advantage.

At present, the Board is made up of seven members comprising one Independent Non-Executive Chairman, one Executive Deputy Chairman, one Group Executive Director, two Independent Non-Executive Directors and two Non-Independent Non-Executive Directors.

Appointments to the Board are made through the NC via a formal, thorough and transparent process, taking into account objective criteria such as qualifications, skills, experience, professionalism, integrity and diversity needed on the Board in the context of the Group's strategic direction.

The NC currently has the following members, both of whom are Independent Non-Executive Directors:

(a) Datuk Abdul Hamid bin Sawal – Chairman
(b) Dato' Hajjah Rosnani binti Ibarahim

In accordance with the Constitution of the Company, all Directors who are appointed by the Board may only hold office until the next following Annual General Meeting ("AGM") subsequent to their appointment and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM.

The Constitution provides that at least one-third of the Board shall retire from office at least once in every three years.

Pursuant to the Board Charter, an Independent Director whose tenure has exceeds a cumulative term of nine years may continue to serve on the Board subject to re-designation as a Non-Independent Director. The Board shall justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine years. If the Board continues to retain the Independent Director after the twelfth year, the Board shall seek annual shareholders' approval through a two-tier voting process – Tier 1: large shareholders and Tier 2: other shareholders.

The Board, through the NC, conducts an annual review of its size and composition to determine if the Board has the right size and composition to support the Company's objectives and core values. Based on the assessment conducted on 27 February 2018, the Board was of the view that the Company has a well-balanced Board with good representation of female directors and members having diverse skill sets and core competencies. The Board was also satisfied that there was a mutual respect amongst Directors which contributed to effective and robust decision-making process.

The Board, through the NC, also assesses the independence of the Independent Directors annually. Based on the annual assessment carried out on 27 February 2018, the Board was satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during deliberations at the Board and Board Committee meetings. In view thereof, the Board will be tabling a resolution to retain Mr Lee Weng Chong as an Independent Director for shareholders' approval at the upcoming AGM of the Company based on the following justifications:

(a) the Board is of the view that a Director's independence cannot be determined arbitrarily with reference to a set period of time;
(b) the Group greatly benefits from the services of Mr. Lee Weng Chong, who has an acute understanding of the Group's corporate history and business;
(c) Mr Lee Weng Chong has devoted sufficient time and commitment to discharge his responsibilities as an Independent Director;
(d) Mr Lee Weng Chong has consistently demonstrated thoughtfulness in his approach, asks tough questions and offers sound advice;
(e) the Board has assessed Mr. Lee Weng Chong to be independent in character and judgment, independent of management and free from any relationships or circumstances which are likely to affect or could appear to affect his judgment.

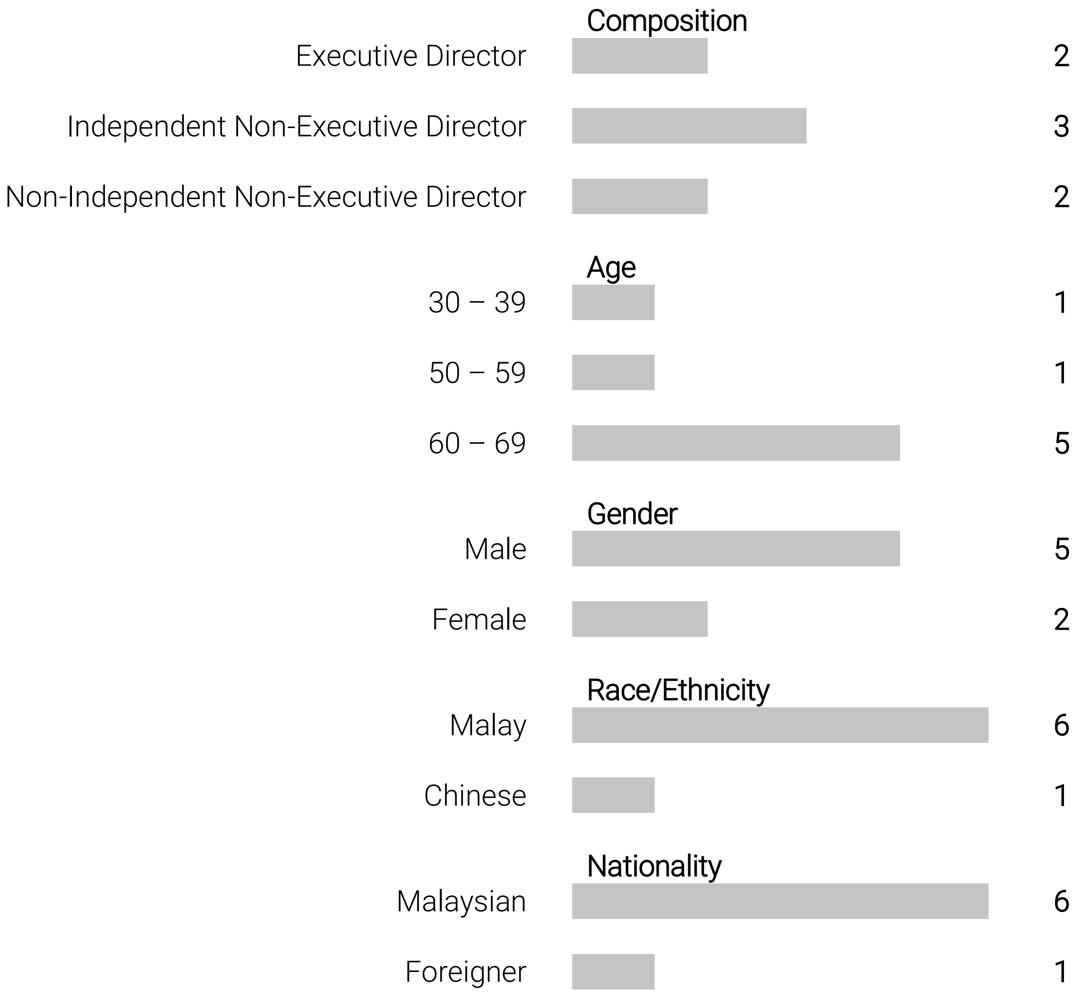
Some activities carried out by the NC in FY 2017 in discharge of its duties are as below:

- carried out the annual assessment on the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director and reported to the Board. The assessment considered the contribution and performance of Directors on their competency, time commitment, integrity and experience in meeting the needs of the Group. The evaluation process involved a peer and self-review assessment;
- assessed the independence of the Independent Non-Executive Directors and reported the same to the Board;
- reviewed and made recommendations to the Board on the re-election of Directors based on the assessments conducted;
- assessed the character, experience, integrity and competence of the Group Chief Executive Officer and Group Chief Financial Officer and their time in discharging their respective roles;

- recommended the Board to seek shareholders' approval at the 25th AGM to allow Mr Lee Weng Chong to continue to serve as an Independent Director; and
- reviewed and recommended the appointment of an additional AC member to the Board.

The Company is committed to the positive promotion of equality, diversity and inclusion in its workforce throughout the Group. The Company is an equal opportunity employer and does not practise discrimination of any form, regardless age, gender, race and religion, throughout the organization. On 27 February 2017, the Company adopted the Boardroom Diversity Policy. The Board currently has two female Directors and a female alternate Director.

BOARD DIVERSITY



In response to Bursa Malaysia's requirement for the inclusion of Management Discussion and Analysis and Sustainability Statement in Annual Report, the Board had invited a trainer from Tricor Knowledge House Sdn Bhd on 13 March 2017 to conduct a training session on those two topics. The training provided the Board with awareness and appreciation to the principles and desired outcomes of the practices. For more details on other training attended by Directors during FY 2017, please refer to the CG Report.

3. Remuneration

The Company aims to set remuneration at levels which are sufficient to attract and retain high caliber Directors and Senior Management needed to run the business successfully, taking into consideration all relevant factors particularly with the vast expansion of international business in Saudi Arabia.

As for oversight on remuneration matters, the Board has established the RC which comprises the following members, all of whom are Independent Non-Executive Directors:

(a) Datuk Abdul Hamid bin Sawal – Chairman
(b) Dato' Hajjah Rosnani binti Ibarahim
(c) Mr Lee Weng Chong

The RC implements policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of the Board and Senior Management.

Detailed disclosures on the remuneration of individual Directors are provided in the CG Report. With regard to the details on the remuneration of Senior Management, the Board is of the view that the disclosure in accordance with the recommended practice in the MCCG will not only be detrimental to the interest of the Group but also to the individuals concerned. The Board will take steps to ensure that the remuneration of Senior Management commensurate with their individual performance, taking into consideration the Company's performance and that the Company is in line with the industry in order to retain and motivate the personnel.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee ("AC")

The AC comprises three Independent Non-Executive Directors and one Non-Independent Non-Executive Director. One of the AC members is a member of the Malaysian Institute of Accountants. The composition of AC is reviewed annually by the NC. With the view of maintaining an independent and effective AC, members of AC shall be financially literate, possess the appropriate level of expertise and experience and have a strong understanding of the Group's business.

The AC undertakes an annual assessment of the suitability and independence of the External Auditors. On 27 February 2018, the AC carried out the annual exercise and having given consideration to the following criteria, the AC had recommended the Board to table the External Auditors' re-appointment at the 26th AGM for shareholders' approval:

(a) experience, level of service, the adequacy of their resources and the level of knowledge and competency of the audit team;
(b) the quality and scope of the planning of the audit in assessing risks and how External Auditors maintained or updated the audit plan in response to changing risks and circumstances;
(c) ability to provide constructive observation and recommendations on areas requiring improvements;
(d) communication to the AC about new and applicable accounting practices and auditing standards and the impact on the Company's financial statements; and
(e) level of engagement with the AC.

The details of the AC and its activities are set out in the AC Report of this Annual Report.

2. Risk Management and Internal Control Framework

The Board is cognizant that a robust risk management and internal control framework helps the Group to achieve its value-creation targets by providing risk information to enable better formulation of the Group's strategies and decision making.

The Board fulfils its responsibilities in the risk governance and oversight functions through its BRMC in order to manage the overall risk exposure to the Group. Whilst BRMC assessed and monitored the efficacy of the risk management activities and controls, the adequacy and effectiveness of the internal controls were reviewed by the AC in relation to the internal audit function for the Group.

The Group has established policies and framework for the oversight and management of material business risks. The BRMC, through the CRMC (a management-level committee), maintains detailed risk registers which are reviewed and updated on quarterly basis. Meetings of BRMC are scheduled ahead of Board meetings to ensure that the key focus areas of risks are promptly reported and deliberated at the Board meetings.

The Board is of the view that the system of internal control and risk management in place during the year under review, is sound and sufficient to safeguard the Group's assets, as well as shareholders' investments, and the interests of customers, regulators, employees and other stakeholders. Further information on the Group's risk management and internal control framework is made available on the Statement on Risk Management and Internal Control of this Annual Report.

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

1. Communication with Stakeholders

The Group ensures that its communication with the shareholders and various stakeholders is transparent, timely and with quality disclosure. The Group, in its effort to maintain high standard for the dissemination of material information of the Group to the stakeholders, had in early 2017 revamped its website to showcase the Group in the best possible light.

The Group has also engaged an external consultant to manage the Investor Relation section in the Group's website to ensure immediate broadcast on the Group's material information which include Annual Report, unaudited quarterly results, announcement to Bursa Malaysia, stock information, policies and statements, etc.

The following digital marketing fanpage were created to share information on activities of the Group, product knowledge, etc. and serve as alternative channels to reach out to a broader range of the public, shareholders and interested parties: -

- Progressive Impact Corporation Berhad
- picorp_berhad
- Picorp Berhad

2. Conduct of General Meetings

The Group is of the view that the AGM is an important means of communicating with its shareholders to address their concerns. At the 25th AGM held on 22 May 2017, all Directors were present to engage directly with the shareholders and be accountable for their stewardship of the Company. The Chairman invited the members, corporate representatives and proxies who were present to raise questions pertaining to the Company's Audited Financial Statements and proposed resolutions set out in the Notice of the 25th AGM, before putting the resolution to vote by poll.

The Group Chief Executive Officer, Group Chief Financial Officer and the External Auditors were also present to respond to the shareholders' queries.

This CG Overview Statement was approved by the Board on 12 April 2018.

AUDIT COMMITTEE REPORT

This Audit Committee Report provides insights into the manner in which the Audit Committee ("AC") discharged its functions during the financial year ended 31 December 2017 ("FY 2017").

COMPOSITION

All AC members are Non-Executive Directors; three being Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The composition of the AC meets the requirement of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The AC currently comprises the following members:-

DIRECTOR	DESIGNATION
Lee Weng Chong Chairman	Independent Non-Executive Director
Datuk Abdul Hamid bin Sawal	Senior Independent Non-Executive Director
Dato' Hajjah Rosnani binti Ibarahim	Independent Non-Executive Director
Zaidah binti Mohd Salleh Member of Malaysian Institute of Accountants.	Non-Independent Non-Executive Director

The Chairman of the AC during FY 2017 was Dato' Dr Lukman bin Ibrahim. On 1 March 2018, Mr Lee Weng Chong was appointed as a member and Chairman of the AC in place of Dato' Dr Lukman bin Ibrahim, who was re-designated as the Group Executive Director.

The Nominating Committee is tasked by the Board to carry out annual assessment of the performance of the AC and its members. On 27 February 2018, the Nominating Committee carried out the annual evaluation exercise and reported its findings to the Board. The Board was satisfied that the AC and its members had discharged their duties and responsibilities in accordance with the AC's Terms of Reference ("TOR").

The TOR of the AC was last reviewed on 20 November 2017 to reflect the requirements of the applicable practices of the Malaysian Code of Corporate Governance ("MCCG") and is available on the Company's website, www.picorp.com.my.

MEETINGS

The AC held a total of four (4) meetings during FY 2017 and the details of attendance of the AC members are as follows:

Name of Director	1st AC Meeting	2nd AC Meeting	3rd AC Meeting	4th AC Meeting	Total attendance in FY 2017
	27/02/2017	17/04/2017	21/08/2017	20/11/2017	
Lee Weng Chong *	N/A	N/A	N/A	N/A	N/A
Datuk Abdul Hamid bin Sawal	√	√	√	√	4/4
Zaidah binti Mohd Salleh	√	√	√	√	4/4
Dato' Hajjah Rosnani binti Ibarahim **	N/A	N/A	√	√	2/2
Dato' Dr Lukman bin Ibrahim ***	√	√	x	√	3/4

* *Appointed as member and Chairman of AC on 1 March 2018*
** *Appointed as member of AC on 21 August 2017*
*** *Resigned as member and Chairman of AC on 1 March 2018*

The AC meets on a scheduled basis at least once every quarter. The Executive Deputy Chairman, Group Chief Executive Officer, Group Chief Financial Officer and internal auditors also attend the meetings by invitation to facilitate direct communication and provide clarification on audit issues and the Group's operations. The External Auditors are also invited to attend some of the AC meetings. Minutes of each AC meeting is recorded by the Company Secretary and tabled for confirmation at the next following AC meeting and subsequently presented to the Board for notation. The Chairman of the AC also reports to the Board after every AC meeting. This is to ensure that the Board is aware of matters that may significantly impact the financial conditions or affairs of the business.

Both the External and Internal Auditors have direct access to the AC and the AC has explicit right to convene meeting with the Internal and External Auditors without the presence of other Directors and employees.

SUMMARY OF WORK

Below are some of the AC's works during FY 2017:

1. Financial Reporting

   a. In overseeing PICORP's financial reporting, the AC reviewed the quarterly financial statements for the fourth quarter of 2016 and the first, second and third quarters of 2017 and recommended the Board to approve the quarterly financial statements.

   b. The Group's quarterly financial statements were reviewed for compliance with the following: -

      i. Appropriate accounting policies had been adopted and applied consistently;
      ii. Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards ("MFRS");
      iii. Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRS and MMLR and other statutory and regulatory requirements;

iv. The quarterly financial statements did not contain material misstatements and gave a true and fair view of the financial position of the Company and Group.

2. External Audit

a. During the AC meeting held on 27 February 2017, the AC carried out an annual review of the performance of the External Auditors, Ernst & Young ("EY") including the assessment of their independence. The assessment was made based on the following factors:-

i. EY's experience, level of service, the adequacy of their resources and level of knowledge and competency of the audit team;
ii. the quality and scope of the planning of the audit in assessing risks and how EY maintained or updated the audit plan in response to changing risks and circumstances;
iii. EY's ability to provide constructive observation and recommendations on areas requiring improvements;
iv. EY's communication to the AC about new and applicable accounting practices and auditing standards and the impact on the Company's financial statements; and
v. EY's level of engagement with the AC.

