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

Directors' Report and Audited Financial Statements
31 December 2019

Company No: 007199-D

Sarawak Energy Berhad
(Incorporated in Malaysia)

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

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Company No: 007199-D

Sarawak Energy Berhad
(Incorporated in Malaysia)

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

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

Results

	Group RM'000	**Company** RM'000
Profit net of tax	1,182,944	32,705
	=======	======
Profit attributable to:		
Owners of the Company	1,171,623	32,705
Non-controlling interests	11,321	-
	1,182,944	32,705
	=======	======

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

Reserves and provisions

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

Dividends

On 27 March 2019, the Board of Directors declared a single-tier dividend of 4.21 sen on 1,610,568,979 ordinary shares of RM1.00 each amounting to RM67,804,954 in respect of the financial year ended 31 December 2018. The dividend was paid on 10 April 2019 via offsetting of the amount due from shareholder for the Murum Hydroelectric Project's resettlement costs.

The Directors do not recommend any payment of dividend in respect of the current financial year.

Directors

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

Directors of the Company

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

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

Directors of the subsidiaries

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

Dato Ir. Alice Jawan Empaling
Datuk Joseph Mauh Ak Ikeh
Datuk Amar Ahmad Tarmizi bin Haji Sulaiman
Palu @ Paulus Palu Anak Gumbang
Gerald Rentap Jabu
Hasmawati Binti Sapawi (Alternate Director to Datuk Amar Ahmad Tarmizi Bin Haji Sulaiman)
Datu Haji Sharbini Bin Suhaili
Lu Yew Hung @ Lu Yew Hong
Ung Sing Kwong
Ting Ching Zung
Alexander Chin
Tuan Haji Sulaiman Bin Haji Abdul Hamid
Dr. Mak Anak Met
Polycarp Wong Heang Fui @ Wong Heong Fui
Alvin Lim Khiok Leong
Chan Siak Phui @ Chen Shick Pei
Richard Wong Shoon Fook
Bernard Wong Shoon Tet
Adrian Ling Yew Huang
Chean Chee Meng
Sim Boon Hiong
Siaw Lu Howe
Nooruddin Bin Abdullah @ Liew Sze Hoon (appointed on 1.9.2019)
Hajjah Siti Aisah Binti Adenan (appointed on 1.9.2019)
Paramanathan a/l Sathasivam (Alternate Director to Sim Boon Hiong)

Directors of the subsidiaries (cont'd.)

Chan Choo Teck (Alternate Director to Ting Ching Zung)
Yong Kiam Shin (Alternate Director to Alexander Chin)
Tan Eke Luck (Alternate Director to Bernard Wong Shoon Tet)
Chen Shyong Chang (Alternate Director to Adrian Ling Yew Huang)
Phang Chung Tchet
Madinah Binti Abang
Miguel Maria Pereira Viladebó Loureiro
Rui Alexandre Pires Diniz
Leong Nam Sen
Tuan Haji Yusri Bin Safri
Aisah Eden (resigned on 1.9.2019)
David James Lawrence (resigned on 12.9.2019)

Directors' benefits

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

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

Directors' interests

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

Directors' remuneration

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

Indemnification to Directors and officers

During the financial year, the Group maintained a Directors' and Officers' Liability ("DOL") Insurance for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the DOL Insurance effected for the Directors and officers of the Group was RM50 million in aggregate. The amount of insurance premium paid for the financial year was RM88,041. No payment of indemnification was made during the financial year.

Other statutory information

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

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

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

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

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

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

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

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

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

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

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

Other statutory information (cont'd.)

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

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

Controlling shareholder

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

Subsequent event

On 20 February 2020, a subsidiary of the Group, namely Global Energy Minerals Sdn. Bhd. ("GEM") issued 6,171,589 new ordinary shares to Sarawak Energy Resources Sdn. Bhd. ("SER") and a third party, where 3,702,953 ordinary shares at RM3,702,953 were subscribed by SER and 2,468,636 ordinary shares at RM2,468,636 were subscribed by the third party in cash.

The new subscription did not have any impact to the Group as there were no changes in the Group's equity interest in SER and GEM.

The Group has filed a petition to wind up a subsidiary of the Group, SESCO-EFACEC Sdn. Bhd. and a court order was received from the High Court on 8 April 2020 for the winding up of SESCO-EFACEC Sdn. Bhd.. The court order is to be finalised by 30 April 2020.

Auditors

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

Indemnification of auditors

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated
12 MAY 2020

Datuk Amar Abdul Hamed Bin Sepawi

Dato' Haji Idris Bin Haji Buang

Company No: 007199-D

Sarawak Energy Berhad
(Incorporated in Malaysia)

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

We, **Datuk Amar Abdul Hamed Bin Sepawi** and **Dato' Haji Idris Bin Haji Buang**, being two of the Directors of **Sarawak Energy Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 13 to 166 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 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated
12 MAY 2020

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

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

I, **Alexander Chin**, being the officer primarily responsible for the financial management of **Sarawak Energy Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 13 to 166 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed **Alexander Chin**
at Kuching in the State of Sarawak
on 12 MAY 2020

Alexander Chin

Before me,

PESURUHJAYA SUMPAH
Q137
Evelyn Lau Sie Jiong
01.07.2018 - 31.12.2020
MALAYSIA

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-1808-31043558
Chartered Accountants
3rd Floor Wisma Bukit Mata Kuching
Jalan Tunku Abdul Rahman
93100 Kuching
Sarawak, Malaysia

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Company No: 007199-D

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Sarawak Energy Berhad**, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 166.

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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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Company No: 007199-D

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

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

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

Other matters

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

ERNST & YOUNG PLT
202006000003 (LLP0022760 - LCA) & AF 0039
Chartered Accountants

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

Kuching, Malaysia
Date: 12 MAY 2020

Sarawak Energy Berhad

Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2019

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		RM'000	RM'000	RM'000	RM'000
Revenue	4	5,662,052	5,423,281	397,262	523,066
Cost of sales		(2,853,315)	(2,560,012)	(193,597)	(280,579)
Gross profit		2,808,737	2,863,269	203,665	242,487
Other items of income					
Interest income	5	140,139	124,825	49,546	37,274
Other income	6	162,671	147,347	4,231	2,379
Other items of expense					
Administrative and other expenses		(614,419)	(531,252)	(40,425)	(30,014)
Finance costs	7	(863,923)	(872,556)	(184,504)	(209,157)
Share of results of associates, net of tax		1,953	1,616	-	-
Share of results of joint venture		(52)	(42)	-	-
Profit before tax	8	1,635,106	1,733,207	32,513	42,969
Income tax expense	11	(452,162)	(452,587)	192	(723)
Profit net of tax		1,182,944	1,280,620	32,705	42,246
Profit attributable to:					
Owners of the Company		1,171,623	1,279,878	32,705	42,246
Non-controlling interests		11,321	742	-	-
		1,182,944	1,280,620	32,705	42,246
Basic earnings per ordinary share attributable to owners of the Company (sen)	12	72.7	79.5		

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Sarawak Energy Berhad

Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2019 (cont'd.)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Profit net of tax		1,182,944	1,280,620	32,705	42,246
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Loss on cash flow hedge		(10,367)	-	-	-
Share of other comprehensive income of joint venture		185	(231)	-	-
Items that will not be reclassified subsequently to profit or loss:					
Actuarial loss arising from remeasurement of defined benefit plan	33	(37,905)	-	(540)	-
Income tax relating to actuarial loss recognised	11	9,098	-	130	-
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income		1,048	(20,436)	1,048	(20,436)
Other comprehensive income, net of tax		(37,941)	(20,667)	638	(20,436)
Total comprehensive income for the financial year		1,145,003	1,259,953	33,343	21,810
Total comprehensive income attributable to:					
Owners of the Company		1,133,682	1,259,211	33,343	21,810
Non-controlling interests		11,321	742	-	-
		1,145,003	1,259,953	33,343	21,810