The AC was satisfied with EY's independence and suitability and recommended the Board to table the reappointment of EY as External Auditors of the Company at the 25th Annual General Meeting.

b. The AC deliberated on EY's draft Audited Financial Statements for financial year ended 31 December 2016 ("AFS 2016") on 17 April 2017. During the meeting, the AC received confirmation that EY was and had been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements, including the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants. EY further highlighted the key audit matters, as set out in the AFS 2016. At the meeting, the AC also reviewed the results and issues arising from EY's audit of the year-end financial statements and their resolution of such issues highlighted in their report.

c. On 20 November 2017, the AC reviewed EY's Audit Planning Memorandum ("APM") outlining their scope of work, strategy and the proposed fees for the statutory audit for FY 2017. EY in its APM also presented to the AC its engagement team, audit timeline, the areas of audit emphasis and their focus on key audit matters with reference to the International Standard on Auditing 701. The AC noted that FY 2017 would be the Company's first reporting year in compliance with the Companies Act 2016.

d. The AC had private meetings with the External Auditors on 27 February 2017 and 20 November 2017 without the presence of the Executive Board members and Management. The AC enquired about Management's co-operation with the External Auditors, their sharing of information, proficiency, and adequacy of resources in financial reporting functions, particularly in relation to new accounting standards.

3. Internal Audit

a. The Internal Auditors, Baker Tilly Monteiro Heng Governance Sdn Bhd ("BT"), conducted the internal audit works as per the 2017 Internal Audit Plan approved by the AC on 27 February 2017. BT presented the internal audit reports and follow-up review reports at each of the AC meetings during the year.

b. The annual Internal Audit Plan was developed through a comprehensive planning process that identifies and prioritises possible auditable areas to be part of the audit coverage for the year with proposed timeline and reporting dates. The identified key audit areas in 2017 were focusing on the following subsidiaries: -

   i. Alam Sekitar Malaysia Sdn Bhd;
   ii. ALS Technichem (M) Sdn Bhd;
   iii. Alam Sekitar Eco-Technology Sdn Bhd;
   iv. PT ALS Indonesia; and
   v. Saudi Asma Environmental Solutions LLC.

c. The AC deliberated on internal audit reports prepared by BT, assessed the findings highlighted and appraised the adequacy and effectiveness of Management's response in resolving the audit issues reported.

d. The AC deliberated on the follow-up review reports issued by the Internal Auditor and assessed the status of corrective actions taken by the Management in implementing the agreed action plan within the agreed timeline.

e. The AC had a private meeting with BT on 27 February 2017 without the presence of the Executive Board and Management.

f. On 27 February 2017, the AC assessed the performance of BT and was satisfied with their performance.

4. Related Party Transactions

a. The AC reviewed the quarterly updates on the recurrent related party transactions entered into by the Group to ensure the transactions were at arm's length.

b. During the meeting on 17 April 2017, the AC reviewed the draft Circular to Shareholders relating to shareholders' mandate for recurrent related party transactions of revenue or trading nature and to purchase its own ordinary share of up to 10% of the issued and paid-up share capital of Company, prior to recommending it for Board's approval.

INTERNAL AUDIT FUNCTION

The objective of engaging professional Internal Auditors is to enhance and protect organizational value of the Group by providing risk-based and objective assurance, advice and insight. BT helps the Group with independent assessment to accomplish its objectives with systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes.

The Internal Auditors engagements were carried out based on the APM. At the conclusion of the Internal Audit reviews, the weaknesses, recommended corrective actions to be taken and Management's response were highlighted. Subsequently, follow-up reviews were conducted to ensure that corrective actions were implemented by the Management accordingly. The findings of the audits in their reports were first elaborated and reviewed by the Audit Committee, which would then be presented to the Board of Directors.

During the financial year, internal audit reviews were carried out on the following areas: -

- *Alam Sekitar Malaysia Sdn Bhd and Alam Sekitar Eco-Technology Sdn Bhd*
  - Business development and sales
  - Project implementation and management
  - Revenue and receivables
  - Fixed assets and inventory management
  - IT controls (access, system security and support controls including back-up and recovery management)

- *ALS Technichem (M) Sdn Bhd*
  - IT controls (access, system security and support controls including back-up and recovery management)
  - Fixed assets and inventory management
  - Sales and customer service
  - Reporting controls
  - Revenue and receivables

- *PT ALS Indonesia*
  - IT controls (access, system security and support controls including back-up and recovery management)
  - Fixed assets and inventory management
  - Sales and customer service
  - Reporting controls
  - Revenue and receivables

- *Saudi Asma Environmental Solutions LLC*
  - Human resource management and payroll controls
  - Fixed assets and inventory management
  - Billing and collection
  - Receivables and credit control management
  - Procurement and receiving controls

The total cost incurred for the internal audit function in FY 2017 amounted to RM96,273 (2016: RM80,000).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

THIS STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL IS IN LINE WITH PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD AND STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL: GUIDELINES FOR DIRECTORS OF LISTED ISSUERS.

THE BOARD OF DIRECTORS ("THE BOARD") OF PROGRESSIVE IMPACT CORPORATION BERHAD ("PICORP" OR "THE GROUP") IS PLEASED TO PROVIDE THIS STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL WHICH OUTLINES THE NATURE OF RISK MANAGEMENT AND INTERNAL CONTROL WITHIN THE GROUP FOR THE FINANCIAL YEAR UNDER REVIEW.

INTRODUCTION

The Board is committed to ensuring that a sound system of risk management and internal controls as well as good corporate governance practices are disseminated throughout the Group. Risk management and internal control are integrated and embedded into management processes in all day to day business activities of the Group.

RESPONSIBILITY AND ACCOUNTABILITY

THE BOARD

The Board is ultimately responsible for the Group's system of risk management and internal control which includes the establishment of an appropriate control environment and review of its adequacy and integrity on a regular basis to ensure its effectiveness. The Board has delegated the risk and governance responsibility to the Board Risk Management Committee ("BRMC") which ensures independent oversight of internal control and risk management. Notwithstanding the delegated responsibilities, the Board acknowledges its overall responsibility in the establishment and oversight of the Group's risk management framework and internal control systems of the Group.

The Board is cognizant of the fact that its role in providing risk oversight sets the tone and culture towards managing key risks that may impede the achievement of the Group's business objectives within acceptable risk profile. The Board also acknowledges that the internal control systems are designed as a tool to manage and minimise rather than eliminate occurrences of risks or material misstatement or unforeseeable circumstances, fraud or losses.

BOARD AND CORPORATE RISK MANAGEMENT COMMITTEES

The BRMC assists the Board to ensure effective implementation of appropriate systems to manage overall risk exposure of the Group. BRMC which consists of two (2) Board members, assists the Board in discharging its overall responsibility for risk oversight within the Group. Specifically, the BRMC oversees the overall risk management processes, reviews and identifies key risks and ensures that the infrastructure, resources, processes and systems for risk management are in order.

In discharging its responsibilities, the BRMC is assisted by the Corporate Risk Management Committee ("CRMC") of which the Group Chief Financial Officer ("GCFO ") is the Chairman. The members of CRMC comprise the Heads of Subsidiaries as well as the Head of Group Human Resource Management and Group Legal Department. The responsibilities of CRMC include implementing the risk management processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as needed, and for providing assurance to the Board that the processes have been carried out accordingly.

The BRMC and CRMC are all governed by clearly defined Terms of Reference ("TORs") which can be referred on the Group's website.

GROUP RISK AND COMPLIANCE (GRC) UNIT

In December 2016, the GRC unit was established to further facilitate the risk management processes within the Group. The GRC unit is responsible for developing, coordinating and facilitating risk management processes within the Group. In order to improve the level of risk awareness among the Senior Management and employees of the Group, the GRC team organised a series of refresher workshops on risk management processes with case studies on risk identification and assessment process during the first half of 2017. This was followed by one-on-one sessions with the respective risk owners to further engage the employees in the risk management processes. In addition, to facilitate the ownership and accountability in the risk management process, the Group implemented a web-based risk management portal known as PICORPRizk.Net during the financial year ended 31 December 2017. The objectives of PICORPRizk.Net are:

- To facilitate and enhance the effectiveness and efficiency of risk management.
- To enhance the accountability of the risks and the action plans whereby the risk owners shall update the risk register and thereafter be validated by the head of departments/subsidiaries.

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

The Group's risk management practices are generally aligned with the principles of ISO 31000. The Group adopts a risk management framework that is integrated into and where appropriate embedded into the day-to-day business activities and management decision framework of the Group. Supporting this broader risk management framework is an internal control system that facilitates the internal control design and operating effectiveness to manage key risks.

Key aspects of the Group's overall risk management and internal control framework are selectively outlined below, where they provide assurance that the framework is adequate and effective for the purposes of this Statement.

Risk Management Framework

The Board has approved the Group Enterprise Risk Management Framework ("ERM Framework") via the BRMC, which outlines the parameters to assess the severity of each risk profile. A top down review of enterprise level risks through CRMC and BRMC meetings were conducted as part of the process to ensure that the risks deemed critical to the Group are identified, assessed and where required addressed. The ERM Framework outlines the requirement of ERM integration with the key business processes. During the period under review, the ERM integration with the key business processes has been initiated which includes annual budgeting, new investments evaluation and projects monitoring.

Risk Management Process

An ongoing process to identify, evaluate, manage and report significant risks that may affect the achievement of the Group's business objectives is in place. Departments and subsidiaries are responsible for managing risks within their respective areas of responsibilities and required to conduct risk reviews on an annual basis following which the respective risk scorecards are signed-off digitally. Key risks are highlighted to the BRMC. The Board is dedicated to strengthening the Group's risk management framework to manage its key business risks within the Group and implement appropriate risk management and internal control system to manage its significant risks.

A database of risks and controls information is captured in the format of risk registers. Key risks of key business units are identified, assessed and categorised based on the established risks parameters, to highlight the source of risk, their severity of impacts and the magnitude of likelihood of occurrence. All the risk profiles are presented to the CRMC chaired by the GCFO on a monthly basis before being tabled to the BRMC on a quarterly basis for deliberation and approval.

The Management continuously strives to improve the related processes to ensure that the risk management processes are embedded and regarded as an effective management tool.

Internal Control System

Organisational Structure & Authorisation Procedures	The Group maintains a formal organisational structure that includes clear delegation of responsibilities and accountability. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures within the internal control system of the Group's various business units.
Annual Business Plan	An annual budget is prepared by the Management and tabled to the Board for approval. Periodic monitoring is carried out to measure the actual performance against budget in order to identify any significant variances arising and facilitate the formulation and implementation of remedial action plans.
Group Policies and Procedures	Documented policies and procedures are in place and regularly reviewed and updated so as to ensure that it maintains its effectiveness and continues to support the Group's business activities as the Group continues to grow.
Human Resource Policy	The Group has in place, a comprehensive Human Resource Policy and Procedure Manual.
Monitoring and Review	Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performance of the Group. Monthly management accounts containing key financial results, operational performances and comparison of actual performance against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board for their review and approval. The Board also plays an active role in deliberating and reviewing the business plans, strategies, performance and risks faced by the Group.
Management by Objective (MBO)	The Group has also in place a "Management by Objective" (MBO) which linked to and guided by annual targets and accountability. MBO helps in defining and measuring progress towards attaining organisation goals. MBOs are quantifiable measurements, agreed to beforehand, that reflect the critical success factors of an organization. A series of goal-setting and coaching sessions have been introduced since 2014 to help the management to enhance staff performance.

Internal Audit Function

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

During the financial year ended 31 December 2017, internal audit reviews were carried out in accordance with the approved risk based internal audit plan. Findings from the internal audit reviews, including the recommended corrective actions, were presented to the Audit Committee in their quarterly scheduled meetings. In addition, follow-up reviews were also conducted on a regular basis to ensure that corrective actions have been implemented on a timely manner.

Based on the internal audit review conducted, none of the weaknesses noted has resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this Annual Report.

Whistleblowing Policy

The Whistleblowing Policy was developed to enable any individuals to raise concerns regarding the Group. The policy was established to achieve two (2) primary objectives as follows: -

- To provide a safe working environment and acceptable condition for staff or any other stakeholders to raise concerns so that it can be addressed in an independent and unbiased manner; and
- To provide an internal mechanism for the organisation to be notified about concerns at the workplace and further if required, take any action deemed appropriate.

ASSURANCE BY GROUP EXECUTIVE DIRECTOR (GED) AND GCFO

In relation to the risk management and internal control process, GED and the GCFO to the best of their ability and knowledge confirm that the Group's risk management and internal control system is operating adequately and effectively as at 31 December 2017.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

The Statement has been reviewed by the External Auditors for the inclusion in the annual report of the PICORP Group for the financial year ended 31 December 2017. The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of the internal controls.

CONCLUSION BY THE BOARD OF DIRECTORS

The Board considers the system of risk management and internal controls described in this statement to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment. The Board and Management will continue to take measures to strengthen the control environment and monitor the health of the risk management and internal controls framework.

For the financial year under review, the Board is satisfied with the system of risk management and internal controls which has not resulted in any material loss, contingency or uncertainty. The Board believes that the development of the system of risk and internal controls is an on-going process and has taken steps throughout the year to improve its risk management and internal control system and will continue to do so. This statement is made in accordance with a resolution of the Board dated 12 April 2018.

DIRECTORS' RESPONSIBILITY STATEMENT

IN PREPARING THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 to prepare the financial statements for each financial year which have been drawn up in accordance with the Malaysian Financial Reporting Standards (MFRSs), the International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act 2016 in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company at the end of the financial years, the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:-

- adopted appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company shall keep proper accounting records which disclose the financial position of the Group and the Company with reasonable accuracy and to enable them to ensure that the financial statements comply with the Companies Act 2016.

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

This statement was approved by the Board of Directors on 12 April 2018.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

   There were no proceeds raised from corporate proposals during the financial year ended 31 December 2017.

2. Options, Warrant or Convertible Securities

   There were no options, warrants or convertible securities issued by the Company during the financial year. The Company did not have an Employee Share Scheme in existence during the financial year.

3. Recurrent Related Party Transactions ("RRPT")

   The breakdown of aggregate value of transactions conducted during the financial year is as follows: -

Company Involved	Transacting Parties	Categories of Recurrent Transactions	Actual Value Transacted During the Financial Year(RM)	Interested Directors / Major Shareholders and Persons Connected to Them
Alam Sekitar Malaysia Sdn Bhd ("ASMA")	Progressive Impact Technology Sdn Bhd ("PITECH")	Reselling of predictive emission monitoring system by PITECH as a non-exclusive distributor for ASMA	Nil	PITECH is a company in which Zaid and Zaidah are directors with shareholdings of 72% in PITECH held through ZKSB and Johar is a director of PITECH with 10% interest in PITECH. Dato' Dr Lukman is also a director of PITECH. Usamah and Fatimah Zahrah are also deemed interested by virtue of their family relationship to Zaid and Zaidah
PICORP	PITECH	Rental of 6,122 sq. ft of office space in Mercu PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam to PITECH	135,189	

Company Involved	Transacting Parties	Categories of Recurrent Transactions	Actual Value Transacted During the Financial Year(RM)	Interested Directors / Major Shareholders and Persons Connected to Them
PICORP	IAM-Wonderware Sdn Bhd ("IAM-Wonderware")	Rental of office space of 7,934 sq. ft. in Mercu PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor to IAM-Wonderware	162,737	IAM-Wonderware is a company in which Zaid is a Director and Zaidah and Johar are shareholders with shareholdings of 30% held through PITECH. Dato' Dr Lukman is a director of IAM-Wonderware and Johar ceased to be the director of IAM-Wonderware with effect from 1 March 2018. Usamah and Fatimah Zahrah are also deemed interested by virtue of their family relationship to Zaid and Zaidah.
PICORP	Foxboro (M) Sdn Bhd ("Foxboro")	Rental of 15,057 sq. ft. of office space in Mercu PICORP, Lot 10 Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam to Foxboro	501,426	Foxboro is a company in which Zaid and Zaidah are directors and Johar is a shareholder with shareholdings of 51% held through PITECH. Dato' Dr Lukman is a director of Foxboro and Johar ceased to be the director of Foxboro but is an alternate director to Dato' Dr Lukman. Usamah and Fatimah Zahrah are also deemed interested by virtue of their family relationship to Zaid and Zaidah.

Company Involved	Transacting Parties	Categories of Recurrent Transactions	Actual Value Transacted During the Financial Year(RM)	Interested Directors / Major Shareholders and Persons Connected to Them
PICORP	Untung Aquaculture Sdn Bhd ("Untung Aqua")	Rental of 22.5 acres of leasehold land located at Lot No. PT 7605, Mukim of Lumut, Manjung, Perak to Untung Aqua	22,800	Untung Aqua is a company in which Zaid is a director and shareholder and Zaidah is a shareholder with 100% interest in Untung Aqua held through ZKSB. Zaidah ceased to be a director of Untung Aqua with effect from 7 November 2017. Usamah and Fatimah Zahrah are also deemed interested by virtue of their family relationship to Zaid and Zaidah.
PICORP	Cosasco Sdn Bhd ("Cosasco")	Rental of 2,151 sq. ft of office space in Mercu PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam to Cosasco	54,205	Cosasco is a company in which Zaid, Dato' Dr. Lukman and Johar are directors. Cosasco is a wholly-owned subsidiary of Progressive Impact Engineering Sdn Bhd which in turn is wholly owned by PITECH.

4. Material Contracts

There were no material contracts entered into by the Company or its subsidiaries involving Directors' and major shareholders' interest during the financial year during ended 31 December 2017.

5. Non-Audit Fees

The fees paid/payable to the external auditor, Messrs. Ernst & Young, for the financial year ended 31 December 2017 are as follows: -

	Group (RM)	Company (RM)
Audit	293,000	203,000
Non-Audit	7,000	7,000
Total	**300,000**	**210,000**

Information on the list of properties is available at the Company's website www.picorp.com.my .

FINANCIAL STATEMENTS

6

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 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding, property investment and the provision of management and administrative services to its subsidiaries.

The principal activities of the subsidiaries are described in Note 14(a) to the financial statements.

Results

	Group RM	Company RM
Profit net of tax	7,508,692	5,336,410
Profit attributable to:		
Owners of the parent	1,006,104	5,336,410
Non-controlling interest	6,502,588	–
	7,508,692	5,336,410

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2016 were as follows:

	RM
In respect of the financial year ended 31 December 2016:	
Final dividend of 0.61 sen per share on 656,779,900 ordinary shares approved on 22 May 2017 and paid on 30 June 2017	4,006,188

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2017 of 0.50 sen per share on 656,699,000 ordinary shares amounting to dividend payable of RM3,283,495 will be proposed for shareholders' approval. The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 31 December 2018.

DIRECTORS

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

Zaid bin Abdullah**
Zaidah bt Mohd Salleh**
Datuk Abdul Hamid bin Sawal
Dato' Hajjah Rosnani Binti Ibarahim
Dato' Dr. Lukman bin Ibrahim**
Usamah bin Zaid**
Fatimah Zahrah binti Zaid (alternate director to Zaidah bt Mohd Salleh)
Lee Weng Chong

**These directors are also directors of the Company's subsidiaries.

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report, excluding those who are already listed above are:

Nadzrah binti Hashim
Johar bin Yusoff
Gregory Francis Kilmister
Greg Gordon Affleck
Timothy James kilmister
Zainah binti Zaid
Rajesh M Naran
Dr. Chin Teen Teen
Herizal

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that 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 have received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 33 to the financial statements.

INDEMNITIES TO DIRECTORS OR OFFICERS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the director or officer of the Company, other than disclosed in Note 7 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	1.1.2017	**Acquired**	**Sold**	**31.12.2017**
Direct interest:				
Zaid bin Abdullah*	47,925,100	–	–	47,925,100
Zaidah bt Mohd Salleh*	8,769,400	–	–	8,769,400
Lee Weng Chong	1,050,000	–	–	1,050,000
Usamah bin Zaid **	112,000	–	–	112,000
Fatimah Zahrah binti Zaid **	110,300	–	–	110,300
Indirect interest:				
Zaid bin Abdullah and Zaidah bt Mohd Salleh	309,933,622	481,300	–	310,414,922

* Both of these Directors are in a spousal relationship
** These Directors are the children of Zaid bin Abdullah and Zaidah bt Mohd Salleh

	Number of ordinary shares			
	1.1.2017	**Acquired**	**Sold**	**31.12.2017**
Subsidiary - ALS Technichem (M) Sdn. Bhd.				
Direct:				
Zaid bin Abdullah	9,000	–	–	9,000

The directors, by virtue of their interest in the shares of the Company, are deemed interested in the shares of all the Company's subsidiaries to the extent the Company has an interest.

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

Treasury shares

During the financial year, the Company acquired 80,900 of its own ordinary shares. The total amount paid to acquire the shares was RM11,628. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

As at 31 December 2017, the Company held as treasury shares a total of 1,301,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM201,592 and further relevant details are disclosed in Note 25 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the statements of 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 any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

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

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

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

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

(e) As 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.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations when they fall due; and

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

SIGNIFICANT EVENTS

The significant events during the year are disclosed in Note 14 to the financial statements.

SUBSEQUENT EVENT

Details of subsequent event is disclosed in Note 37 to the financial statements.

AUDITORS

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

Auditors' remuneration are disclosed in Note 9 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 April 2018.

Zaid bin Abdullah **Datuk Abdul Hamid bin Sawal**

STATEMENT *BY DIRECTORS*

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Zaid bin Abdullah and Datuk Abdul Hamid bin Sawal, being two of the directors of Progressive Impact Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 114 to 197 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 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 12 April 2018.

Zaid bin Abdullah

Datuk Abdul Hamid bin Sawal

STATUTORY *DECLARATION*

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Nadzrah binti Hashim, being the officer primarily responsible for the financial management of Progressive Impact Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 114 to 197 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 Nadzrah binti Hashim
at Shah Alam in Selangor
on 12 April 2018

Nadzrah binti Hashim

Before me,

INDEPENDENT
AUDITORS' REPORT
TO THE MEMBERS OF PROGRESSIVE IMPACT CORPORATION BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Progressive Impact Corporation Berhad, which comprise statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of 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 a summary of significant accounting policies and other explanatory information, as set out on pages 114 to 197.

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 2017, 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.

Key audit matters

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

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

<u>Impairment assessment of investment in subsidiaries</u>

(Refer to Note 2.2(f), Note 3.2(i) and Note 14 to financial statements)

MFRS 136 – Impairment of Assets ("MFRS 136") requires an entity to assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, management should estimate the recoverable amount of the assets. Given the significance judgement and estimates involved in the assessment of the recoverable amount, we have identified the impairment of investment in subsidiaries as an important area of our audit.

The losses reported by the Company's subsidiary, Saudi ASMA Environmental Solution LLC ("SAES"), indicated that the carrying amount of the investment in subsidiary may be impaired. Accordingly, the Company estimated the recoverable amount of its cash generating units ("CGUs") based on value-in-use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the investment in SAES, and discounting them at an appropriate rate.

Our audit procedures included, among others obtaining an understanding of the methodology adopted by the management in estimating the VIU and assessed whether such methodology is consistently applied with those used in the industry. We also evaluated the assumptions to which the recoverable amount of the CGU is most sensitive such as future revenue, profit margin, the timing of the future cash flows, the revenue growth rate as well as the discount rate used.

We have assessed and tested the key assumptions used by management to estimate the projected cash flows for the CGU as follows:

i) enquired the project teams to obtain an understanding of the status of negotiations and the likelihood of securing the significant revenue contracts;

ii) evaluated the reasonableness of the estimated profits to be derived from those significant revenue contracts by comparing the estimated profits with the actual profits derived from similar completed contracts in previous years;

iii) involved our internal valuation experts to assess the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset; and

v) assessed the sensitivity of the cash flows to changes in the discount rate and revenue growth rate.

In addition, we also evaluated the Company's disclosures of each key assumption on which the Company has based its cash flow projections and to which the CGU's recoverable amount is most sensitive, as disclosed in Note 14 to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Group's 2017 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Group's 2017 Annual Report, which is expected to be made available to us after the date of this auditors' report.

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

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

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

When we read the Group's 2017 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the 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:

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Najihah Binti Khalid
No. 03249/10/2018 J
Chartered Accountant

Kuala Lumpur, Malaysia

12 April 2018

STATEMENTS OF
COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	4(a)	83,876,301	87,402,041	10,449,022	18,634,948
Other income	5	2,650,656	4,467,678	5,307,160	4,328,059
Cost of sales	4(b)	(22,197,950)	(17,761,502)	(1,340,518)	(1,563,620)
Staff costs	6	(26,949,214)	(25,726,252)	(4,332,589)	(3,741,988)
Depreciation and amortisation		(7,367,903)	(7,989,077)	(1,003,351)	(1,254,030)
Other operating expenses		(15,905,604)	(33,128,309)	(2,584,672)	(24,448,530)
Profit/(loss) from operations		14,106,286	7,264,579	6,495,052	(8,045,161)
Finance costs	8	(1,282,588)	(977,112)	(1,113,938)	(1,041,975)
Profit/(loss) before tax	9	12,823,698	6,287,467	5,381,114	(9,087,136)
Taxation	10	(5,315,006)	(8,460,686)	(44,704)	(366,366)
Profit/(loss) net of tax		7,508,692	(2,173,219)	5,336,410	(9,453,502)
Other comprehensive income to be reclassified to profit or loss in subsequent period:					
Foreign currency translation					
- recognised during the year		(2,135,990)	1,068,882	–	–
- transfer to profit or loss upon disposal		–	1,544,868	–	–
Actuarial gain on retirement benefit		66,212	–	–	–
Other comprehensive (loss)/ income for the year, net of tax		(2,069,778)	2,613,750	–	–
Total comprehensive income/(loss) for the year		5,438,914	440,531	5,336,410	(9,453,502)
Profit/(loss) attributable to:					
Owners of the parent		1,006,104	(7,406,670)	5,336,410	(9,453,502)
Non-controlling interest		6,502,588	5,233,451	–	–
		7,508,692	(2,173,219)	5,336,410	(9,453,502)
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		357,967	(6,124,834)	5,336,410	(9,453,502)
Non-controlling interest		5,080,947	6,565,365	–	–
		5,438,914	440,531	5,336,410	(9,453,502)

Earnings/(loss) per share (sen) attributable to owners of the parent

	Note	2017	2016
Basic/Diluted	11	0.2	(1.1)

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

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Assets					
Non current assets					
Property, plant and equipment	12	39,032,480	45,070,945	524,783	792,685
Investment properties	13	37,908,940	38,598,558	41,902,838	42,592,456
Investment in subsidiaries	14	–	–	15,586,357	2,796,522
Prepaid land lease payment	15	933,318	1,054,388	200,000	225,000
Goodwill on consolidation	16	860,972	860,972	–	–
Deferred tax assets	29	54,293	–	–	–
		78,790,003	85,584,863	58,213,978	46,406,663
Current assets					
Inventories	17	432,678	630,498	–	–
Trade and other receivables	18	33,335,960	33,017,205	26,239,318	43,552,805
Amount due from customer on contract	19	2,188,725	1,070,208	–	–
Tax recoverable		2,759,512	4,360	93,986	–
Other current financial assets	20	7,406,901	14,998,952	37,222	35,030
Cash and bank balances	21	29,829,518	30,446,498	7,346,134	7,108,002
		75,953,294	80,167,721	33,716,660	50,695,837
Total assets		154,743,297	165,752,584	91,930,638	97,102,500

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Equity and liabilities					
Current liabilities					
Trade and other payables	22	15,955,305	24,715,173	18,658,876	25,020,402
Borrowings	23	21,753,923	21,218,425	98,839	243,920
Income tax payable		753,508	989,859	–	83,154
		38,462,736	46,923,457	18,757,715	25,347,476
Non current liabilities					
Retirement benefit obligation	24	1,914,683	1,615,865	926,324	792,734
Deferred tax liabilities	29	2,980,366	2,702,536	249,334	283,619
		4,895,049	4,318,401	1,175,658	1,076,353
Total liabilities		43,357,785	51,241,858	19,933,373	26,423,829
Equity attributable to owners of the parent					
Share capital	25	65,970,290	65,800,000	65,970,290	65,800,000
Share premium	26	–	170,290	–	170,290
Treasury shares	25	(201,592)	(189,964)	(201,592)	(189,964)
Other reserves	27	(329,665)	318,472	–	–
Retained earnings	28	19,141,916	22,142,000	6,228,567	4,898,345
		84,580,949	88,240,798	71,997,265	70,678,671
Non-controlling interest		26,804,563	26,269,928	–	–
Total equity		111,385,512	114,510,726	71,997,265	70,678,671
Total equity and liabilities		154,743,297	165,752,584	91,930,638	97,102,500

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

CONSOLIDATED STATEMENT OF *CHANGES IN EQUITY*

FOR THE YEAR ENDED 31 DECEMBER 2017

		Attributable to equity holders of the Company							
		|<-------------- Non-distributable -------------->|							
Group	**Note**	**Share capital RM (Note 25)**	**Share premium RM (Note 26)**	**Treasury shares RM (Note 25)**	**Other reserves RM (Note 27)**	**Distributable Retained earnings RM**	**Total RM**	**Non-controlling interest RM**	**Total equity RM**
At 1 January 2017		65,800,000	170,290	(189,964)	318,472	22,142,000	88,240,798	26,269,928	114,510,726
Total comprehensive income		–	–	–	(648,137)	1,006,104	357,967	5,080,947	5,438,914
Transactions with owners									
Transfer of share premium in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017	25	170,290	(170,290)	–	–	–	–	–	–
Purchase of treasury shares	25	–	–	(11,628)	–	–	(11,628)	–	(11,628)
Dividends paid to non-controlling interest		–	–	–	–	–	–	(4,546,312)	(4,546,312)
Dividends	30	–	–	–	–	(4,006,188)	(4,006,188)	–	(4,006,188)
At 31 December 2017		65,970,290	–	(201,592)	(329,665)	19,141,916	84,580,949	26,804,563	111,385,512
At 1 January 2016		65,800,000	170,290	(26,628)	(963,364)	31,060,821	96,041,119	27,447,723	123,488,842
Total comprehensive income		–	–	–	1,281,836	(7,406,670)	(6,124,834)	6,565,365	440,531
Transactions with owners									
Purchase of treasury shares	25	–	–	(163,336)	–	–	(163,336)	–	(163,336)
Dividends paid to non-controlling interest		–	–	–	–	–	–	(7,743,160)	(7,743,160)
Dividends	30	–	–	–	–	(1,512,151)	(1,512,151)	–	(1,512,151)
At 31 December 2016		65,800,000	170,290	(189,964)	318,472	22,142,000	88,240,798	26,269,928	114,510,726

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

STATEMENT OF
CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

Company	Note	Share capital RM (Note 25)	Share premium RM (Note 26)	Treasury shares RM (Note 25)	Retained earnings RM (Note 28)	Total equity RM
		Attributable to equity holders of the Company				
		|<---------------Non Distributable--------------->|			Distributable	
At 1 January 2017		65,800,000	170,290	(189,964)	4,898,345	70,678,671
Total comprehensive income		–	–	–	5,336,410	5,336,410
Transaction with owners						
Transfer of share premium in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017	25	170,290	(170,290)	–	–	–
Purchase of treasury shares		–	–	(11,628)	–	(11,628)
Dividends	30	–	–	–	(4,006,188)	(4,006,188)
At 31 December 2017		65,970,290	–	(201,592)	6,228,567	71,997,265
At 1 January 2016		65,800,000	170,290	(26,628)	15,863,998	81,807,660
Total comprehensive income		–	–	–	(9,453,502)	(9,453,502)
Transaction with owners						
Purchase of treasury shares		–	–	(163,336)	–	(163,336)
Dividends	30	–	–	–	(1,512,151)	(1,512,151)
At 31 December 2016		65,800,000	170,290	(189,964)	4,898,345	70,678,671