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

Company No: 007199-D

Sarawak Energy Berhad

Statements of Financial Position as at 31 December 2019

		Group		Company	
	Note	**2019** RM'000	**2018** RM'000	**2019** RM'000	**2018** RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	29,754,655	28,997,902	1,011	62
Right-of-use assets	27	160,073	-	-	-
Mine development expenditure	14	93,053	89,156	-	-
Exploration and evaluation expenditure	15	82,292	70,750	-	-
Deferred stripping costs	16	16,172	4,866	-	-
Investment in subsidiaries	17	-	-	2,524,729	2,524,729
Investment in associates	18	24,728	22,775	14,100	14,100
Investment in joint venture	19	18,299	6,732	-	-
Other investments	20	17,815	16,767	17,815	16,767
Deferred tax assets	21	846,847	982,380	1,184	811
Other receivables	25	-	-	10,053,021	6,720,847
		31,013,934	30,191,328	12,611,860	9,277,316
Current assets					
Inventories	22	185,377	177,879	-	-
Contract assets	24	-	-	37,196	3,081,839
Trade and other receivables	25	1,320,614	1,167,490	322,272	550,798
Income tax recoverable		2,161	2,548	724	1,184
Other current assets	26	365,492	818,987	2,868	6,248
Cash and bank balances	28	4,210,859	4,216,264	1,335,649	1,732,541
		6,084,503	6,383,168	1,698,709	5,372,610
Land held for sale	23	9,316	9,316	9,171	9,171
		6,093,819	6,392,484	1,707,880	5,381,781
TOTAL ASSETS		37,107,753	36,583,812	14,319,740	14,659,097
		========	========	========	========

Sarawak Energy Berhad

Statements of Financial Position as at 31 December 2019 (cont'd.)

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Current liabilities					
Contract liabilities	24	120,906	106,126	-	-
Trade and other payables	29	2,569,656	2,670,255	392,869	417,544
Other current liabilities	30	24,655	264,972	-	170,820
Loans and borrowings	31	1,131,585	1,320,019	139,812	250,000
Income tax payable		48,568	67,054	-	-
Retirement benefit obligations	33	7,522	9,122	30	42
		3,902,892	4,437,548	532,711	838,406
Non-current liabilities					
Deferred tax liabilities	21	1,559,100	1,535,458	-	-
Loans and borrowings	31	19,016,221	19,142,668	11,100,000	11,100,000
Deferred income	32	1,922,364	1,910,271	-	-
Retirement benefit obligations	33	314,350	257,373	2,432	1,632
Derivative financial liabilities	34	15,134	-	-	-
		22,827,169	22,845,770	11,102,432	11,101,632
Total liabilities		26,730,061	27,283,318	11,635,143	11,940,038
Equity attributable to owners of the Company					
Share capital	35	1,833,341	1,833,341	1,833,341	1,833,341
Reserves	36	8,507,715	7,441,838	851,256	885,718
		10,341,056	9,275,179	2,684,597	2,719,059
Non-controlling interests		36,636	25,315	-	-
Total equity		10,377,692	9,300,494	2,684,597	2,719,059
TOTAL EQUITY AND LIABILITIES		37,107,753	36,583,812	14,319,740	14,659,097
		========	========	========	========

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

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Sarawak Energy Berhad

Statements of Changes in Equity
For the financial year ended 31 December 2019

		← **Equity attributable to owners of the Company** →							
			← *Non-distributable*		→	*Distributable*			
Group	**Note**	**Share capital** RM'000	**Fair value reserve of financial assets at FVOCI** RM'000	**Hedging reserve** RM'000	**Translation reserve** RM'000	**Retained earnings** RM'000	**Total** RM'000	**Non-controlling interests** RM'000	**Total equity** RM'000
Opening balance at 1 January 2019		1,833,341	(39,124)	-	(231)	7,481,193	9,275,179	25,315	9,300,494
Profit for the year		-	-	-	-	1,171,623	1,171,623	11,321	1,182,944
Other comprehensive income		-	1,048	(10,367)	185	(28,807)	(37,941)	-	(37,941)
Total comprehensive income for the financial year		-	1,048	(10,367)	185	1,142,816	1,133,682	11,321	1,145,003
Transactions with owners									
Dividends on ordinary shares	37	-	-	-	-	(67,805)	(67,805)	-	(67,805)
Closing balance at 31 December 2019		1,833,341	(38,076)	(10,367)	(46)	8,556,204	10,341,056	36,636	10,377,692
		=======	=======	=======	=======	=======	=======	=======	=======
		(Note 35)	(Note 36)	(Note 36)	(Note 36)	(Note 36)		(Note 17)	

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Statements of Changes in Equity
For the financial year ended 31 December 2019 (cont'd.)

	← Equity attributable to owners of the Company					→	
		← *Non-distributable*	→	*Distributable*			
Group (cont'd.)	**Share capital** RM'000	**Fair value reserve of financial assets at FVOCI** RM'000	**Translation reserve** RM'000	**Retained earnings** RM'000	**Total** RM'000	**Non-controlling interests** RM'000	**Total equity** RM'000
Opening balance at 1 January 2018	1,833,341	(18,688)	-	6,201,315	8,015,968	24,573	8,040,541
Profit for the year	-	-	-	1,279,878	1,279,878	742	1,280,620
Other comprehensive income	-	(20,436)	(231)	-	(20,667)	-	(20,667)
Total comprehensive income for the financial year	-	(20,436)	(231)	1,279,878	1,259,211	742	1,259,953
Closing balance at 31 December 2018	1,833,341	(39,124)	(231)	7,481,193	9,275,179	25,315	9,300,494
	=======	=======	=======	=======	=======	=======	=======
	(Note 35)	(Note 36)	(Note 36)	(Note 36)		(Note 17)	

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

Sarawak Energy Berhad

Statements of Changes in Equity
For the financial year ended 31 December 2019 (cont'd.)

	Note	Share capital RM'000	*Non-distributable* Fair value reserve of financial assets at FVOCI RM'000	*Distributable* Retained earnings RM'000	Total RM'000
Company					
Opening balance at 1 January 2019		1,833,341	(39,124)	924,842	2,719,059
Profit for the year		-	-	32,705	32,705
Other comprehensive income		-	1,048	(410)	638
Total comprehensive income for the financial year		-	1,048	32,295	33,343
Transactions with owners					
Dividend on ordinary shares	37	-	-	(67,805)	(67,805)
Closing balance at 31 December 2019		1,833,341	(38,076)	889,332	2,684,597
Opening balance at 1 January 2018		1,833,341	(18,688)	882,596	2,697,249
Profit for the year		-	-	42,246	42,246
Other comprehensive income		-	(20,436)	-	(20,436)
Total comprehensive income for the financial year		-	(20,436)	42,246	21,810
Closing balance at 31 December 2018		1,833,341	(39,124)	924,842	2,719,059
		(Note 35)	(Note 36)	(Note 36)	