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

STATEMENT OF *CASH FLOWS*

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash flows from operating activities					
Profit/(loss) before tax		12,823,698	6,287,467	5,381,114	(9,087,136)
Adjustments for:					
Depreciation		7,246,257	7,859,360	978,351	1,229,030
Amortisation of prepaid lease rental		121,646	129,717	25,000	25,000
Provision for retirement benefit obligations		316,395	187,921	133,590	133,590
Loss on disposal of foreign operations		–	1,571,222	–	–
(Gain)/loss on disposal of property, plant and equipment, net		(1,277,432)	(590)	(27,000)	3,348
Loss on write off of property, plant and equipment		354,268	–	–	–
Impairment of other receivables		–	23,454	50,454	23,161,798
Impairment of trade receivables		207,386	1,087,951	–	–
Reversal of impairment of receivables		(282,104)	(23,127)	–	–
Fair value (gain)/loss of other current financial assets		(169,153)	(38,706)	(2,192)	78,664
Unrealised foreign exchange loss/(gain)		910,604	(2,137,370)	172,474	(1,982,557)
Finance cost		1,282,588	977,112	1,113,938	1,041,975
Dividends received		–	–	(7,100,000)	(14,670,000)
Profit income from deposits		(357,161)	(365,305)	(213,701)	(217,025)
Profit income from intercompany loans		–	–	(465,404)	(2,104,471)
Dividend from unit trust		(210,925)	(338,932)	(307)	(24,006)
Inventories written off		–	281,944	–	–
Impairment of goodwill		–	10,898,499	–	–
Reversal of impairment of other receivables		–	–	(29,343,263)	–
Impairment of investment of subsidiaries		–	–	25,584,993	–
Operating profit/(loss) before working capital changes		20,966,067	26,400,617	(3,711,953)	(2,411,790)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities (cont'd.)				
Operating profit/(loss) before working capital changes (brought forward)	20,966,067	26,400,617	(3,711,953)	(2,411,790)
Working capital changes:				
(Increase)/decrease in receivables	(4,124,599)	14,420,697	3,491,274	(16,351,647)
Decrease in work-in-progress	–	90,806	–	–
(Decrease)/increase in payables	(4,283,485)	(11,902,862)	3,494,237	7,112,354
Cash generated from/(used in) operations	12,557,983	29,009,258	3,273,558	(11,651,083)
Financing cost paid	(1,282,588)	(977,112)	(1,113,938)	(1,041,975)
Taxation paid	(7,422,918)	(9,151,255)	(256,129)	(373,759)
Net cash generated from/(used in) operating activities	3,852,477	18,880,891	1,903,491	(13,066,817)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	5,107,119	37,210	27,000	–
Withdraw/(placement) of unit trust	7,592,051	(7,666,444)	–	–
Purchase of property, plant and equipment	(6,246,678)	(9,033,266)	(20,831)	(141,856)
Subsequent expenditure on investment properties	–	(14,153)	–	(14,153)
Investment in new foreign subsidiary	–	–	(354,000)	–
Settlement to non-controlling interest	(4,468,639)	–	(4,468,639)	–
Net cash outflow from disposal of foreign operations	–	(835,093)	–	–
Net dividend received	–	–	7,100,000	14,670,000
Profits received from deposits	357,161	365,305	213,701	217,025
Dividend from unit trust	210,925	338,932	307	24,006
Movement in restricted deposits	503,617	(211,614)	(203,617)	(211,614)
Net cash generated from/(used in) investing activities	3,055,556	(17,019,123)	2,293,921	14,543,408

		Group		Company	
		2017	**2016**	**2017**	**2016**
		RM	**RM**	**RM**	**RM**
Cash flows from financing activities					
Drawdown/(repayment) of loans and borrowings		1,141,873	(1,258,340)	–	–
Purchase of treasury shares		(11,628)	(163,336)	(11,628)	(163,336)
Dividend paid		(4,006,188)	(1,512,151)	(4,006,188)	(1,512,151)
Dividend to non-controlling interest		(4,546,312)	(7,743,160)	–	–
Net cash used in financing activities		(7,422,255)	(10,676,987)	(4,017,816)	(1,675,487)
Net (decrease)/increase in cash and cash equivalents		(514,222)	(8,815,219)	179,596	(198,896)
Cash and cash equivalents at beginning of the year		3,991,167	12,806,386	(47,084)	151,812
Cash and cash equivalents at end of the year		3,476,945	3,991,167	132,512	(47,084)
Cash and cash equivalents:					
Cash and bank balances	21	29,829,518	30,446,498	7,346,134	7,108,002
Overdraft	23	(18,937,790)	(19,544,165)	(98,839)	(243,920)
		10,891,728	10,902,333	7,247,295	6,864,082
Less: Restricted deposits		(7,414,783)	(6,911,166)	(7,114,783)	(6,911,166)
		3,476,945	3,991,167	132,512	(47,084)

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 5.02, Mercu PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong Business and Technology Centre, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company are that of investment holding, property investment and the provision of management and administrative services to its subsidiaries.

The principal activities of the subsidiaries are described in Note 14(a).

The financial statements were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 12 April 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The financial statements are presented in Ringgit Malaysia (RM).

As of 1 January 2017, the Group and the Company had adopted new, amendments and revised MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 2.3.

2.2 Summary of significant accounting policies

(a) Basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee by way of existing rights that give it the current ability to direct the relevant activities of the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (Cont'd)

(a) Basis of consolidation (cont'd.)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including but not limited to:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assessed whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interest at the reporting period, being the portion of the net assets of the subsidiaries attributable to equity interest that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statements of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date. Acquisition costs incurred are expensed and included in administrative expenses. The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition. The accounting policy for goodwill is set out in Note 2.2(e). Discount on acquisition which represents negative goodwill is recognised immediately as income in profit or loss.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (Cont'd)

(a) Basis of consolidation (cont'd.)

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

If the Group loses control over a subsidiary, at the date the Group loses control, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their respective carrying amounts.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration or distribution received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment charges. Dividends received from subsidiaries are recorded as a component of revenue in the Company's separate profit or loss.

(b) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Foreign currencies (cont'd.)

(ii) Foreign currency transactions

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

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

	2017	**2016**
	RM	**RM**
United States Dollar	4.06	4.49
Saudi Riyal	1.08	1.20
Australian Dollar	3.17	3.24
Singapore Dollar	3.04	3.10
European Euro	4.85	4.72
Indonesia Rupiah	0.03	0.03

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) 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, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and 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.

Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Buildings	2% - 10%
Renovation	20%
Plant and machinery	12.5% - 20%
Motor vehicles	20%
Office equipment	20%
Furniture and fittings	20%

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.

(d) Investment properties

Investment properties are measured at cost, including transaction costs, less accumulated depreciation and accumulated impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in Note 2.2(c).

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Investment properties (cont'd.)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

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

(e) Goodwill on consolidation

Goodwill on consolidation 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 the 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.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.2(b)(iii).

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

(g) Financial assets

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

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

The 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.

(i) 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Financial assets (cont'd.)

(i) 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 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 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 is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group and the Company designate its other current financial assets as financial assets at fair value through profit or loss.

(ii) 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.

The Group and the Company designate trade and other receivables and cash and bank balances as loans and receivables.

(iii) Held-to-maturity investments

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

The Group and the Company did not have any held-to-maturity investments during the year ended 31 December 2017.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Financial assets (cont'd.)

(iv) 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.

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 and the Company's right to receive payment is established.

Investment 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.

The Company have designates its other investments as available-for-sale financial assets meanwhile the Group did not have any available-for-sale financial asset during the year ended 31 December 2017.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way of purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commits to purchase or sell the asset.

(h) Impairment of financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Impairment of financial assets (cont'd.)

(i) 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.

If in a subsequent year, 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.

(ii) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Impairment of financial assets (cont'd.)

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

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.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with banks with an original maturity of 3 months or less, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's and the Company's cash management, less restricted deposits.

(j) Construction contracts

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

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

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

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(k) 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:

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

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and 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.

(m) Financial liabilities

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

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

(i) 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 fair value through profit or loss.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) Financial liabilities (cont'd.)

(ii) Other financial liabilities

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

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 has 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.

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

(n) 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.

(o) Share capital

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(p) Employee benefits

(i) 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 Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme.

The Group has established an unfunded fixed contribution planned for its eligible key management personnel. The fixed contribution is recognised as an expense in the period which the related services is performed by the key management personnel. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) Defined benefit plan

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit 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. Actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations adjusted for unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(q) Leases

(i) 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.

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.

(ii) 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.

(r) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Sale of goods

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(r) Revenue (cont'd.)

(ii) Rendering of services

Revenue from services rendered is recognised net of taxes and discount as and when the services are performed.

(iii) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.2(j).

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) Management fees

Management fees are recognised when services are rendered.

(vi) Dividend income

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

(vii) Rental income

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

(s) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the period, using the statutory tax rate at the reporting date, and any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Taxation (cont'd.)

(ii) 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, associates and interests in joint ventures, 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, associates and interests in joint ventures, 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.

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 utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Taxation (cont'd.)

(ii) Deferred tax

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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the authority, in which case it is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are recognised inclusive of GST.

The net amount of GST, being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in other receivables or other payables in the statements of financial position.

(t) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

(u) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(v) 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.

(w) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options exercised during the reporting period are satisfied with treasury shares.

(x) Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same; and
- discounted cash flow analysis or other valuation models.

Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(x) Fair value measurement (cont'd.)

(ii) Non-financial assets

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

- Level 1 -Quoted prices (unadjusted) in active markets for identifical assets and liabilities.
- Level 2 -Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 -Inputs for the asset or liability that are not based on observable market data (unobservable input).

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

2.3 Changes in accounting policies

On 1 January 2017, the Group and the Company has adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017.

Descriptions	**Effective for annual periods beginning on or after**
MFRS 107 Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRS Standards 2014–2016 Cycle: Amendments to MFRS 12 Disclosure of Interests in Other Entities	1 January 2017

The adoption of the above pronouncements did not have any significant impact to the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 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.

Descriptions	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRSs Standards 2014 - 2016 Cycle: MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
Annual Improvements to MFRSs Standards 2014 - 2016 Cycle: MFRS 128 Investments in Associates and Joint Ventures	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Investment in Associates and Joint Ventures Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
MFRS 119 Employee Benefits (Amendments to MFRS 119)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle: MFRS 3 Business Combinations	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle: MFRS 11 Joint Arrangements	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle: MFRS 112 Income Taxes	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle: MFRS 123 Borrowing Costs	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
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

The adoption of the above pronouncements is not expected to have material impact on the financial statements of the Group and the Company in the period of initial application except as mentioned below:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (cont'd.)

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, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During 2017, the Group has performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts MFRS 9.

Based on the analysis of the Group's financial assets and liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's financial statements as follows:

(i) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI will, instead be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI, and therefore, the application of MFRS 9 will not have a significant impact.

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 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.

(ii) Impairment

The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects that there will be no significant financial impact to the financial statement.

(iii) Hedge accounting

The Group are not involved with hedging treatment, hence MFRS 9 will not have any impact on the Group's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (cont'd.)

MFRS 15 Revenue from Contracts with Customers

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

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

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

The Group and the Company have performed a preliminary impact assessment of adopting MFRS 15 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group and the Company adopts MFRS 15 in 2018.

Based on its assessment, the directors do not expect that the application of MFRS 15 will result in significant impacts on the financial statements of the Group and the Company other than additional disclosures to be provided.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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, and the disclosure of contingent 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 Judgements made in applying accounting policies

In the process of applying Group's accounting policies, management does not make any significant judgements which may have significant effort on the amount recognised in the financial statements.

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:

(i) Impairment assessment of investments in subsidiaries

The Company assessed whether there is any indication that an investment in subsidiary may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review. The impairment review comprises a comparison of the carrying amounts and estimated recoverable amounts of the investments.

Judgments made by the management in the process of applying the Company's accounting policies in respect of investment in subsidiaries includes determination whether its investments are impaired following certain indications or impairment such as, amongst others, prolonged shortfall between market value carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment.

During the financial year, management has assessed that investment in a subsidiary has indicators of impairment. Management has applied the discounted cash flow method of valuation to estimate the recoverable value of the specific individual investment. This method requires management to make certain assumptions concerning the future. These assumptions and other key sources of estimation uncertainty at reporting date, may have a significant risk of causing material adjustment of the carrying amounts of the investment within the next financial year. Assumptions by the management may include, amongst others, assumption on expected future revenue, profit margin, the timing of the future cash flows, revenue growth rate and discount rate used for purposes of discounting future cash flows which incorporates the relevant risk and expected future outcome based on certain past trends.

Further details of the carrying value, the key assumptions applied in the impairment assessment of investment in subsidiaries and sensitivity analysis to changes in the assumptions are given in Note 14.

4. (A) REVENUE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Provision of services	71,111,574	81,164,210	–	–
Construction contracts	9,885,292	2,758,846	–	–
Rental income	2,879,435	3,478,985	3,349,022	3,964,948
Dividend income from subsidiaries	–	–	7,100,000	14,670,000
	83,876,301	87,402,041	10,449,022	18,634,948

(B) COST OF SALES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Provision of services	13,648,441	13,978,779	–	–
Construction contracts	7,208,991	2,219,103	–	–
Direct operating expenses arising from investment properties	1,340,518	1,563,620	1,340,518	1,563,620
	22,197,950	17,761,502	1,340,518	1,563,620

5. OTHER INCOME

	Group		Company	
	2017 **RM**	**2016** **RM**	**2017** **RM**	**2016** **RM**
Profit income from deposits	357,161	365,305	213,701	217,025
Dividend from unit trust	210,925	338,932	307	24,006
Profit income from intercompany loans	–	–	465,404	2,104,471
Gain on disposal of property, plant and equipment	1,277,432	14,228	27,000	–
Foreign exchange gain				
- realised	–	4,158	–	–
- unrealised	–	2,405,531	–	1,982,557
Fair value gain of other current financial assets	169,153	38,706	2,192	–
Compensation for termination of contract	–	1,000,000	–	–
Reversal of impairment of trade receivables	282,104	–	–	–
Reversal of impairment of other receivables	–	–	4,436,146	–
Others	353,881	300,818	162,410	–
	2,650,656	4,467,678	5,307,160	4,328,059

6. STAFF COSTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, bonus and other emoluments	21,978,380	20,367,583	3,191,469	2,657,413
Social security cost	428,283	332,842	14,540	10,328
Pension costs:				
- defined contribution plan	2,128,884	2,334,041	424,386	383,084
- defined benefit plan	316,395	187,921	133,590	133,590
Termination benefits	573,586	579,673	–	–
Other staff related expenses	1,523,686	1,924,192	568,604	557,573
	26,949,214	25,726,252	4,332,589	3,741,988

Included in staff costs of the Group and of the Company are Executive Directors' and Non-Executive Directors' remuneration amounting to RM1,960,699 (2016: RM1,990,297) and RM1,730,025 (2016: RM1,797,270) respectively as further disclosed in Note 7.