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

Company No: 007199-D

Sarawak Energy Berhad

Statements of Cash Flows
For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Operating activities					
Profit before tax		1,635,106	1,733,207	32,513	42,969
Adjustments for:					
Amortisation of:					
- deferred income	6	(96,133)	(90,617)	-	-
- mine development expenditure	8	5,424	2,333	-	-
- deferred stripping costs	8	4,866	10,259	-	-
Bad debts written off	8	176	1,547	23	-
Depreciation of property, plant and equipment	8	1,457,717	1,168,964	173	34
Depreciation of right-of-use assets	8	3,750	-	-	-
Dividend income from subsidiaries	4	-	-	(100,000)	(100,000)
Interest expense on loans and borrowings	7	315,713	120,106	1,258	705
Profit payments on Islamic debt securities	7	548,210	752,450	183,246	208,452
Interest income from loans and receivables	5	(140,139)	(124,825)	(49,546)	(37,274)
Net loss/(gain) on disposal of property, plant and equipment	8	1,825	1,802	(40)	(25)
Net expected credit losses on receivables	8	7,446	2,765	-	-
Impairment loss on property, plant and equipment	8	33,634	-	-	-
Property, plant and equipment written off	8	5,402	86	-	-
Inventory written off	8	2,057	1,052	-	-
Prepayment written off	8	4,851	-	-	-
Provision for slow-moving inventories	8	1,786	317	-	-
Retirement benefit obligations	9	27,341	24,934	274	168
Share of results of associates		(1,953)	(1,616)	-	-
Share of results of joint venture		52	42	-	-
Net unrealised loss/(gain) on foreign exchange	8	4,693	(1,972)	1,032	(2,358)
Operating cash flows before changes in working capital		3,821,824	3,600,834	68,933	112,671

Company No: 007199-D

Sarawak Energy Berhad

Statements of Cash Flows
For the financial year ended 31 December 2019 (cont'd.)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Operating activities (cont'd.)					
Changes in working capital:					
Inventories		(11,341)	(37,740)	-	-
Contract assets		-	-	2,945,034	(559,402)
Receivables		(228,088)	(226,823)	(2,690,665)	(45,487)
Other current assets		448,644	(361,325)	3,380	19,824
Contract liabilities		14,780	(24,516)	-	-
Payables		33,092	685,110	(21,386)	75,292
Other current liabilities		(240,317)	256,716	(170,820)	170,820
Total changes in working capital		16,770	291,422	65,543	(338,953)
Cash flows from/(used in) operations		3,838,594	3,892,256	134,476	(226,282)
Interest paid		(1,962)	(14,962)	(1,587)	(3,070)
Taxes paid, net of refund		(301,988)	(113,739)	409	131
Retirement benefit paid	33	(9,869)	(10,095)	(26)	(59)
Net cash flows from/(used in) operating activities		3,524,775	3,753,460	133,272	(229,280)
Investing activities					
Acquisition of property, plant and equipment	13	(2,420,259)	(3,076,440)	(1,122)	(1,856)
Acquisition of mine development expenditure	14	(9,321)	(7,992)	-	-
Acquisition of exploration and evaluation expenditure	15	(11,542)	(15,189)	-	-
Incurrence of deferred stripping costs	16	(16,172)	(14,749)	-	-
Capital contributions received	32	108,226	150,396	-	-
Proceeds from disposal of an associate		-	1,200	-	-
Proceeds from disposal of property, plant and equipment		1,105	1,593	40	5,326
Subtotal		(2,347,963)	(2,961,181)	(1,082)	3,470

Sarawak Energy Berhad

Statements of Cash Flows
For the financial year ended 31 December 2019 (cont'd.)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Investing activities (cont'd.)					
Subtotal (cont'd.)		(2,347,963)	(2,961,181)	(1,082)	3,470
Interests received		139,678	125,385	50,154	39,397
Dividends received		-	-	100,000	-
Repayment of monthly instalment in respect of acquisition of subsidiaries		-	(300,000)	-	-
Investment in joint venture	19	(11,434)	(7,005)	-	-
Increase in investment in existing subsidiaries	17(a)	-	-	-	(250,000)
Increase in placement of investment securities		(162,000)	-	(100,000)	-
Decrease in short-term deposits with maturity more than 3 months		46,512	351,862	50,000	350,000
Net cash flows (used in)/from investing activities		(2,335,207)	(2,790,939)	99,072	142,867
Financing activities					
Profit payments on Islamic debt securities		(876,691)	(827,166)	(569,048)	(512,448)
Interest paid for other loans and borrowings		(116,445)	(107,140)	-	-
Net drawdown and repayment of Islamic debt securities		(515,000)	730,000	(200,000)	800,000
Net drawdown and repayment of other loans and borrowings		204,886	(127,515)	89,812	50,000
Decrease/(Increase) in cash and bank balances placed in designated accounts		150,714	(129,015)	-	-
(Increase)/Decrease in short-term deposits with licensed bank pledged for borrowings		(12,755)	(3,165)	4,556	(812)
Net cash flows (used in)/ from financing activities		(1,165,291)	(464,001)	(674,680)	336,740

Statements of Cash Flows
For the financial year ended 31 December 2019 (cont'd.)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Net increase in cash and cash equivalents		24,277	498,520	(442,336)	250,327
Effect of exchange rate changes on cash and cash equivalents		(7,211)	349	-	-
Cash and cash equivalents at 1 January		2,774,617	2,275,748	1,583,438	1,333,111
Cash and cash equivalents at 31 December	28	2,791,683	2,774,617	1,141,102	1,583,438

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

1. Corporate information

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

Unless otherwise state, the policies below are adopted by both the Group and the Company.

2.2 Changes in accounting policies

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

On 1 January 2019, the Group adopted the applicable new and amended MFRSs and Annual Improvements, which were effective for annual financial periods beginning on or after 1 January 2019 as set out below.

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

2.2 Changes in accounting policies (cont'd.)

Description	**Effective for annual periods beginning on or after**
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
MFRS 16: Leases	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle:	
(i) Amendments to MFRS 3: Business Combinations	1 January 2019
(ii) Amendments to MFRS 11: Joint Arrangements	1 January 2019
(iii) Amendments to MFRS 112: Income Taxes	1 January 2019
(iv) Amendments to MFRS 123: Borrowing Costs	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128: Long-term Interest in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019

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

(a) IC Interpretation 23 Uncertainty over Income Tax Treatments

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

The interpretation specifically addresses the following:

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

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

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

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

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

2.2 Changes in accounting policies (cont'd.)

(a) IC Interpretation 23: Uncertainty over Income Tax Treatments (cont'd.)

The Group has assessed the effects of applying the IC Interpretation 23 on the Group's and the Company's financial statements and have concluded that there is no significant impact.

(b) MFRS 16 Leases

MFRS 16 replaces 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.

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 does not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. Under this method, the right of use assets were measured at the amount of lease liabilities, using the lessee incremental borrowing rates at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

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

2.2 Changes in accounting policies (cont'd.)

(b) MFRS 16 Leases (cont'd.)

The Group has assessed the effects of applying the MFRS 16 on the Group's and the Company's financial statements and have concluded that there is no significant impact except for the leasehold land of the Group which was previously classified as property, plant and equipment and now presented as right-of-use assets.

(c) Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

The amendments to MFRS 119 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no material impact on the financial statements of the Group and of the Company as there is no amendments to the current existing plan.

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

2.3 Accounting standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The initial application of these standards are not expected to have material financial impact on the Group and on the Company in the current or future reporting periods.

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

2.4 Basis of consolidation

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

Specifically, the Group controls an investee if and only if the Group has:

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

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

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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 the investee, including:

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

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

(iii) Rights arising from other contractual arrangements; and

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

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

2.4 Basis of consolidation (cont'd.)

The Group re-assesses 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 financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of 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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

2.4 Basis of consolidation (cont'd.)

Business combinations and goodwill (cont'd.)

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

2.4 Basis of consolidation (cont'd.)

Business combinations and goodwill (cont'd.)

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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

2.5 Subsidiaries

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

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

2.6 Associates

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

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method.

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

2.6 Associates (cont'd.)

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of results of associates' in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

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

2.7 Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

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

2.8 Non-controlling interests

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

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

2.9 Current versus non-current

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

2.10 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

2.11 Financial instruments

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

(a) Financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

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

Subsequent measurement

(i) Financial assets at amortised cost (debt instruments)

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

(ii) Fair value through other comprehensive income

(a) Debt instruments

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(b) Equity instruments

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

***Subsequent measurement* (cont'd.)**

(ii) Fair value through other comprehensive income (cont'd.)

(b) Equity instruments (cont'd.)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

(iii) Fair value through profit or loss

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

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

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

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

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Impairment of financial assets

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

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

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

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

2.11 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Impairment of financial assets (cont'd.)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

(b) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

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

2.11 Financial instruments (cont'd.)

(b) Financial liabilities (cont'd.)

Subsequent measurement

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

(i) Fair value through profit or loss

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

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

(ii) Amortised cost (loans and borrowings)

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

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

2.11 Financial instruments (cont'd.)

(b) Financial liabilities (cont'd.)

Subsequent measurement (cont'd.)

(ii) Amortised cost (loans and borrowings) (cont'd.)

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

(c) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

(d) Offsetting

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

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

2.12 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

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

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

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

Initial recognition and subsequent measurement (cont'd.)

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

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

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

Fair value hedges

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

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

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

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

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

Initial recognition and subsequent measurement (cont'd.)

Fair value hedges (cont'd.)

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

Cash flow hedges

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

The Group uses cross currency interest rate swap ("CCIRS") as hedges of its exposure to foreign currency risks and interest rate risks in forecast transactions and firm commitments. The ineffective portion relating to CCIRS is recognised in profit or loss as other income or expense.

The Group designates only the spot element of CCIRS as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

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

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

Initial recognition and subsequent measurement (cont'd.)

Cash flow hedges (cont'd.)

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

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

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

2.13 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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

2.13 Financial guarantee (cont'd.)

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

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

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

2.14 Impairment of non-financial assets

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

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

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

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

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

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

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

Goodwill is tested for impairment annually at the reporting date and when circumstances indicate that the carrying value may be impaired.

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

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

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

2.15 Fair value measurements

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

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

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

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

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

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

2.15 Fair value measurements (cont'd.)

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

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

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

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

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

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

2.16 Foreign currency

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

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

2.16 Foreign currency (cont'd.)

(a) Transaction and balances

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

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

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

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

2.16 Foreign currency (cont'd.)

(a) Group companies

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

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

2.17 Cash and cash equivalents

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

2.18 Inventories

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

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

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

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

2.18 Inventories (cont'd.)

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

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

2.19 Provisions

General

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

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

Onerous contracts

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

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

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

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

(c) Defined benefit plans

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

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

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

2.22 Leases

Current financial year

(a) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

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

2.22 Leases (cont'd.)

Current financial year (cont'd.)

(b) Recognition and initial measurement

(i) As lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

2.22 Leases (cont'd.)

Current financial year (cont'd.)

(b) Recognition and initial measurement (cont'd.)

(i) As lessee (cont'd.)

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

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

2.22 Leases (cont'd.)

Current financial year (cont'd.)

(c) Subsequent measurement

(i) As lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) As lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue". Contingent rents are recognised as revenue in the period in which they are earned.

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

2.22 Leases (cont'd.)

Previous financial year

(a) Determining whether an arrangement contains a lease

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

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

(b) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, were 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 were also added to the amount capitalised. Lease payments were 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 were charged to profit or loss. Contingent rents, if any, were charged as expenses in the periods in which they were incurred.

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

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

2.22 Leases (cont'd.)

Previous financial year (cont'd.)

(b) As lessee (cont'd.)

Operating lease payments were 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 was recognised as a reduction of rental expense over the lease term on a straight-line basis.

(c) As lessor

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

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

2.23 Revenue and other income

(a) Revenue from contracts with customers

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

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

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

(b) Dividend income

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

(c) Interest income

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

(d) Rental income

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

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

2.24 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

2.24 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

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

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

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

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

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

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

2.24 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

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

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

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

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

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

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

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

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

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

2.25 Share capital and share issuance expenses

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

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

2.26 Contingencies

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

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

2.27 Exploration and evaluation expenditure

(i) Pre-licence costs

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

(ii) Exploration and evaluation expenditure

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

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

2.27 Exploration and evaluation expenditure (cont'd.)

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

Exploration and evaluation activity includes:

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

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

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

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

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

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

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

2.27 Exploration and evaluation expenditure (cont'd.)

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

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

2.28 Mine development expenditure

(i) Initial recognition

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

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

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

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

2.28 Mine development expenditure (cont'd.)

(i) Initial recognition (cont'd.)

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

(ii) Amortisation

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

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

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

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

2.29 Deferred stripping costs

Overburden removal costs

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

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

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

(a) Development stripping costs

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

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

(b) Production stripping costs

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

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

2.29 Deferred stripping costs (cont'd.)

(b) Production stripping costs (cont'd.)

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

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

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

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

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

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

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

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

2.30 Non-current asset held for sale

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

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

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

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

2.31 Government grants

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

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

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

2.32 Contract asset/Contract liability

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

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

2.33 Contract cost

(i) Incremental cost of obtaining a contract

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

(ii) Costs to fulfil a contract

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

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

3. Significant accounting estimates and judgements

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

3.1 Critical judgement in applying accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. The accounting policy for revenue recognition on transfer of assets from customers requires subjective judgements, often as a result of the need to assess all conditions and circumstances surrounding the use of the assets including the relevant rate-regulated framework governing those assets.

3.2 Key sources of estimation uncertainty

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

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

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

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

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

(b) Exploration and evaluation expenditure

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

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

(c) Deferred tax assets

Deferred tax assets are recognised for all unutilised investment allowances to the extent that is probable that taxable profit will be available against which the tax losses and investment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of deferred tax assets on recognised investment allowances of the Group was RM1.23 billion (2018: RM1.24 billion).

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

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

(d) Provision for expected credit losses of receivables

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

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

(e) Defined benefit plan

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

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

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

(e) Defined benefit plan (cont'd.)

(i) Discount rate

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

(ii) Medical claim inflation rate

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

Other key assumptions for employee benefit obligations are based in part on current market conditions. Additional information is as disclosed in Note 33 to the financial statements.