7. DIRECTORS' REMUNERATION

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive:				
Salaries and other emoluments	1,017,422	992,553	872,593	880,346
Pension costs:				
- defined contribution plan	204,445	214,320	186,200	199,500
- defined benefit plan	133,590	133,590	133,590	133,590
Fees	60,242	66,000	48,000	48,000
Bonus	152,000	222,000	140,000	210,000
Benefits-in-kind	87,642	63,901	87,642	63,901
	1,655,341	1,692,364	1,468,025	1,535,337
Non-executive:				
Fees	151,358	133,933	138,000	121,933
Other remuneration	154,000	164,000	124,000	140,000
	305,358	297,933	262,000	261,933
Total	1,960,699	1,990,297	1,730,025	1,797,270

7. DIRECTORS' REMUNERATION (CONT'D)

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

	Number of Directors	
	2017	**2016**
Executive Directors:		
RM150,001 - RM200,000	–	1
RM200,000 - RM250,000	1	–
RM1,400,000 - RM1,450,000	1	–
RM1,500,001 - RM1,550,000	–	1
Non-Executive Directors:		
RM1 - RM50,000	2	2
RM50,001 - RM100,000	3	2
RM100,001 - RM150,000	–	1
	7	7

8. FINANCE COSTS

	Group		Company	
	2017 **RM**	**2016** **RM**	**2017** **RM**	**2016** **RM**
Profit charges on:				
Overdraft	1,282,588	977,112	11,772	14,431
Advance from subsidiaries	–	–	1,102,166	1,027,544
	1,282,588	977,112	1,113,938	1,041,975

9. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is stated after charging/(crediting):

	Group		Company	
	2017 **RM**	**2016** **RM**	**2017** **RM**	**2016** **RM**
Auditors' remuneration				
Statutory audits				
- Company's auditors	293,000	293,200	203,000	152,800
- Other auditors	77,348	119,234	–	–
Other services				
- Company's auditors	7,000	6,800	7,000	6,800
(Gain)/loss on disposal of property, plant and equipment	(1,277,432)	(590)	(27,000)	3,348
Loss on write off of property, plant and equipment	354,268	–	–	–
Loss on disposal of foreign operations	–	1,571,222	–	–
Lease rentals	16,774	4,358	15,676	–
Foreign exchange loss/(gain), net:				
- realised	1,035,856	(42,028)	252,873	–
- unrealised	910,604	(2,137,370)	172,474	(1,982,557)
Impairment of investments in subsidiaries	–	–	25,584,993	–
Impairment of trade receivables	207,386	1,087,951	–	–

9. PROFIT/(LOSS) BEFORE TAX (CONT'D.)

Profit/(loss) before tax is stated after charging/(crediting) (cont'd.):

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Reversal of impairment of other receivables:				
- recovered through payment	–	–	(4,436,146)	–
- recovered through debt capitalization	–	–	(24,907,117)	–
Reversal of impairment of trade receivables	(282,104)	(23,127)	–	–
Impairment of other receivables	–	23,454	50,454	23,161,798
Provision for retirement benefit obligations	316,395	187,921	133,590	133,590
Depreciation				
- Property, plant and equipment	6,556,639	7,169,725	288,733	539,395
- Investment properties	689,618	689,618	689,618	689,618
Amortisation of prepaid lease payment	121,646	129,717	25,000	25,000
Inventories written off	–	281,944	–	–
Impairment of goodwill	–	10,898,499	–	–
Fair value (gain)/loss of other current financial assets	(169,153)	(38,706)	(2,192)	78,664

10. TAXATION

	Group		Company	
	2017 **RM**	**2016** **RM**	**2017** **RM**	**2016** **RM**
Income tax:				
Malaysian income tax	3,485,867	6,719,918	77,015	322,155
Foreign income tax	1,286,870	1,308,215	–	–
	4,772,737	8,028,133	77,015	322,155
Under/(over) provision in prior year:				
Malaysian income tax	31,628	(16,896)	1,974	(34,581)
	4,804,365	8,011,237	78,989	287,574
Deferred tax (Note 29):				
Relating to origination/ (reversal) of temporary differences	508,956	426,426	(14,367)	72,252
Under/(over) provision in prior years	1,685	23,023	(19,918)	6,540
	510,641	449,449	(34,285)	78,792
Income tax expense recognised in profit or loss	5,315,006	8,460,686	44,704	366,366

Domestic current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

Taxation for foreign subsidiaries are calculated at the current rates prevailing in each respective countries.

10. TAXATION (CONT'D.)

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

	Group		Company	
	2017 **RM**	**2016** **RM**	**2017** **RM**	**2016** **RM**
Profit/(loss) before tax	12,823,698	6,287,467	5,381,114	(9,087,136)
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	3,077,688	1,508,992	1,291,467	(2,180,913)
Effect of taxation in other country	61,244	40,106	–	–
Effect of income not subject to tax	(299,397)	(129,403)	(2,832,386)	(3,923,579)
Effect of expenses not deductible for tax purposes	2,273,281	6,448,135	1,603,567	6,498,899
Under/(over) provision of income tax in prior year	31,628	(16,896)	1,974	(34,581)
Deferred tax liabilities recognised on withholding tax on foreign dividend	443,337	195,274	–	–
Under/(over) provision of deferred taxation	1,685	23,023	(19,918)	6,540
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(274,460)	–	–	–
Deferred tax asset not recognised during the year	–	391,455	–	–
Income tax expense recognised in profit or loss	5,315,006	8,460,686	44,704	366,366

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share amounts are calculated by dividing loss for the year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue held by the Company as at the date of the financial statements.

	2017	**2016**
Profit/(loss) attributable to ordinary equity holders of the Company (RM)	1,006,104	(7,406,670)
Number of ordinary shares for basic earnings per share computation* ('000)	656,699	656,780
Basic earnings/(loss) per share (sen)	0.2	(1.1)

* The number of shares takes into account the effect of changes in treasury shares transactions during the year.

(b) Diluted

For the current year, there are no instruments in issuance which will have a dilutive effect to the earnings per share of the Group.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM (Note a)	**Plant and machinery RM**	**Motor vehicles RM**	**Office equipment, furniture and fittings RM**	**Total RM**
Group					
2017					
Cost					
At 1.1.2017	23,565,547	72,105,928	8,554,448	18,390,312	122,616,235
Additions	687,440	3,636,369	801,446	1,121,423	6,246,678
Disposals	(4,287,575)	(33,913,878)	(1,166,424)	(842,679)	(40,210,556)
Write off	-	-	(931,226)	(1,347,694)	(2,278,920)
Exchange differences	(840,483)	(1,067,270)	(346,735)	(365,849)	(2,620,337)
At 31.12.2017	19,124,929	40,761,149	6,911,509	16,955,513	83,753,100
Accumulated depreciation					
At 1.1.2017	2,410,814	56,245,179	5,980,063	12,909,234	77,545,290
Charge for the year	481,996	3,331,879	1,036,458	1,706,306	6,556,639
Disposals	(516,338)	(33,566,051)	(1,132,248)	(1,166,232)	(36,380,869)
Write off	–	–	(931,226)	(993,426)	(1,924,652)
Exchange differences	(37,293)	(448,085)	(279,277)	(311,133)	(1,075,788)
At 31.12.2017	2,339,179	25,562,922	4,673,770	12,144,749	44,720,620
Net carrying amount					
At 31.12.2017	16,785,750	15,198,227	2,237,739	4,810,764	39,032,480

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

	Land and buildings RM (Note a)	Plant and machinery RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Work in progress RM	Total RM
Group						
2016						
Cost						
At 1.1.2016	22,147,053	65,721,726	6,453,385	17,414,360	894,277	112,630,801
Additions	–	5,828,811	2,314,946	889,509	–	9,033,266
Disposals	–	(72,202)	(358,674)	(57,972)	–	(488,848)
Disposal of foreign operations (Note 14)	–	–	(832,374)	(892,132)	–	(1,724,506)
Reclassification	894,277	–	–	–	(894,277)	–
Exchange differences	524,217	627,593	977,165	1,036,547	–	3,165,522
At 31.12.2016	23,565,547	72,105,928	8,554,448	18,390,312	–	122,616,235
Accumulated depreciation						
At 1.1.2016	1,695,199	52,694,650	5,205,888	10,555,091	–	70,150,828
Charge for the year	630,964	3,378,054	976,230	2,184,477	–	7,169,725
Disposals	–	(71,825)	(327,964)	(52,439)	–	(452,228)
Disposal of foreign operations (Note 14)	–	–	(701,885)	(769,837)	–	(1,471,722)
Exchange differences	84,651	244,300	827,794	991,942	–	2,148,687
At 31.12.2016	2,410,814	56,245,179	5,980,063	12,909,234	–	77,545,290
Net carrying amount						
At 31.12.2016	21,154,733	15,860,749	2,574,385	5,481,078	–	45,070,945

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

	Buildings RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
Company				
2017				
Cost				
At 1.1.2017	399,117	843,041	1,756,779	2,998,937
Additions	–	–	20,831	20,831
Disposals	–	–	(21,925)	(21,925)
Write off	–	(282,103)	–	(282,103)
At 31.12.2017	399,117	560,938	1,755,685	2,715,740
Accumulated depreciation				
At 1.1.2017	110,976	843,041	1,252,235	2,206,252
Charge for the year	7,982	–	280,751	288,733
Disposals	–	–	(21,925)	(21,925)
Write off	–	(282,103)	–	(282,103)
At 31.12.2017	118,958	560,938	1,511,061	2,190,957
Net carrying amount				
At 31.12.2017	280,159	–	244,624	524,783

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

	Buildings RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
Company				
2016				
Cost				
At 1.1.2016	399,117	843,041	1,619,823	2,861,981
Additions	–	–	141,856	141,856
Disposals	–	–	(4,900)	(4,900)
At 31.12.2016	399,117	843,041	1,756,779	2,998,937
Accumulated depreciation				
At 1.1.2016	102,994	843,041	722,374	1,668,409
Charge for the year	7,982	–	531,413	539,395
Disposals	–	–	(1,552)	(1,552)
At 31.12.2016	110,976	843,041	1,252,235	2,206,252
Net carrying amount				
At 31.12.2016	288,141	–	504,544	792,685

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

(a) Group - Land and buildings

	Freehold Land RM	Building RM	Total RM
2017			
Cost			
At 1.1.2017	7,727,122	15,838,425	23,565,547
Addition	–	687,440	687,440
Disposal	–	(4,287,575)	(4,287,575)
Exchange differences	–	(840,483)	(840,483)
At 31.12.2017	7,727,122	11,397,807	19,124,929
Accumulated depreciation			
At 1.1.2017	–	2,410,814	2,410,814
Charge for the year	–	481,996	481,996
Disposal	–	(516,338)	(516,338)
Exchange differences	–	(37,293)	(37,293)
At 31.12.2017	–	2,339,179	2,339,179
Net carrying amount			
At 31.12.2017	7,727,122	9,058,628	16,785,750

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

(a) Group - Land and buildings (cont'd.)

	Freehold Land RM	Building RM	Total RM
2016			
Cost			
At 1.1.2016	7,727,122	14,419,931	22,147,053
Reclassification	–	894,277	894,277
Exchange differences	–	524,217	524,217
At 31.12.2016	7,727,122	15,838,425	23,565,547
Accumulated depreciation			
At 1.1.2016	–	1,695,199	1,695,199
Charge for the year	–	630,964	630,964
Exchange differences	–	84,651	84,651
At 31.12.2016	–	2,410,814	2,410,814
Net carrying amount			
At 31.12.2016	7,727,122	13,427,611	21,154,733

13. INVESTMENT PROPERTIES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Cost				
At 1 January	41,876,691	41,862,555	44,201,606	44,187,470
Additions	–	14,136	–	14,136
At 31 December	41,876,691	41,876,691	44,201,606	44,201,606
Accumulated depreciation				
At 1 January	3,278,133	2,588,515	1,609,150	919,532
Charge for the year	689,618	689,618	689,618	689,618
At 31 December	3,967,751	3,278,133	2,298,768	1,609,150
Net book value	37,908,940	38,598,558	41,902,838	42,592,456

The valuation of investment property has been performed by Khong & Jaafar Sdn. Bhd., an independent professional valuer. The total market value of the investment properties is RM45,100,000 (2016: RM45,100,000) using income and comparison approach.

13. INVESTMENT PROPERTIES (CONT'D.)

Fair value disclosed in the financial statements is categorised within the Level 3 fair value hierarchy which is described as inputs for the asset or liability that are based on unobservable market data.

Investment property	Valuation technique	Range 2017	Range 2016	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Mercu PICORP, Lot 10 Jalan Astaka U8/84 Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan	Income approach			<u>Office & Warehouse</u>	The estimated fair value would increase/ (decrease) if:
		1.8 - 2.50	1.8 - 2.50	Market rental rate (RM/psf/month)	- expected market rental growth were higher/ (lower)
		0.35 - 0.4	0.35 - 0.4	Outgoings (RM/psf/month)	- expected outgoings rate were lower/(higher)
		6.5	6.5	Term yield (%)	- term yield rate were lower/(higher)
		10	10	Void rate (%)	- void rate were lower/(higher)
		7	7	Reversionary yield (%)	- reversionary yield were lower/(higher)
	Comparison approach			<u>Freehold Land</u>	
		160 - 175	160 - 175	Transaction land price (RM psf)	- Transacted price were higher/(lower)
		150 - 180	150 - 180	Building costs (RM psf)	- building costs were (higher)/lower
No. 18 Jalan Liku 8/B Section 8, 40000 Shah Alam Selangor Darul Ehsan	Comparison approach			<u>Shop lot (leasehold)</u>	
		270 - 300	270 - 300	Building costs (RM psf)	- Transacted price were higher/(lower)
H.S. (D) 9844, PT 7605 Mukim of Lumut, District of Manjung, Perak	Comparison approach			<u>Agricultural Land (leasehold)</u>	
		250 - 300	250 - 300	Transaction land price (RM'000 per acre)	- Transacted price were higher/(lower)

13. INVESTMENT PROPERTIES (CONT'D.)

<u>Comparison approach to value the land</u>

Entails analysing recent transactions of similar properties in and around the locality for comparison purposes to derive the market value with adjustments made for differences in time, shape, size and condition and location to arrive at the market value.

<u>Income approach to value the building</u>

Entails the capitalisation of the net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void.

The investment property is at its highest and current best use.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	**2016**
	RM	**RM**
Unquoted shares, at cost	47,570,951	9,196,123
Less: Accumulated impairment losses	(31,984,594)	(6,399,601)
	15,586,357	2,796,522

Additional of investment in subsidiaries

(a) During the financial year, the Company has entered into joint venture agreement with Trade House Group to incorporate a subsidiary named ASMA Advanced Solutions LLC ("AAS") which incorporated in Saudi Arabia. The Company invested RM354,000 which represent 60% of equity interest in AAS. The principal activity of AAS is to carry on work and maintenance of desalination plants and sewerage.

(b) The Company had on 2 May 2017 entered into a subordinated loan agreement with Saudi ASMA Environmental Solutions LLC ("SAES"), a wholly owned subsidiary of the Company, for capitalisation of an amount due from SAES amounting to RM29,862,144.

(c) During the year, the Company has converted the amount due from Alam Sekitar Eco-Technology Sdn Bhd ("ASET"), a wholly owned subsidiary of the Company, amounting to RM6,000,000 into 6,000,000 redeemable convertible non-cummulative preference shares of RM1.00 each.

(d) During the year, the Company has converted the amount due from ASMA Environmental Consultancy Sdn. Bhd. amounting to RM2,158,684 into 2,158,684 redeemable convertible non-cummulative preference shares of RM1.00 each.

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Impairment of investment in subsidiaries

An impairment review of the carrying amounts of investments in subsidiaries at the reporting date was undertaken by comparing it to the respective recoverable amounts. As a result, an impairment loss of RM25,584,993 (2016: Nil) was recognised during the financial year.

(a) Key assumptions used in value-in-use calculations

The recoverable amount of the cash generating unit ("CGU") is determined based on value-in-use calculation using cash flow projection based on financial budgets approved by management. The discount rate used is pre-tax weighted average cost of capital determined by management. The value-in-use is most sensitive to the following key assumptions:

(i) Revenue

Revenue are estimated based on existing customer contract and anticipated future projects.

(ii) Discount rate

The discount rate used is 11% which is based on the risk specific to the CGU.

An increase of 1.5% point in the discount rate used would have increased the impairment loss by RM765,000.

(iii) Terminal growth rate

Cash flow beyond the five-year period is extrapolated using a growth rate of 1.5% which is based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGU.

A decrease of 1.5% point in the growth rate used would have increased the impairment loss by RM74,000.

Disposal of foreign operations

In prior year, the Company's subsidiary, ASMA International Sdn. Bhd. ("AIS") has terminated its work arrangement and subsequently disposed its foreign operations for a total consideration of RM7,292,920.

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Disposal of foreign operations (cont'd.)