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

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

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

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

(g) Accrued revenue

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

4. Revenue

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Revenue from contract with customers	5,662,052	5,423,281	297,262	423,066
Other revenue				
Dividend income from subsidiaries	-	-	100,000	100,000
Total revenue	5,662,052	5,423,281	397,262	523,066

4. Revenue (cont'd.)

4.1 Disaggregation of revenue

	Reportable segments							
	Utility		Coal mining		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Major products and services								
Sale of electricity	5,641,994	5,384,413	-	-	-	-	5,641,994	5,384,413
Sale of coal	-	-	13,295	33,118	-	-	13,295	33,118
Others	-	-	-	-	6,763	5,750	6,763	5,750
	5,641,994	5,384,413	13,295	33,118	6,763	5,750	5,662,052	5,423,281
Primary geographical market								
Malaysia	5,108,357	4,908,123	-	-	6,763	5,750	5,115,120	4,913,873
Other countries	533,637	476,290	13,295	33,118	-	-	546,932	509,408
	5,641,994	5,384,413	13,295	33,118	6,763	5,750	5,662,052	5,423,281

4. Revenue (cont'd.)

4.1 Disaggregation of revenue (cont'd.)

	Reportable segments							
	Utility		Coal mining		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Group (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Timing and recognition								
At a point in time	-	-	13,295	33,118	3,273	5,750	16,568	38,868
Over time	5,641,994	5,384,413	-	-	3,490	-	5,645,484	5,384,413
Revenue from contract with customers	5,641,994	5,384,413	13,295	33,118	6,763	5,750	5,662,052	5,423,281

4. Revenue (cont'd.)

4.1 Disaggregation of revenue (cont'd.)

	Reportable segments					
	Construction		**Others**		**Total**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Major products and services						
Construction revenue	272,692	404,990	-	-	272,692	404,990
Corporate support service fees	-	-	21,814	16,767	21,814	16,767
Others	-	-	2,756	1,309	2,756	1,309
	272,692	404,990	24,570	18,076	297,262	423,066
Primary geographical market						
Malaysia	272,692	404,990	24,570	18,076	297,262	423,066

4. Revenue (cont'd.)

4.1 Disaggregation of revenue (cont'd.)

	Reportable segments					
	Construction		**Others**		**Total**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Company (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Timing and recognition						
Over time	272,692	404,990	24,570	18,076	297,262	423,066
Revenue from contract with customers	272,692	404,990	24,570	18,076	297,262	423,066
Other revenue	-	-	100,000	100,000	100,000	100,000
Total revenue	272,692	404,990	124,570	118,076	397,262	523,066

4. Revenue (cont'd.)

4.2 Nature of goods and services

Group

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

4. Revenue (cont'd.)

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

Company

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

4.3 Transaction price allocated to the remaining performance obligations

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

Company	2019 RM'000	2018 RM'000
Construction revenue		
- Within one year	24,764	174,487
	======	======

5. Interest income

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Interest income of financial assets at amortised cost:				
- Short-term deposits	130,692	123,167	43,067	36,342
- Others	9,447	1,658	6,479	932
	140,139	124,825	49,546	37,274
	======	======	======	======

6. Other income

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of property, plant and equipment	122	114	40	24
Gain on foreign exchange				
- realised	2,311	66	1,822	-
- unrealised	701	2,358	-	2,358
Sundry income	59,505	49,920	2,369	-
Amortisation of deferred income (Note 32)	96,133	90,617	-	-
Rental income from land and building	3,899	4,272	-	(3)
	162,671	147,347	4,231	2,379
	======	======	======	======

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

7. Finance costs

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Interest expense/profit payments on:				
- Islamic debt securities	868,809	832,757	565,057	519,314
- Revolving credits	1,762	14,125	1,258	3,586
- Term loans	115,560	108,861	-	-
- Finance leases	1	1	-	-
	986,132	955,744	566,315	522,900
Amount charged to:				
- Subsidiaries	-	-	(381,811)	(312,626)
- Other receivables	(1,218)	(1,117)	-	(1,117)
Amount capitalised in:				
- Capital work-in-progress (Note 13)	(120,991)	(80,470)	-	-
- Mine development expenditure (Note 14)	-	(1,601)	-	-
	863,923	872,556	184,504	209,157

8. Profit before tax

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
The following amounts have been included in arriving at profit before tax:				
Auditors' remuneration				
Audit fees				
- statutory audit current year	934	908	163	160
Other services	753	1,576	253	340

8. Profit before tax (cont'd.)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Amortisation of				
- mine development expenditure (Note 14)	5,424	2,333	-	-
- deferred stripping costs (Note 16)	4,866	10,259	-	-
Bad debts written off	176	1,547	23	-
Depreciation of property, plant and equipment (Note 13)	1,457,717	1,168,964	173	34
Depreciation of right-of-use assets (Note 27)	3,750	-	-	-
Directors' remuneration (Note 10)	3,037	2,825	2,296	2,034
Employee benefits expense (Note 9)	527,562	499,859	22,536	16,766
Impairment loss on property, plant and equipment (Note 13)	33,634	-	-	-
Net expected credit losses on				
- trade receivables, net [Note 42(a)]	(10,437)	8,331	-	-
- other receivables, net [Note 42(a)]	17,883	(5,566)	-	-
Net loss/(gain) on disposal of property, plant and equipment	1,825	1,802	(40)	(25)
Net (gain)/loss on foreign exchange				
- realised	(1,189)	1,982	(1,822)	252
- unrealised	4,693	(1,972)	1,032	(2,358)
Prepayment written off	4,851	-	-	-
Property, plant and equipment written off	5,402	86	-	-
Inventories written off	2,057	1,052	-	-
Provision for slow-moving inventories	1,786	317	-	-
Rental expense	-	8,004	-	25
Expenses related to short-term leases	7,913	-	12	-
	=======	=======	=======	=======

9. Employee benefits expense

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Salaries, wages, overtime and bonus	368,991	379,858	75,414	67,654
Social security contributions	3,415	3,803	761	631
Contributions to defined contribution plan	56,009	46,140	11,306	8,809
Other benefits	109,149	88,330	10,675	8,942
Retirement benefit obligations (Note 33)	27,341	24,934	274	168
	564,905	543,065	98,430	86,204
Less: Amount capitalised in capital work-in-progress (Note 13)	(37,343)	(43,120)	-	-
Less: Amount capitalised in contract assets (Note 24)	-	-	(9,333)	(10,108)
Less: Amount charged to other receivables	-	(86)	-	-
Less: Amount charged to subsidiaries, net	-	-	(66,561)	(59,330)
	527,562	499,859	22,536	16,766

10. Directors' remuneration

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Fees	1,458	1,447	1,311	1,303
Emoluments	1,071	776	985	731
	2,529	2,223	2,296	2,034
Other Directors of subsidiaries				
Fees	186	285	-	-
Emoluments	322	317	-	-
	508	602	-	-
Total Directors' remuneration (Note 39)	3,037	2,825	2,296	2,034

11. Income tax expense

Major components of income tax expense

The major components of income tax expense are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Statements of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax	271,874	234,408	-	-
- Under/(Over) provision in respect of previous years	12,015	(1,441)	51	341
	283,889	232,967	51	341
Deferred tax (Note 21):				
- Origination and reversal of temporary differences	178,175	211,810	(243)	969
- (Over)/Under provision in respect of previous years	(9,902)	7,810	-	(587)
	168,273	219,620	(243)	382
Income tax expense recognised in profit or loss	452,162	452,587	(192)	723
Deferred tax expense recognised in other comprehensive income (Note 21):				
- Recognition of deferred tax assets on actuarial loss arising from remeasurement of defined benefit plan	(9,098)	-	(130)	-

11. Income tax expense (cont'd.)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

	Group	
	2019	**2018**
	RM'000	RM'000
Profit before tax	1,635,106	1,733,207
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	392,425	415,970
Adjustments:		
Exemption based on incremental chargeable income	-	(25,912)
Tax effect of non-deductible expenses	90,724	72,131
Tax effect of income not subject to tax	(40,525)	(21,824)
Tax effect of share of results of associates	(552)	(388)
Tax effect of share of results of joint venture	13	10
Under/(Over) provision of current income tax in respect of previous years	12,015	(1,441)
(Over)/Under provision of deferred tax in respect of previous years	(9,902)	7,810
Recognition of previously unrecognised deferred tax assets	(2,125)	-
Deferred tax assets not recognised	10,089	6,231
Income tax expense recognised in profit or loss	452,162	452,587