The disposal has the following effects on the financial position of the Group as at 31 December 2016:

	2016
	RM
Property, plant and equipment	252,784
Trade and other receivables	13,623,335
Cash and bank balances	835,093
Trade and other creditors	(7,391,938)
Net assets disposed	7,319,274
Transfer from foreign exchange reserve	1,544,868
	8,864,142
Total disposed proceeds	(7,292,920)
Loss on disposal to the Group	1,571,222

	RM
Cash flow arising on disposals:	
Cash and cash equivalents of foreign operations disposed	(835,093)
Net cash outflow on disposal	(835,093)

(a) The details of the subsidiaries are as follows :

Name of subsidiaries	**Ownership interest and voting interest**		**Principal activities**
	2017	**2016**	
	%	**%**	
(i) Incorporated in Malaysia :			
Held by the Company :			
Alam Sekitar Malaysia Sdn. Bhd.	100	100	Provision of environmental consultancy and monitoring services
ALS Technichem (M) Sdn. Bhd.	59	59	Laboratory analysis and reports services and consulting services

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(a) The details of the subsidiaries are as follows (cont'd.):

Name of subsidiaries	Ownership interest and voting interest		Principal activities
	2017 %	**2016 %**	
(i) Incorporated in Malaysia (cont'd.):			
Held by the Company :			
Quantum Up Returns Sdn. Bhd.*	100	100	Investment holding company
ASMA International Sdn. Bhd.*	100	100	Investment holding company
PI Enviro Technologies Sdn. Bhd.*	100	100	Provision of ocean data monitoring services
Perunding Good Earth Sdn. Bhd.*	100	100	Environment, safety and health consulting and training
Premiere Leap Sdn. Bhd.*	100	100	Dormant
Vertical Plus Sdn. Bhd.*	100	100	Property investment holding company
Alam Sekitar Eco-Technology Sdn. Bhd. ("ASET")*	90	90	Provision of waste management and consultancy services
Held through subsidiaries :			
ASMA Environmental Consultancy Sdn. Bhd.*	100	100	Environmental training and consulting services
Progressive Uni San International Sdn. Bhd.*	50	50	Dormant

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(a) The details of the subsidiaries are as follows (cont'd.):

Name of subsidiaries	Ownership interest and voting interest 2017 %	2016 %	Principal activities
(ii) Incorporated outside Malaysia :			
Incorporated in Indonesia:			
PT ALS Indonesia ("PT ALS")*	80	80	Laboratory analysis and reports and consulting services
Incorporated in the Kingdom of Saudi Arabia:			
Saudi ASMA Environmental Solution LLC*	100	100	Provision of environmental consultancy and monitoring services
ASMA Advanced Solutions Co Ltd. ("AAS")*	60	–	Work and maintenance of desalination plants and sewage

* Audited by firms other than Ernst & Young

Non-controlling interests ("NCI")

	AAS RM	ALS Group* RM	ASET RM	Total RM
2017				
NCI percentage of ownership and voting interest	40%	53%	10%	–
Carrying amount of NCI	(358,012)	27,470,455	(307,880)	26,804,563
(Loss)/profit allocated to NCI	(358,012)	6,746,361	114,239	6,502,588

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

	AAS RM	ALS Group* RM	ASET RM	Total RM
2016				
NCI percentage of ownership and voting interest	40%	53%	10%	–
Carrying amount of NCI	–	26,692,047	(422,119)	26,269,928
Profit/(loss) allocated to NCI	–	5,400,671	(167,220)	5,233,451

* Included non-controlling interest percentage of ownership interest and voting interest of PT ALS Indonesia.

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of comprehensive (loss)/income for 2017:

	AAS RM	ALS Group RM	ASET RM	Total RM
Revenue	–	50,308,131	6,490,789	56,798,920
(Loss)/profit for the year	(895,029)	14,973,881	1,142,388	15,221,240
Total comprehensive (loss)/income	(895,029)	12,775,220	1,142,388	13,022,579

Summarised statement of comprehensive income/(loss) for 2016:

	AAS RM	ALS Group RM	ASET RM	Total RM
Revenue	–	38,799,386	3,128,011	41,927,397
Profit/(loss) for the year	–	12,495,775	(1,672,195)	10,823,580
Total comprehensive income/(loss)	–	14,250,540	(1,672,195)	12,578,345

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Summarised statement of financial position as at 31 December 2017:

	AAS RM	ALS Group RM	ASET RM	Total RM
Non-current assets	4,533	37,201,999	22,787	37,229,319
Current assets	330,715	40,662,528	4,467,522	45,460,765
Non-current liabilities	–	(15,745,509)	–	(15,745,509)
Current liabilities	(638,575)	(2,742,645)	(4,505,658)	(7,886,879)
Net (liabilities)/assets	(303,328)	59,376,373	(15,349)	59,057,696

Summarised statement of financial position as at 31 December 2016:

	AAS RM	ALS Group RM	ASET RM	Total RM
Non-current assets	–	36,400,172	65,786	36,465,958
Current assets	–	41,588,396	2,571,469	44,159,865
Non-current liabilities	–	(2,227,919)	–	(2,227,919)
Current liabilities	–	(19,008,463)	(9,794,991)	(28,803,454)
Net assets/(liabilities)	–	56,752,186	(7,157,736)	49,594,450

Summarised statement of cash flows for 2017:

	AAS RM	ALS Group RM	ASET RM	Total RM
Cash flows from operating activities	(222,033)	16,655,829	(1,240,873)	15,192,923
Cash flows from investing activities	(7,803)	(6,455,785)	33,406	(6,430,182)
Cash flows from financing activities	573,396	(13,154,303)	(300,000)	(12,880,907)
Net increase/(decrease) in cash and cash equivalents	343,560	(2,954,259)	(1,507,467)	(4,118,166)
Dividend paid to NCI	–	(4,546,312)	–	(4,546,312)

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Summarised statement of cash flows for 2016:

	AAS RM	ALS Group RM	ASET RM	Total RM
Cash flows from operating activities	–	11,436,133	150,832	11,586,965
Cash flows from investing activities	–	(4,674,093)	1,887	(4,672,206)
Cash flows from financing activities	–	(9,780,306)	–	(9,780,306)
Net (decrease)/increase in cash and cash equivalents	–	(3,018,266)	152,719	(2,865,547)
Dividend paid to NCI	–	(7,743,160)	–	(7,743,160)

15. PREPAID LAND LEASE PAYMENT

	Group	
	2017 RM	2016 RM
Cost		
At 1 January	1,434,105	1,369,780
Addition	95,666	–
Exchange differences	(95,090)	64,325
At 31 December	1,434,681	1,434,105
Amortisation		
At 1 January	379,717	250,000
Amortisation during the year	121,646	129,717
At 31 December	501,363	379,717
Carrying amount	933,318	1,054,388

15. PREPAID LAND LEASE PAYMENT (CONT'D.)

	Company 2017 RM	Company 2016 RM
Cost		
At 1 January/31 December	500,000	500,000
At 31 December	500,000	500,000
Amortisation		
At 1 January	275,000	250,000
Amortisation during the year	25,000	25,000
At 31 December	300,000	275,000
Carrying amount	200,000	225,000

16. GOODWILL ON CONSOLIDATION

	Group 2017 RM	Group 2016 RM
At 1 January, at cost	13,583,526	13,583,526
Less: Impairment losses	(12,722,554)	(12,722,554)
At 31 December	860,972	860,972

(a) Impairment tests for goodwill

Goodwill has been allocated to the Group's Cash Generating Units ("CGU") identified by business segment and country as follows:

	Malaysia RM	Indonesia RM	Total RM
At 31 December 2017			
Lab testing services	–	860,972	860,972

16. GOODWILL ON CONSOLIDATION (CONT'D.)

(a) Impairment tests for goodwill (cont'd.)

Goodwill has been allocated to the Group's Cash Generating Units ("CGU") identified by business segment and country as follows (cont'd.):

	Malaysia RM	Indonesia RM	Total RM
At 31 December 2016			
Environmental consultancy and monitoring services	–	–	–
Lab testing services	–	860,972	860,972
	–	860,972	860,972

Key assumptions used in value-in-use calculations

The recoverable amount of the CGU is determined based on value-in-use calculation using cash flow projection based on financial budgets approved by management. The key assumptions used for value-in-use calculations are:

	Terminal growth rate		Discount rate	
	2017	2016	2017	2016
Environmental consultancy and monitoring services	–	2%	–	14%
Lab testing services	5%	5%	16%	18%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Revenue

Revenue are estimated based on existing customer contract and anticipated future projects.

(ii) Discount rate

The discount rate used is based on the risk specific to the CGU.

(iii) Terminal growth rate

Cash flow beyond the five-year period is extrapolated using a growth rate which is based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGU.

16. GOODWILL ON CONSOLIDATION (CONT'D.)

(a) Impairment tests for goodwill (cont'd.)

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amounts.

17. INVENTORIES

	Group	
	2017	**2016**
	RM	**RM**
Consumables, at cost	432,678	630,498

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM197,820 (2016: RM825,768) and the amount of inventories being written off was Nil (2016: RM281,944) (Note 9).

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Trade receivables (Note (a)):				
Third parties	27,963,828	32,195,159	30,408	253,869
Less: Allowance for impairment	(2,701,112)	(5,478,028)	–	(88,797)
	25,262,716	26,717,131	30,408	165,072

18. TRADE AND OTHER RECEIVABLES (CONT'D.)

Other receivables (Note (b)):

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Amounts due from related companies (Note (c)):				
- subsidiaries	–	–	20,844,087	61,228,747
- related parties	308,738	515,707	106,616	912,743
Deposits	4,268,219	3,691,154	189,270	189,270
Prepayments	1,417,474	1,619,437	54,830	95,443
Dividend receivable	–	–	5,605,000	11,670,000
Sundry receivables	2,273,241	802,997	11,588	332,405
	8,267,672	6,629,295	26,811,391	74,428,608
Less: Allowance for impairment				
- related companies	–	–	(602,481)	(30,906,082)
- sundry receivables	(194,428)	(329,221)	–	(134,793)
	(194,428)	(329,221)	(602,481)	(31,040,875)
	8,073,244	6,300,074	26,208,910	43,387,733
Total trade and other receivables	33,335,960	33,017,205	26,239,318	43,552,805
Add: Cash and bank balances (Note 21)	29,829,518	30,446,498	7,346,134	7,108,002
Less: Prepayments	(1,417,474)	(1,619,437)	(54,830)	(95,443)
Dividend receivable	–	–	(5,605,000)	(11,670,000)
Total loans and receivables	61,748,004	61,844,266	27,925,622	38,895,364

18. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a Credit Control Department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

Ageing analysis of trade receivables

	Group		**Company**	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Neither pass due nor impaired	10,043,057	10,449,708	30,408	111,058
1 to 30 days past due not impaired	5,084,567	4,956,667	–	38,456
31 to 60 days past due not impaired	2,389,612	3,272,188	–	–
61 to 90 days past due not impaired	1,094,076	1,601,052	–	15,558
91 to 120 days past due not impaired	5,089,075	5,701,669	–	–
More than 121 days past due not impaired	1,562,329	735,847	–	–
	15,219,659	16,267,423	–	54,014
Impaired	2,701,112	5,478,028	–	88,797
	27,963,828	32,195,159	30,408	253,869

18. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM15,219,659 (2016: RM16,267,423) and Nil (2016: RM54,014) respectively that are past due at the reporting date but not impaired and are unsecured in nature.

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired		Company Individually impaired	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Trade receivables- nominal amount	2,701,112	5,478,028	–	88,797
Less: Allowance for impairment	(2,701,112)	(5,478,028)	–	(88,797)
	–	–	–	–

Movement in allowance accounts

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
At 1 January	5,478,028	4,413,204	88,797	88,797
Charge for the year	207,386	1,087,951	–	–
Reversal of impairment losses	(282,104)	(23,127)	–	–
Written off	(2,702,198)	–	(88,797)	–
At 31 December	2,701,112	5,478,028	–	88,797

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

18. TRADE AND OTHER RECEIVABLES (CONT'D.)

(b) Other receivables

Receivables that are impaired

The Group's and the Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired		Company Individually impaired	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Other receivables - nominal amount	8,267,672	6,629,295	26,811,391	74,428,608
Less: Allowance for impairment	(194,428)	(329,221)	(602,481)	(31,040,875)
	8,073,244	6,300,074	26,208,910	43,387,733

Movement in allowance accounts

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
At 1 January	329,221	305,767	31,040,875	7,879,077
Charge for the year	–	23,454	50,454	23,161,798
Reversal of impairment losses	–	–	(29,343,263)	–
Written off	(134,793)	–	(1,145,585)	–
At 31 December	194,428	329,221	602,481	31,040,875

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(c) Amounts due from related parties

Amounts due from all related parties are non-interest bearing and are repayable on demand. All related party receivables are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 33.

Other information on financial risks of other receivables are disclosed in Note 34.

19. AMOUNTS DUE (TO)/FROM CUSTOMERS ON CONTRACT

	Group 2017 RM	Group 2016 RM
Construction contract costs incurred to date	25,424,669	17,298,160
Add: Attributable profits	4,056,570	1,645,408
	29,481,239	18,943,568
Less: Progress billings	(27,292,512)	(17,873,360)
	2,188,727	1,070,208
Presented as:		
Gross amounts due from customers for contract work	2,532,220	1,225,506
Gross amounts due to customers for contract work	(343,495)	(155,298)
	2,188,725	1,070,208

20. OTHER CURRENT FINANCIAL ASSETS

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Held for trading investments				
Quoted investment in units, at fair value through profit or loss	7,406,901	14,998,952	37,222	35,030

21. CASH AND BANK BALANCES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash on hand and at banks	21,762,600	22,716,194	231,351	196,836
Deposits with investment banks	8,066,918	7,730,304	7,114,783	6,911,166
	29,829,518	30,446,498	7,346,134	7,108,002

21. CASH AND BANK BALANCES (CONT'D.)

Deposits with investment bank of the Group amounting to RM7,414,783 (2016: RM6,911,166) and the Company RM7,114,783 (2016: RM6,911,166) is pledged as securities for trade facilities.

(a) The weighted average effective profit rates of the deposits at the reporting date were as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	%	**%**	**%**	**%**
Investment banks	3.17	3.12	2.81	2.81

(b) The average maturities of deposits as at the end of the financial year were as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Days	**Days**	**Days**	**Days**
Investment banks	60	60	30	30

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Current				
Trade payables				
Third parties (Note (a))	4,441,577	3,675,957	38,832	97,254
Other payables				
Amounts due to related companies (Note (b)):				
- Related parties	140,145	178,478	77,343	148,534
- Subsidiaries	–	–	17,103,224	18,857,709
Accruals	2,548,445	5,315,113	446,888	303,005
Dividend payable	5,653,702	7,243,005	–	–
Sundry payables	3,171,436	8,302,620	992,589	5,613,900
	11,513,728	21,039,216	18,620,044	24,923,148
Total trade and other payables	15,955,305	24,715,173	18,658,876	25,020,402

22. TRADE AND OTHER PAYABLES (CONT'D.)

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Total trade and other payables (cont'd.)	15,955,305	24,715,173	18,658,876	25,020,402
Add: Borrowings (Note 23)	21,753,923	21,218,425	98,839	243,920
Less: Dividend payable	(5,653,702)	(7,243,005)	–	–
Total financial liabilities carried at amortised cost	32,055,526	38,690,593	18,757,715	25,264,322

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 days to 90 days (2016: 30 days to 90 days).

(b) Amounts due to related parties

Amounts due to all related parties are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 33.

Other information on financial risks of other payables are disclosed in Note 34.

23. BORROWINGS

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Current				
Secured:				
Overdraft	18,937,790	19,544,165	98,839	243,920
Term loan (Note a)	2,816,133	1,674,260	–	–
Total	21,753,923	21,218,425	98,839	243,920

23. BORROWINGS (CONT'D.)

The weighted average effective profit rate at the reporting date of the borrowings were as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	%	**%**	**%**	**%**
Overdraft	6.80	6.80	6.80	6.80
Term loan	6.96	7.90	–	–

(a) Relates to short term loan of a subsidiary in relation to project in the Kingdom of Saudi Arabia. The term loan is secured and guaranteed by the Company and matures within one year.

24. RETIREMENT BENEFIT OBLIGATION

The amount recognised in the statement of financial position are determined as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Present value of obligation/Net liability	1,914,683	1,615,865	926,324	792,734
Movement in net liability was as follows:				
At 1 January	1,615,865	1,427,944	792,734	659,144
Provision during the year (Note 6)	316,395	187,921	133,590	133,590
Payment made during the year	(83,789)	–	–	–
Actuarial gain on retirement benefit	66,212	–	–	–
As at 31 December	1,914,683	1,615,865	926,324	792,734
The amount recognised in the statements of comprehensive income:				
Current service cost	316,395	187,921	133,590	133,590
Analysed as:				
Non-current	1,914,683	1,615,865	926,324	792,734

24. RETIREMENT BENEFIT OBLIGATION (CONT'D.)

Actuarial assumptions

The principal assumptions used in determining pension and post retirement benefit obligation for the Group's plans are shown below:

	2017	**2016**
Discount rate	7%	8.5%
Future salary growth	6%	6%
Voluntary resignation rate	6%	6%

Assumptions regarding future mortality are based on published statistic and mortality tables.

Sensitivity analysis

A quantitative sensitivity analysis for significant assumption is as shown below:

	As at 31 December 2017 Retirement benefit obligation	
	Increase RM	**Decrease RM**
Discount rate (1% movement)	74,183	(85,948)
Future salary growth (1% movement)	(85,492)	75,092
Voluntary resignation rate (10% movement)	5,911	(6,093)

	As at 31 December 2016 Retirement benefit obligation	
	Increase RM	**Decrease RM**
Discount rate (1% movement)	61,071	(69,897)
Future salary growth (1% movement)	(70,528)	62,597
Voluntary resignation rate (10% movement)	4,132	(4,239)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the retirement benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the retirement benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

25. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	Number of ordinary shares		Amount	
	2017	2016	2017 RM	2016 RM
Authorised:				
At 1 January/31 December	–	1,000,000,000	–	100,000,000
Issued and fully paid:				
At 1 January	658,000,000	658,000,000	65,800,000	65,800,000
Transfer of share premium in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017	170,290	–	170,290	–
At 31 December	658,170,290	658,000,000	65,970,290	65,800,000

The new Companies Act, 2016 ("New 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 account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The shares have no par value. All ordinary shares rank equally with regard to the Company's residual assets.

Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired 1,301,000 (2016: 1,355,000) of its own shares during the financial year. The total amount paid to acquire the shares was RM201,592 (2016: RM189,964) and this was presented as a component within shareholders' equity.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

26. SHARE PREMIUM

	Group and Company			
	Number of shares		Amount	
	2017	2016	2017 RM	2016 RM
At 1 January	170,290	170,290	170,290	170,290
Effect of implementation of Companies Act 2016 (Note 25)	(170,290)	–	(170,290)	–
At 31 December	–	170,290	–	170,290

At 31 December 2017, the balance of share premium was transferred to share capital under the new requirement of Companies Act 2016.

27. OTHER RESERVES

	Group	
	2017 RM	2016 RM
At 1 January	318,472	(963,364)
(Decrease)/increase during the year	(648,137)	1,281,836
At 31 December	(329,665)	318,472
Foreign exchange reserve	(508,279)	139,858
Statutory reserve	178,614	178,614
	(329,665)	318,472
Foreign exchange reserve		
At 1 January	139,858	(1,141,978)
Arising during the year	(648,137)	(263,032)
Transferred to profit or loss	–	1,544,868
At 31 December	(508,279)	139,858
Statutory reserve		
At 1 January/At 31 December 2017	178,614	178,614

The nature and purpose of each category of reserve are as follows:

(a) Foreign exchange reserve

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(b) Statutory reserve

This relates to reserve required by state regulator of a subsidiary.

28. RETAINED EARNINGS

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

29. DEFERRED TAXATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 January	2,702,536	3,220,035	283,619	204,827
Recognised in profit or loss (Note 10)	510,641	449,449	(34,285)	78,792
Recognised in equity	(287,104)	(966,948)	–	–
At 31 December	2,926,073	2,702,536	249,334	283,619
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	2,980,366	2,702,536	249,334	283,619
Deferred tax assets	(54,293)	–	–	–
	2,926,073	2,702,536	249,334	283,619

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

Deferred tax assets of the Group and Company:

	Group		Company	
	Provisions			
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 January	(1,049,783)	(1,129,733)	(190,367)	(206,701)
Recognised in profit or loss	20,095	79,950	(32,033)	16,334
At 31 December	(1,029,688)	(1,049,783)	(222,400)	(190,367)

Deferred tax liabilities of the Group and Company:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Property, plant and equipment				
At 1 January	2,638,423	2,464,198	473,986	411,528
Recognised in profit and loss	47,209	174,225	(2,252)	62,458
At 31 December	2,685,632	2,638,423	471,734	473,986

29. DEFERRED TAXATION (CONT'D.)

Deferred tax liabilities of the Group and Company: (cont'd.)

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Provision				
At 1 January	1,113,896	1,885,570	–	–
Recognised in profit and loss	443,337	195,274	–	–
Recognised in equity	(287,104)	(966,948)	–	–
At 31 December	1,270,129	1,113,896	–	–
Total deferred tax liabilities	3,955,761	3,752,319	471,734	473,986
Deferred taxation, net	2,926,073	2,702,536	249,334	283,619

Deferred tax recognised in equity relates to deferred tax liability provided on withholding tax on foreign dividend.

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

	Group	
	2017 RM'000	**2016 RM'000**
Unutilised tax losses	6,128,232	6,491,681
Unabsorbed capital allowances	–	241,452
Other deductible temporary differences	345,312	883,994
	6,473,544	7,617,128

The unutilised tax losses and unabsorbed capital allowances of the Group amounting to RM6,128,232 (2016: RM6,491,681) and Nil (2016: RM241,452) respectively are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

30. DIVIDENDS

	Amount		Net dividends per share	
	2017	2016	2017	2016
	RM	RM	RM	RM
In respect of the financial year ended 31.12.2015				
Interim tax exempt dividend under single tier system on 657,457,826 ordinary shares declared on 23 May 2016 and paid on 20 June 2016	–	1,512,151	–	0.23
In respect of the financial year ended 31.12.2016				
Final dividend on 656,779,900 ordinary shares declared on 22 May 2017 and paid on 30 June 2017	4,006,188	–	0.50	–
	4,006,188	1,512,151		

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2017 of 0.5 sen per share on 656,699,000 ordinary shares amounting to dividend payable of RM3,283,495 will be proposed for shareholders' approval. The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 31 December 2018.

31. COMMITMENTS

	Group	
	2017	2016
	RM	RM
(a) Capital commitments		
Property, plant and equipment		
- Approved but contracted for	6,247,000	9,033,000
- Approved but not contracted for	–	3,543,480

(b) Non-cancellable operating lease commitments - Company as lessee

	Group	
	2017	2016
	RM	RM
Future minimum rentals payable:		
Not later than 1 year	16,774	12,512

Operating lease payments represent rental payable by a subsidiary of the Company for use of photocopy machine and building maintenance.

32. FINANCIAL GUARANTEE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unsecured				
Corporate guarantees given for banking facilities	55,000,000	26,000,000	39,000,000	14,000,000

No fair value adjustment required as no liability is expected to arise.

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	2017 RM	2016 RM
Group		
Rental income from Zaiyadal Keluarga Sdn. Bhd., corporate shareholder	(5,040)	(5,040)
Rental income from subsidiaries of Zaiyadal Keluarga Sdn. Bhd., corporate shareholder:		
- Foxboro (Malaysia) Sendirian Berhad	(501,426)	(481,814)
- Progressive Impact Technology Sdn. Bhd.	(135,189)	(129,284)
- Cosasco Sdn. Bhd.	(54,205)	(54,705)
- IAM- Wonderware Sdn Bhd	(162,737)	(162,737)
- Untung Aquaculture Sdn. Bhd.	(22,800)	(22,800)
Company		
Rental income from subsidiary of Zaiyadal Keluarga Sdn. Bhd., corporate shareholder:		
- Untung Aquaculture Sdn. Bhd.	(22,800)	(22,800)

The Directors are of the opinion that the transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

(b) Compensation to key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company directly or indirectly, including any Director of the Group and the Company. The remuneration and compensation of Directors and other members of key management during the year was as follows:

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

(b) Compensation to key management personnel (cont'd.)

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Salaries, bonus and other emoluments	3,550,559	3,896,285	1,903,454	1,986,954
Social security costs	4,735	3,762	2,249	1,571
Pension costs:				
- defined contribution plan	512,669	547,241	315,120	330,927
- defined benefit plan	133,590	133,590	133,590	133,590
	4,201,553	4,580,878	2,354,413	2,453,042

Included in the total key management personnel are:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Executive directors' remuneration	1,655,341	1,692,364	1,468,025	1,535,337

34. FINANCIAL INSTRUMENTS

(i) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its profit rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transaction.

(ii) Profit rate risk

The Group's primary profit rate risk relates to profit-bearing debt, the Group had no substantial long term profit-bearing assets as at 31 December 2017. The investments in financial assets are mainly deposits held with licensed banks which are short term in nature and are not held for speculative purposes.

34. FINANCIAL INSTRUMENTS (CONT'D.)

(ii) Profit rate risk (cont'd.)

The information on maturity dates and effective profit rates of the financial assets and liabilities are disclosed in their respective notes.

With all other variables held constant, the following table demonstrates the sensitivity of the Group and the Company's profit/(loss) net of tax to a reasonably possible change in the interest rates.

As at 31 December 2017

	Group		Company	
	Increase/ (decrease) in basis points	Effect on profit net of tax (Decrease)/ increase RM	Increase/ (decrease) in basis points	Effect on profit net of tax (Decrease)/ increase RM
Ringgit Malaysia	+ 25	(2,116)	+ 25	(1,838)
Ringgit Malaysia	– 25	2,116	– 25	1,838
Saudi Riyal	+ 25	(467)	–	–
Saudi Riyal	– 25	467	–	–

As at 31 December 2016

	Group		Company	
	Increase/ (decrease) in basis points	Effect on loss net of tax increase/ (decrease) RM	Increase/ (decrease) in basis points	Effect on loss net of tax increase/ (decrease) RM
Ringgit Malaysia	+ 25	1,612	+ 25	1,719
Ringgit Malaysia	– 25	(1,612)	– 25	(1,719)
Saudi Riyal	+ 25	283	–	–
Saudi Riyal	– 25	(283)	–	–

34. FINANCIAL INSTRUMENTS (CONT'D.)

(iii) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all 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.

The table below summaries the maturity profile of the Group and the Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

	2017 On demand or within one year RM	2016 On demand or within one year RM
Group		
Financial liabilities:		
Trade and other payables	10,301,603	17,472,168
Borrowings	21,753,923	21,218,425
Total undiscounted financial liabilities	32,055,526	38,690,593
Company		
Financial liabilities:		
Trade and other payables	18,658,876	25,020,402
Borrowings	98,839	243,920
Total undiscounted financial liabilities	18,757,715	25,264,322

(iv) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

34. FINANCIAL INSTRUMENTS (CONT'D.)

(v) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily, United States Dollar ("USD"), Australian Dollar ("AUD"), European Euro ("EURO"), Singaporean Dollar ("SGD") and Indonesian Rupiah ("IDR"). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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

Functional currency of Group	**Ringgit Malaysia RM**	**Indonesian Rupiah RM**	**Total RM**
As at 31.12.2017:			
United States Dollar	1,015,198	3,861,898	4,877,096
Australian Dollar	(1,790)	–	(1,790)
European Euro	(304,644)	–	(304,644)
Singapore Dollar	10,731	–	10,731
Saudi Riyal	1,212,097	–	1,212,097
	1,931,592	3,861,898	5,793,490
As at 31.12.2016:			
United States Dollar	4,961,715	6,817,304	11,779,019
Australian Dollar	41,773	–	41,773
European Euro	(91,722)	–	(91,722)
Singapore Dollar	(14,989)	–	(14,989)
Saudi Riyal	38,335,593	–	38,335,593
	43,232,370	6,817,304	50,049,674

With all other variables held constant, the following table demonstrates the sensitivity of the Group's profit before taxation to a reasonably possible change in those exchange rates against the functional currency of the Group:

		Group Profit before tax 2017 RM	**Group Profit before tax 2016 RM**
USD/RM	- strengthen 3%	(30,456)	(148,851)
	- weaken 3%	30,456	148,851
AUD/RM	- strengthen 3%	54	(1,253)
	- weaken 3%	(54)	1,253
EURO/RM	- strengthen 3%	9,139	2,752
	- weaken 3%	(9,139)	(2,752)
SGD/RM	- strengthen 3%	322	(450)
	- weaken 3%	(322)	450
SAR/RM	- strengthen 3%	(36,363)	(1,150,068)
	- weaken 3%	36,363	1,150,068

34. FINANCIAL INSTRUMENTS (CONT'D.)

(vi) Fair value

The fair value of financial assets and financial liabilities approximate their respective carrying values on the statement of financial position of the Group and the Company.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and bank balances, receivables, payables and borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Other current financial assets

Other current financial assets that are quoted and determined by reference to fair value provided by the bank at the close of the business on the reporting date. The investments is classified as level 2 in the fair value hierarchy.

(iii) Other investments

Other investments are measured at cost since they do not have quoted market price in an active market and the fair value cannot be reliably measured.

Determination of fair value hierarchy

The financial instruments of the Group and the Company are carried at fair value by level of the following fair value measurement hierarchy:

(i) Level 1 - Unadjusted quoted prices in active market for identical financial instruments
(ii) Level 2 - Inputs other than quoted prices that are observable market data
(iii) Level 3 - Inputs that are not based on observable market data

Transfer between Level 1 and Level 2 fair values

There has been no transfers between Level 1 and Level 2 fair values during the financial year.

35. SEGMENTAL INFORMATION

(a) Business segments

The Group is organised into 3 major business segments:

(i) Environmental consultancy and monitoring services - providing environmental related services.

(ii) Laboratory testing services - chemical testing, consultancy service and other services of similar nature.

(iii) Wastewater treatment and solution - provision of sewerage and solid waste management systems.

Other business segments include the results of the Company as an investment holding of its subsidiaries.

35. SEGMENTAL INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

2017	Environmental consultancy and monitoring services RM	Laboratory testing services RM	Wastewater treatment and solution RM	Others RM	Elimination RM	Consolidated RM
Revenue						
External sales	23,822,165	48,020,289	9,154,413	2,879,434	–	83,876,301
Inter-segment sales	149,989	2,287,842	283,215	7,944,587	(10,665,633)	–
Total revenue	23,972,154	50,308,131	9,437,628	10,824,021	(10,665,633)	83,876,301
Results						
(Loss)/profit from operations	(295,906)	20,217,170	1,717,487	6,321,188	(13,853,653)	14,106,286
Finance costs	(363,169)	–	(387,437)	(1,209,315)	677,333	(1,282,588)
Taxation	(27,012)	(5,243,290)	–	(44,704)	–	(5,315,006)
Profit after taxation						7,508,692
Assets						
Segment assets	30,977,355	77,864,527	4,490,309	124,721,644	(83,310,538)	154,743,297
Liabilities						
Segment liabilities	13,096,573	18,523,123	4,505,658	54,274,785	(47,042,354)	43,357,785
Other Information						
Capital expenditure	593,615	5,632,232	–	20,831	–	6,246,678
Depreciation and amortisation	(2,442,819)	(3,319,924)	(12,285)	(1,592,875)	–	(7,367,903)

35. SEGMENTAL INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

2016	Environmental consultancy and monitoring services RM	Laboratory testing services RM	Wastewater treatment and solution RM	Others RM	Elimination RM	Consolidated RM
Revenue						
External sales	42,364,823	38,799,386	2,758,847	3,478,985	–	87,402,041
Inter-segment sales	–	3,811,220	369,164	16,905,963	(21,086,347)	–
Total revenue	42,364,823	42,610,606	3,128,011	20,384,948	(21,086,347)	87,402,041
Results						
Profit/ (Loss) from operations	5,640,992	17,442,681	(1,338,588)	(7,054,436)	(7,426,070)	7,264,579
Finance costs	(1,813,409)	–	(333,607)	(1,250,430)	2,420,334	(977,112)
Taxation	(3,142,799)	(4,946,906)	–	(370,981)	–	(8,460,686)
Loss after taxation						(2,173,219)
Assets						
Segment assets	41,859,522	77,988,569	2,666,852	133,313,279	(90,075,638)	165,752,584
Liabilities						
Segment liabilities	54,974,522	21,236,379	9,824,588	68,081,979	(102,875,610)	51,241,858
Other Information						
Capital expenditure	4,178,119	4,709,226	4,065	141,856	–	9,033,266
Depreciation and amortisation	(2,815,679)	(3,303,234)	(25,262)	(1,844,902)	–	(7,989,077)

35. SEGMENTAL INFORMATION (CONT'D.)

(b) Geographical segments

The Group's geographical segments are for its subsidiaries that are involved in laboratory testing services, environmental consultancy and monitoring services which operates in three geographical areas:

(i) Malaysia
(ii) Indonesia
(iii) Saudi Arabia

The directors are of the opinion that the inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

	Total revenue from external customers RM	Segment assets RM	Capital expenditure RM
2017			
Malaysia	54,263,847	87,139,345	3,187,871
Indonesia	22,033,441	59,386,346	2,878,520
Saudi Arabia	7,579,013	8,217,606	180,287
	83,876,301	154,743,297	6,246,678
2016			
Malaysia	63,764,427	122,159,343	3,023,033
Indonesia	16,190,501	29,306,827	2,571,633
Saudi Arabia	7,447,113	14,286,414	3,438,600
	87,402,041	165,752,584	9,033,266

36. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings, hire purchase payables, trade and other payables, less cash and bank balances. Capital represents the total share capital.