	Company	
	2019	**2018**
	RM'000	RM'000
Profit before tax	32,513	42,969
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	7,803	10,313
Adjustments:		
Tax effect of non-deductible expenses	9,941	8,750
Tax effect of tax exempt income	(24,000)	(24,000)
Under provision of current income tax in respect of previous years	51	341
Over provision of deferred tax in respect of previous years	-	(587)
Deferred tax assets not recognised	6,013	5,906
Income tax expense recognised in profit or loss	(192)	723

11. Income tax expense (cont'd.)

Current income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

12. Earnings per ordinary share

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

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

	Group	
	2019	**2018**
Profit net of tax attributable to owners of the Company (RM'000)	1,171,623	1,279,878
Weighted average number of ordinary shares ('000)	1,610,569	1,610,569
Basic earnings per ordinary share attributable to owners of the Company (sen)	72.7	79.5

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

13. Property, plant and equipment

Group	**Land** RM'000	**Buildings** RM'000	**Structures and improve-ments** RM'000	**Plant and machinery** RM'000	**Lines and distribution mains** RM'000	**Distribution services** RM'000	**Meters** RM'000	**Subtotal** RM'000
Cost								
At 1 January 2018	186,787	1,746,990	9,787,531	10,793,235	4,312,045	919,783	97,012	27,843,383
Additions	5,006	14,606	-	126,190	35,309	14,689	10,699	206,499
Write-offs	-	-	-	(10,381)	(561)	(4,346)	(42)	(15,330)
Disposals	-	(836)	-	(8,962)	(583)	(320)	(563)	(11,264)
Reclassification/transfer	-	761,423	(600,230)	697,294	111,597	20,673	-	990,757
At 31 December 2018/ 1 January 2019, as previously reported	191,793	2,522,183	9,187,301	11,597,376	4,457,807	950,479	107,106	29,014,045
Effect of adoption of MFRS 16	(190,613)	-	-	-	-	-	-	(190,613)
Revised opening at 1 January 2019	1,180	2,522,183	9,187,301	11,597,376	4,457,807	950,479	107,106	28,832,432
Additions	-	90,740	-	51,376	2,004	1,642	11,699	157,461
Write-offs	-	(5,980)	-	(17,378)	(1,823)	(939)	(7)	(26,127)
Disposals	-	-	-	(51,000)	(1,405)	(167)	(1,496)	(54,068)
Reclassification	-	1,457,685	-	2,551,828	149,058	8,226	35,118	4,201,915
Transfer to right-of-use assets	-	-	-	-	-	-	-	-
At 31 December 2019	1,180	4,064,628	9,187,301	14,132,202	4,605,641	959,241	152,420	33,102,613

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

Group (cont'd.)	**Subtotal** RM'000	**Public lighting** RM'000	**Motor vehicles** RM'000	**Furniture fittings, equipment and others** RM'000	**Capital work-in-progress** RM'000	**Total** RM'000
Cost						
At 1 January 2018	27,843,383	170,340	110,592	510,504	6,059,294	34,694,113
Additions	206,499	-	6,655	52,288	2,810,998	3,076,440
Write-offs	(15,530)	(19)	-	(70)	(20)	(15,439)
Disposals	(11,264)	(107)	(153)	(598)	-	(12,122)
Reclassification/transfer	990,757	7,021	12	27,585	(1,025,375)	-
At 31 December 2018/1 January 2019 as previously reported	29,014,045	177,235	117,106	589,709	7,844,897	37,742,992
Effect of adoption of MFRS 16	(190,613)	-	-	-	-	(190,613)
Revised opening at 1 January 2019	28,832,432	177,235	117,106	589,709	7,844,897	37,552,379
Additions	157,461	-	3,496	22,323	2,236,979	2,420,259
Write-offs	(26,127)	(666)	(125)	(207)	-	(27,125)
Disposals	(54,068)	(262)	(2,555)	(66,778)	-	(123,663)
Reclassification	4,201,915	3,357	145	7,852	(4,213,269)	-
Transfer to right-of-use assets	-	-	-	-	(40,725)	(40,725)
At 31 December 2019	33,102,613	179,664	118,067	552,899	5,827,882	39,781,125

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

Group (cont'd.)	**Land** RM'000	**Buildings** RM'000	**Structures and improve- ments** RM'000	**Plant and machinery** RM'000	**Lines and distribution mains** RM'000	**Distribution services** RM'000	**Meters** RM'000	**Subtotal** RM'000
Accumulated depreciation and impairment loss								
At 1 January 2018	64,197	376,339	680,202	4,036,118	1,403,331	456,145	68,009	7,084,341
Depreciation charge for the year (Note 8)	3,399	92,496	98,921	672,994	199,817	31,849	3,654	1,103,130
Write-offs	-	-	-	(10,380)	(532)	(4,319)	(42)	(15,273)
Disposals	-	(702)	-	(5,854)	(476)	(313)	(562)	(7,907)
Reclassification/transfer	-	76,213	(72,543)	27,932	(35,494)	5	-	(3,887)
At 31 December 2018/ 1 January 2019, as previously reported	67,596	544,346	706,580	4,720,810	1,566,646	483,367	71,059	8,160,404
Effect of adoption of MFRS 16	(67,596)	-	-	-	-	-	-	(67,596)
Revised opening at 1 January 2019	-	544,346	706,580	4,720,810	1,566,646	483,367	71,059	8,092,808
Depreciation charge for the year (Note 8)	-	201,994	120,320	730,159	300,356	31,602	5,543	1,389,974
Impairment loss (Note 8)	-	-	-	-	-	-	-	-
Write-offs	-	(4,737)	-	(13,443)	(1,698)	(864)	(7)	(20,749)
Disposals	-	-	-	(48,578)	(1,193)	(148)	(1,496)	(51,415)
Reclassification	-	(638)	-	(843)	1,394	1	32	(54)
Transfer to right-of-use assets	-	-	-	-	81	-	-	81
At 31 December 2019								
Accumulated depreciation	-	740,965	826,900	5,388,105	1,865,586	513,958	75,131	9,410,645
Accumulated impairment loss	-	-	-	-	-	-	-	-
	-	740,965	826,900	5,388,105	1,865,586	513,958	75,131	9,410,645
	=======	=======	=======	=======	=======	=======	=======	=======

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

Group (cont'd.)	**Subtotal** RM'000	**Public lighting** RM'000	**Motor vehicles** RM'000	**Furniture fittings, equipment and others** RM'000	**Capital work-in-progress** RM'000	**Total** RM'000
Accumulated depreciation and impairment loss (cont'd.)						
At 1 January 2018	7,084,341	77,641	73,742	364,482	-	7,600,206
Depreciation charge for the year (Note 8)	1,103,130	6,113	12,861	46,860	-	1,168,964
Write-offs	(15,273)	(19)	-	(61)	-	(15,353)
Disposals	(7,907)	(96)	(152)	(572)	-	(8,727)
Reclassification/transfer	(3,887)	(9)	6	3,890	-	-
At 31 December 2018/1 January 2019, as previously reported	8,160,404	83,630	86,457	414,599	-	8,745,090
Effect of adoption of MFRS 16	-	-	-	-	-	(67,596)
Revised opening at 1 January 2019	8,160,404	83,630	86,457	414,599	-	8,677,494
Depreciation charge for the year (Note 8)	1,389,974	6,256	13,090	48,397	-	1,457,717
Impairment loss (Note 8)	-	-	-	-	33,634	33,634
Write-offs	(20,749)	(660)	(125)	(189)	-	(21,723)
Disposals	(51,415)	(261)	(2,477)	(66,580)	-	(120,733)
Reclassification	(54)	-	-	54	-	-
Transfer to right-of-use assets	81	-	-	-	-	81
At 31 December 2019						
Accumulated depreciation	9,410,645	88,965	96,945	396,281	-	9,992,836
Accumulated impairment loss	-	-	-	-	33,634	33,634
	9,410,645	88,965	96,945	396,281	33,634	10,026,470

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

Group (cont'd.)	Land RM'000	Buildings RM'000	Structures and improve-ments RM'000	Plant and machinery RM'000	Lines and distribution mains RM'000	Distribution services RM'000	Meters RM'000	Subtotal RM'000
Carrying amount								
At 31 December 2018	124,197	1,977,837	8,480,721	6,876,566	2,891,161	467,112	36,047	20,853,641
	========	========	========	========	========	========	========	========
At 31 December 2019	1,180	3,323,663	8,360,401	8,744,097	2,740,055	445,283	77,289	23,691,968
	========	========	========	========	========	========	========	========

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

Group (cont'd.)	**Subtotal** RM'000	**Public lighting** RM'000	**Motor vehicles** RM'000	**Furniture fittings, equipment and others** RM'000	**Capital work-in-progress** RM'000	**Total** RM'000
Carrying amount (cont'd.)						
At 31 December 2018	20,853,641	93,605	30,649	175,110	7,844,897	28,997,902
	========	========	========	========	========	========
At 31 December 2019	23,691,968	90,699	21,122	156,618	5,794,248	29,754,655
	========	========	========	========	========	========

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

Land

Details of land are as follows:

Group	**Freehold land** RM'000	**Long-term leasehold land** RM'000	**Short-term leasehold land** RM'000	**Total** RM'000
Cost				
At 1 January 2018	1,180	46,377	139,230	186,787
Additions	-	5,006	-	5,006
At 31 December 2018/1 January 2019, as previously reported	1,180	51,383	139,230	191,793
Effect of adoption of MFRS 16	-	(51,383)	(139,230)	(190,613)
Revised opening at 1 January 2019/31 December 2019	1,180	-	-	1,180
Accumulated depreciation				
At 1 January 2018	-	3,066	61,131	64,197
Depreciation charge for the year	-	759	2,640	3,399
At 31 December 2018/1 January 2019, as previously reported	-	3,825	63,771	67,596
Effect of adoption of MFRS 16	-	(3,825)	(63,771)	(67,596)
Revised opening at 1 January 2019/31 December 2019	-	-	-	-
Carrying amount				
At 31 December 2018	1,180	47,558	75,459	124,197
At 31 December 2019	1,180	-	-	1,180

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

	Motor vehicles RM'000	Furniture, fittings, equipment and others RM'000	Capital work-in-progress RM'000	Total RM'000
Company				
Cost				
At 1 January 2018	1,611	3,941	3,446	8,998
Additions	-	1	1,855	1,856
Disposals	(152)	-	(5,301)	(5,453)
At 31 December 2018/1 January 2019	1,459	3,942	-	5,401
Additions	1,122	-	-	1,122
Disposals	(149)	-	-	(149)
At 31 December 2019	2,432	3,942	-	6,374
Accumulated depreciation				
At 1 January 2018	1,550	3,907	-	5,457
Depreciation charge for the year (Note 8)	17	17	-	34
Disposals	(152)	-	-	(152)
At 31 December 2018/1 January 2019	1,415	3,924	-	5,339
Depreciation charge for the year (Note 8)	166	7	-	173
Disposals	(149)	-	-	(149)
At 31 December 2019	1,432	3,931	-	5,363
Carrying amount				
At 31 December 2018	44	18	-	62
At 31 December 2019	1,000	11	-	1,011

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

(a) Assets under construction

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

	Group	
	2019	**2018**
	RM'000	RM'000
Employee benefits expense (Note 9)	37,343	43,120
Finance costs (Note 7)	120,991	80,470
	======	======

(b) Security

At 31 December 2018, the Group's long-term leasehold land with carrying amount of RM5,309,000 were pledged as security for the Sukuk Mudharabah as disclosed in Note 31.

(c) Impairment

During the financial year, the Group recognised impairment loss of RM33,634,000 on certain slow-moving spares which were previously recognised under capital work-in-progress of property, plant and equipment.

14. Mine development expenditure

	Group	
	2019	**2018**
	RM'000	RM'000
Cost		
At 1 January	91,975	29,878
Additions	9,321	7,992
Transfer from exploration and evaluation expenditure (Note 15)	-	54,105
At 31 December	101,296	91,975
	======	======
Accumulated amortisation		
At 1 January	2,819	486
Charge for the year (Note 8)	5,424	2,333
At 31 December	8,243	2,819
	======	======
Carrying amount		
At 31 December	93,053	89,156
	======	======

14. Mine development expenditure (cont'd.)

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

	Group	
	2019	**2018**
	RM'000	RM'000
Finance costs (Note 7)	-	1,601
	======	======

15. Exploration and evaluation expenditure

	Group	
	2019	**2018**
	RM'000	RM'000
At cost		
At 1 January	70,750	109,666
Additions	11,542	15,189
Transfer to mine development expenditure (Note 14)	-	(54,105)
At 31 December	82,292	70,750
	======	======

16. Deferred stripping costs

	Group	
	2019	**2018**
	RM'000	RM'000
Cost		
At 1 January	15,125	376
Additions	16,172	14,749
At 31 December	31,297	15,125
	======	======
Accumulated amortisation		
At 1 January	10,259	-
Charge for the year (Note 8)	4,866	10,259
At 31 December	15,125	10,259
	======	======
Carrying amount		
At 31 December	16,172	4,866
	======	======

17. Investment in subsidiaries

	Company	
	2019	**2018**
	RM'000	RM'000
Unquoted shares	2,524,729	2,524,729
	=======	=======

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

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

Name	**Principal activities**	**Proportion (%) of ownership interest**	
		2019	**2018**
Held by the Company:			
SEB Power Sdn. Bhd. [(a)]	Investment holding, development of power plant, operation, maintenance, procurement and generation support services	100	100
Syarikat SESCO Berhad	Power generation, transmission, distribution and sale of electricity	100	100
Sarawak Energy Resources Sdn. Bhd.	Investment holding	100	100
Dunlop Estates Holdings Sdn. Bhd.	Investment holding	100	100
Sarawak Energy (RES) Sdn. Bhd.	Executing agent of the State Government of Sarawak in carrying out the Rural Electrification Scheme ("RES") Project	100	100

17. Investment in subsidiaries (cont'd.)

Name	**Principal activities**	**Proportion (%) of ownership interest 2019**	**2018**
Held through SEB Power Sdn. Bhd.:			
PPLS Power Generation Sdn. Bhd.	Power generation	100	100
Mukah Power Generation Sdn. Bhd.	Power generation	100	100
Sarawak Power Generation Sdn. Bhd.	Power generation	100	100
Murum Hydro Power Generation Sdn. Bhd.	Power generation	100	100
Sejingkat Power Corporation Sdn. Bhd.	Power generation	100	100
Bakun Hydro Power Generation Sdn. Bhd.	Power generation	100	100
Batang Ai Power Generation Sdn. Bhd.	Power generation	100	100
Balingian Power Generation Sdn. Bhd.	Power generation	100	100
Kidurong Power Generation Sdn. Bhd. #	Power generation	100	100
Samalaju Power Generation Sdn. Bhd. #	Intended - Power generation	100	100
Baleh Hydro Power Generation Sdn. Bhd.#	Power generation	100	100
Held through Syarikat SESCO Berhad:			
SESCO-EFACEC Sdn. Bhd. (d)	Manufacturing of transformers and switch gears and contracting electrical works	51	51