The debt to equity ratio as at 31 December 2017 and 2016 are as follows:

	Group		**Company**	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Borrowings (Note 23)	21,753,923	21,218,425	98,839	243,920
Trade and other payables (Note 22)	15,955,305	24,715,173	18,658,876	25,020,402
Less: Cash and bank balances (Note 21)	(29,829,518)	(30,446,498)	(7,346,134)	(7,108,002)
Net debt	7,879,710	15,487,100	11,411,581	18,156,320
Total share capital	65,970,290	65,800,000	65,970,290	65,800,000
Capital and net debt	73,850,000	81,287,100	77,381,871	83,956,320
Gearing ratio	0.11	0.19	0.15	0.22

37. SUBSEQUENT EVENT

(a) On 5 February 2018, the Company has acquired the remaining 25% equity interest in Alam Sekitar Malaysia Sdn Bhd from its subsidiary, Quantum Up Return Sdn Bhd ("QURSB") for purchase consideration of RM17,264,945.

(b) On 16 March 2018, Oval Engineering Sdn. Bhd. has filed a writ of summon against Alam Sekitar Malaysia Sdn Bhd("ASMA"), a wholly owned subsidiary of the Company in respect of the Letter of Undertsanding dated 28 July 2017 for compensation for damages, interest, cost of action and other relief claims on specific performance.

The first case management is fixed on 16 April 2018. Based on the current information or details available, the solicitor of ASMA is of the opinion that ASMA has strong and plausible defence to resist the claim. The potemtial exposure is RM2,315,040 plus any other damages to be assessed by the court.

7

SUPPLEMENTARY INFORMATION

STATISTICS OF SHAREHOLDINGS

AS AT 2 APRIL 2018

SHARE CAPITAL

Total number of issued shares	: 658,000,000 Ordinary shares
Class of shares	: Ordinary shares
Voting rights	: One (1) vote per ordinary share
Number of shareholders	: 2,436
Number of Treasury Shares	: 1,391,000 Ordinary shares

ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of shareholders	%	Shareholdings	%*
Less than 100	4	0.164	141	0.000
100 to 1,000	525	21.551	348,434	0.053
1,001 to 10,000	743	30.500	4,975,200	0.757
10,001 to 100,000	968	39.737	36,966,967	5.629
100,001 to less than 5% of issued shares	192	7.881	140,374,536	21.378
5% and above of issued shares	4	0.164	473,943,722	72.180
Total	2,436	100.00	656,609,000	100.00

* Based on the total number of issued shares of the Company excluding 1,391,000 ordinary shares bought back by the Company and retained as treasury shares as at 2 April 2018.

SUBSTANTIAL SHAREHOLDERS

	Shareholdings			
Name	Direct Interest	%^	Deemed Interest	%^
Zaiyadal Keluarga Sdn Bhd	309,943,622	47.204	-	-
Lembaga Tabung Haji	65,000,000	9.899	-	-
Zaid bin Abdullah	47,925,100	7.299	309,943,622*	47.204*
Zaidah binti Mohd Salleh	8,769,400	1.336	309,943,622*	47.204*

Note: -

* Deemed interest by virtue of his/her interest in Zaiyadal Keluarga Sdn Bhd. pursuant to Section 8 of the Companies Act 2016.

^ Based on the total number of issued shares of the Company excluding 1,391,000 ordinary shares bought back by the Company and retained as treasury shares as at 2 April 2018.

DIRECTORS' INTEREST IN SHARES
As per the Register of Directors' Shareholdings

Name	Direct Interest	%^	Deemed and Indirect Interest	%^
Zaid bin Abdullah	47,925,100	7.299	310,419,922*	47.276*
Zaidah binti Mohd Salleh	8,769,400	1.336	310,419,922*	47.276*
Usamah bin Zaid	112,000	0.017	-	-
Datuk Abdul Hamid bin Sawal	-	-	-	-
Dato' Hajjah Rosnani binti Ibarahim	-	-	-	-
Dato' Dr. Lukman bin Ibrahim	-	-	-	-
Lee Weng Chong	1,050,000	0.160	-	-
Fatimah Zahrah binti Zaid (Alternate Director)	110,300	0.017	-	-

Note:-

* Deemed interest by virtue of his/her interest in Zaiyadal Keluarga Sdn Bhd pursuant to Section 8 of the Companies Act 2016 ("the Act") and indirect interest pursuant to Section 59(11)(c) of the Act in respect of his/her children's shareholdings.

^ Based on the total number of issued shares of the Company excluding 1,391,000 ordinary shares bought back by the Company and retained as treasury shares as at 2 April 2018.

THIRTY LARGEST SHAREHOLDERS

No.	Name	Holdings	%*
1	Zaiyadal Keluarga Sdn Bhd	307,278,622	46.797
2	Lembaga Tabung Haji	65,000,000	9.899
3	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an For Bank of Singapore Limited	53,740,000	8.184
4	Zaid Bin Abdullah	47,925,100	7.298
5	Kal-Yadaiin Sdn Bhd	28,813,078	4.388
6	Zaidah Binti Mohd Salleh	7,063,400	1.075
7	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ab Ghaus bin Ismail	6,079,600	0.925
8	Public Invest Nominees (Asing) Sdn Bhd Exempt an For Phillip Securities Pte Ltd (Clients)	5,265,300	0.801
9	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Shafei bin Abdullah	4,950,000	0.753
10	Ahmad Ridzwan Bin Mohd Salleh	4,879,175	0.743
11	Nik Abdul Aziz Bin Nik Sulaiman	4,323,235	0.658

No.	Name	Holdings	%*
12	Rasal Keluarga Sdn Bhd	3,992,150	0.607
13	Loong Ding Tong	3,939,800	0.600
14	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Mohammed Amin Bin Mahmud (MM1004)	3,365,500	0.512
15	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Seng Hong	2,870,000	0.437
16	Zaiyadal Keluarga Sdn Bhd	2,665,000	0.405
17	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Boon Chai	2,470,000	0.376
18	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Batu Bara Resources Corporation Sdn Bhd	1,900,000	0.289
19	RHB Nominees (Tempatan) Sdn Bhd Exempt an For RHB Securities Singapore Pte. Ltd (A/C Clients)	1,757,200	0.267
20	Zaidah Binti Mohd Salleh	1,696,000	0.258
21	Ahmad Rafa'i Bin Abdullah	1,689,520	0.257
22	Johar bin Yusof	1,523,000	0.231
23	Wong Kim Choong	1,435,000	0.218
24	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Rossana Annizah Binti Ahmad Rashid @ Mohd Rashidi (CEB)	1,415,000	0.215
25	Shireen Mardziah Hashim	1,387,800	0.211
26	Khadijah binti Ahmad Thani	1,050,000	0.159
27	Lee Weng Chong	1,050,000	0.159
28	Ismail bin Saleh	1,000,200	0.152
29	Mokhtar bin Hassan	1,000,000	0.152
30	Nik Hanif Muzammil bin Nik Abdul Aziz	984,667	0.149

Note:-

* Based on the total number of issued shares of the Company excluding 1,391,000 ordinary shares bought back by the Company and retained as treasury shares as at 2 April 2018.

NOTICE OF ANNUAL GENERAL MEETING

PROGRESSIVE IMPACT CORPORATION BERHAD (203352 V)
(Incorporated in Malaysia)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 26th Annual General Meeting of the Company will be held at Velocity Room, Ground Floor, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on **Wednesday, 13 June 2018,** at **10.00 a.m.** to transact the following business: -

ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' and Auditors' Reports thereon.	(Please refer to Note 1 of the Explanatory Notes)
2.	To approve the payment of the Single Tier Final Dividend of 0.50 sen per share for the year ended 31 December 2017.	Resolution 1
3.	To re-elect Dato' Dr Lukman Bin Ibrahim, who shall retire pursuant to Article 83 of the Constitution of the Company, as Director.	Resolution 2
4.	To re-elect Usamah Bin Zaid, who shall retire pursuant to Article 83 of the Constitution of the Company, as Director.	Resolution 3
5.	To approve the Directors' fees of RM241,600 for the financial year ended 31 December 2017.	Resolution 4
6.	To approve the Directors' benefits of RM260,000 for the period from 14 June 2018 up to the date of the next Annual General Meeting.	Resolution 5
7.	To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration.	Resolution 6

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions, with or without modifications, as Ordinary Resolutions of the Company:

8. ORDINARY RESOLUTION
PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.2 of the Circular to Shareholders dated 30 April 2018 ("Related Parties") provided that such transactions and/or arrangements are: Resolution 7

(a) necessary for the day-to-day operations;
(b) undertaken in the ordinary course of business at arm's length basis and are on normal commercial terms and transaction price which are not more favourable to the Related Parties than those generally available to the public; and
(c) not detrimental to the minority shareholders of the Company,

(collectively known as "Shareholders' Mandate");

AND THAT such approval, shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at such AGM, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Act; or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

9. ORDINARY RESOLUTION
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE TO PURCHASE ITS OWN ORDINARY SHARES OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES IN THE COMPANY

"THAT, subject always to the compliance with all applicable laws, guidelines, rules and regulations and the approval of all relevant authorities, the Company be and is hereby authorised to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: Resolution 8

(i) the aggregate number of shares to be purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total number of issued shares of the Company as at the point of purchase;
(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase; and
(iii) the shares of the Company so purchased may be cancelled, retained as treasury shares, distributed as dividends, resold on Bursa Securities and/or transfer in accordance to the Companies Act, 2016 ("the Act"), or a combination of any of the above, or be dealt with in such manner allowed by the Act and Main Market Listing Requirements ("MMLR") of Bursa Securities from time to time.

THAT the authority conferred by this resolution will commence immediately upon the passing of this resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
(iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the MMLR of Bursa Securities or any other relevant authorities.

THAT the Directors of the Company be and are hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the purchase by the Company of its own shares with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

10. ORDINARY RESOLUTION
AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approval of the relevant governmental/regulatory authorities (if any), the Directors of the Company be and are hereby authorised to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued during the preceding 12 months does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier unless revoked or varied by an ordinary resolution of the Company at a general meeting." Resolution 9

11. ORDINARY RESOLUTION
CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"THAT authority be and is hereby given to Lee Weng Chong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting." Resolution 10

12. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

NOTICE OF DIVIDEND PAYMENT

Notice is hereby given that a Single Tier Final Dividend of 0.50 sen per share for the financial year ended 31 December 2017, if approved, will be paid on 29 June 2018. The entitlement date for the dividend payment is 14 June 2018.

A Depositor shall qualify for entitlement to the dividend only in respect of: -

(a) Shares transferred into the depositor's Securities Account on or before 4.00 p.m. on 14 June 2018 in respect of ordinary transfers; and
(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By order of the Board
ZAIDAH BINTI MOHD SALLEH (MIA 3313)
Company Secretary
Shah Alam

30 April 2018

Notes:

i) A member entitled to attend and vote is entitled to appoint up to 2 proxies to attend, speak and vote instead of him. A proxy may but need not be a member of the Company.
ii) A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, can appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
iii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

iv) *Where a member or authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*

v) *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*

vi) *The instrument appointing a proxy and the power of attorney or other authority, if any under which it is signed or notarially certified copy of that power of authority shall be deposited at the Company's registered office at Suite 5.02, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.*

vii) *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 5 June 2018. Only a Member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, vote and speak on his behalf.*

Explanatory Notes on Ordinary Business

1. Agenda item no. 1 is meant for discussion only as the provision of Sections 248(2) (a) and 340(1) (a) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.
2. Dato' Dr Lukman Bin Ibrahim and Usamah Bin Zaid are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 26th Annual General Meeting. The Board has through the Nominating Committee, considered the assessment of the Directors and collectively agreed that they meet the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") on character, experience, integrity, competence and time to effectively discharge their roles as Directors.
3. The Directors' benefits are calculated based on the current Board size and estimated number of Board and Committee meetings for the period from 14 June 2018 up to the date of the next Annual General Meeting. In the event the proposed amount is insufficient (due to enlarged Board size or more meetings), approval will be sought at the next Annual General Meeting for the shortfall. The amount sought for Directors' benefits also include a shortfall of RM4,000 for meeting allowance from the previous mandate obtained at the 25th Annual General Meeting due to additional meetings held in April 2018.
4. The Board has through the Audit Committee, considered the re-appointment of Messrs Ernst & Young as Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table their re-appointment at the 26th Annual General Meeting is stated in the Corporate Governance Overview Statement of the Annual Report 2017.

Explanatory Notes on Special Business

Resolution 7

This proposed Resolution, if passed, will enable the Company and/or its subsidiaries to obtain new mandate and renew its existing mandate to enter into recurrent transactions involving the interest of Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

For further information on the recurrent related party transactions, please refer to the Circular to Shareholders dated 30 April 2018 enclosed together with the Company's Annual Report 2017.

Resolution 8

The proposed Resolution is intended to allow the Company to purchase its own shares up to 10% of the total number of issued shares of the Company at any time within the time period stipulated in the MMLR of Bursa Securities.

Please refer to the Circular to Shareholders dated 30 April 2018 for further information.

Resolution 9

This proposed Resolution, if passed, will empower the Directors to allot up to a maximum of 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

This proposed Resolution is a renewal of the previous year's mandate. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time. The purpose of this general mandate is for possible fund-raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 22 May 2017 and the mandate will lapse at the conclusion of the 26th Annual General Meeting.

Resolution 10

The Board has assessed the independence of Mr. Lee Weng Chong, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and recommended that he continues to act as an Independent Non-Executive Director of the Company based on the justifications in the Corporate Governance Overview Statement of the Annual Report 2017.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

STATEMENT ACCOMPANYING THE NOTICE OF THE 26TH ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Authority for Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

The details of the proposed renewal of the authority for Directors to issue and allot shares by the Company are disclosed in the Explanatory Notes of the Notice of Annual General Meeting as set out in this Annual Report.

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PROGRESSIVE IMPACT CORPORATION BERHAD (203352 V)
(Incorporated in Malaysia)

FORM OF PROXY

No. of shares held	CDS Account No.
	- -

*I/We ______________________________ Tel: ______________
[Full name in block and NRIC/Passport/Company No.]
of ______________________________

being member(s) of Progressive Impact Corporation Berhad, hereby appoint: -

Full Name *(in Block)*	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and / or *(delete as appropriate)*

Full Name *(in Block)*	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairman of the Meeting as *my/our proxy(ies) to attend and vote for *me/us and on *my/our behalf at the 26th Annual General Meeting of the Company to be held at Velocity Room, Ground Floor, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 13 June 2018, at 10.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

RESOLUTION		FOR	AGAINST
1	Payment of Single Tier Final Dividend		
2	Re-election of Dato' Dr Lukman bin Ibrahim		
3	Re-election of Usamah bin Zaid		
4	Payment of Directors' fees for the financial year ended 31 December 2017		
5	Payment of Directors' benefits for the period from 14 June 2018 to the date of the next Annual General Meeting		
6	Re-appointment of Messrs Ernst & Young as Auditors		
7	Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
8	Proposed Renewal of Existing Shareholders' Mandate to purchase its own Ordinary Shares of up to 10% of the total number of issued shares in the Company		
9	Authority to Issue Shares		
10	Approval for Lee Weng Chong to continue in office as Independent Non-Executive Director		

Please indicate with an "X" in the space provided whether you wish your votes to be cast "for" or "against" the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this day of , 2018

____
Signature of Shareholder/Common Seal

** Delete whichever is not applicable*

Notes:

i) A member entitled to attend and vote is entitled to appoint up to 2 proxies to attend, speak and vote instead of him. A proxy may but need not be a member of the Company.

ii) A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, can appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

iii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

iv) Where a member or authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

v) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

vi) The instrument appointing a proxy and the power of attorney or other authority, if any under which it is signed or notarially certified copy of that power of authority shall be deposited at the Company's registered office at Suite 5.02, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

vii) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 5 June 2018. Only a Member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, vote and speak on his behalf.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

Progressive Impact Corporation Berhad
(Company No.: 203352-V)
Suite 5.02, Mercu PICORP
Lot 10, Jalan Astaka U8/84
Bukit Jelutong
40150 Shah Alam
Selangor Darul Ehsan

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PICORP

2017

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Incorporated in Malaysia

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“Surely with every difficulty, there is relief”