17. Investment in subsidiaries (cont'd.)

Name	Principal activities	Proportion (%) of ownership interest 2019	2018
Held through Syarikat SESCO Berhad: (cont'd.)			
Sarawak Energy Services Sdn. Bhd.	Provision of project management, engineering services, operation and maintenance of power stations and contracting	100	100
Held through Sarawak Energy Resources Sdn. Bhd.:			
Global Energy Minerals Sdn. Bhd. [c]	Exploration, production and sale of coal	60	60
Balingian Energy Minerals Sdn. Bhd.	Exploration, production and sale of coal	60	60
Mukah Energy Minerals Sdn. Bhd.	Investment holding, exploration, production and sale of coal	100	100
Held through Mukah Energy Minerals Sdn. Bhd.:			
Mukah Mining Services Sdn. Bhd.	Exploration, production and sale of coal	60	60
Held through Murum Hydro Power Generation Sdn. Bhd.:			
Murum Hydro Consortium Sdn. Bhd. [b]	Dormant	-	100
Held through Bakun Hydro Power Generation Sdn. Bhd.			
Sarawakhidro Power Sdn. Bhd.	Managing of a hydroelectric power station and related services	100	100

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

17. Investment in subsidiaries (cont'd.)

(a) Additional investments arising from new shares issued by existing subsidiary – SEB Power Sdn. Bhd. ("SEBP")

During the previous financial year, the Company subscribed additional 250,000,000 ordinary shares in SEBP at RM250,000,000 in cash.

The new subscription did not have any impact to the Group as there was no changes in the Group's equity interest in SEBP.

(b) Striking off of a subsidiary – Murum Hydro Consortium Sdn. Bhd. ("MHC")

MHC, a wholly-owned subsidiary of the Group was approved for strike off during the financial year and was formally gazette for deregistration from the Registrar of Company in December 2019.

(c) Additional investments arising from new shares issued by existing subsidiary – Global Energy Minerals Sdn. Bhd. ("GEM")

On 20 February 2020, GEM issued 6,171,589 new ordinary shares to Sarawak Energy Resources Sdn. Bhd. ("SER") and a third party, where 3,702,953 ordinary shares at RM3,702,953 were subscribed by SER and 2,468,636 ordinary shares at RM2,468,636 were subscribed by the third party in cash.

The new subscription did not have any impact to the Group as there were no changes in the Group's equity interest in SER and GEM.

(d) Winding up of a subsidiary

The Group has filed a petition to wind up a subsidiary of the Group, SESCO-EFACEC Sdn. Bhd. and a court order was received from the High Court on 8 April 2020 for the winding up of SESCO-EFACEC Sdn. Bhd.. The court order is to be finalised by 30 April 2020.

17. Investment in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries

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

	Balingian Energy Minerals Sdn. Bhd.		SESCO-EFACEC Sdn. Bhd.		Global Energy Minerals Sdn. Bhd.		Other subsidiaries with immaterial NCI		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NCI percentage of ownership interest	40%	40%	49%	49%	40%	40%				
Carrying amount of NCI	25,730	11,691	4,242	4,659	7,669	9,964	(1,005)	(999)	36,636	25,315
Profit/(Loss) allocated to NCI	14,039	1,257	(417)	(2,266)	(2,295)	1,767	(6)	(16)	11,321	742
	======	======	======	======	======	======	======	======	======	======

Summarised financial information before intragroup elimination

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

17. Investment in subsidiaries (cont'd.)

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

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

(i) Summarised Statements of Financial Position

	Balingian Energy Minerals Sdn. Bhd.		SESCO-EFACEC Sdn. Bhd.		Global Energy Minerals Sdn. Bhd.	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current assets	139,420	136,209	1,758	2,016	61,997	37,788
Current assets	57,071	50,271	12,080	13,279	36,246	38,933
Total assets	196,491	186,480	13,838	15,295	98,243	76,721
Current liabilities	46,618	62,738	5,181	5,786	59,497	32,314
Non-current liabilities	85,547	94,514	-	-	19,573	19,497
Total liabilities	132,165	157,252	5,181	5,786	79,070	51,811
Net assets	64,326	29,228	8,657	9,509	19,173	24,910
Equity attributable to owners of the Company	38,596	17,537	4,415	4,850	11,504	14,946
Non-controlling interests	25,730	11,691	4,242	4,659	7,669	9,964

17. Investment in subsidiaries (cont'd.)

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

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

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

	Balingian Energy Minerals Sdn. Bhd.		SESCO-EFACEC Sdn. Bhd.		Global Energy Minerals Sdn. Bhd.	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	141,039	25,116	3,273	5,750	87,142	120,294
Profit/(Loss) for the year	35,098	3,144	(852)	(4,624)	(5,737)	4,418
Profit/(Loss) attributable to owners of the Company	21,059	1,887	(435)	(2,358)	(3,442)	2,651
Profit/(Loss) attributable to the non-controlling interests	14,039	1,257	(417)	(2,266)	(2,295)	1,767
	=====	=====	=====	=====	=====	=====

(iii) Summarised Cash Flows

	Balingian Energy Minerals Sdn. Bhd. 2019 RM'000	2018 RM'000	SESCO-EFACEC Sdn. Bhd. 2019 RM'000	2018 RM'000	Global Energy Minerals Sdn. Bhd. 2019 RM'000	2018 RM'000
Net cash (used in)/from operating activities	(6,528)	(19,404)	2,267	(466)	38,285	(4,535)
Net cash (used in)/from investing activities	(14,592)	(31,408)	105	102	(24,996)	155
Net cash from/(used in) financing activities	36,110	53,778	(46)	(46)	(3,000)	(3,000)
Net increase/(decrease) in cash and cash equivalents	14,990	2,966	2,326	(410)	10,289	(7,380)
Cash and cash equivalents at beginning of the year	6,144	3,178	4,605	5,015	5,192	12,572
Cash and cash equivalents at end of the year	21,134	6,144	6,931	4,605	15,481	5,192
	=====	=====	=====	=====	=====	=====

17. Investment in subsidiaries (cont'd.)

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

Special Rights Redeemable Preference Share

	Number of share	Amount
		RM
Issued and fully paid		
At 1 January 2018, 31 December 2018/ 1 January 2019 and 31 December 2019	1	1
	======	======

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

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

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

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

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

18. Investment in associates

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Unquoted shares in Malaysia, at cost	30,453	30,453	30,413	30,413
Share of post-acquisition profit	8,401	6,448	-	-
	38,854	36,901	30,413	30,413
Less: Accumulated impairment losses	(14,126)	(14,126)	(16,313)	(16,313)
	24,728	22,775	14,100	14,100

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

Name	Principal activities	Proportion (%) of ownership interest 2019	Proportion (%) of ownership interest 2018
Held by the Company:			
Dectra Sdn. Bhd.	Inactive	26.24	26.24
Sarawak Coal Resources Sdn. Bhd.	Extraction and sale of coal	30.00	30.00
Seatrac Sdn. Bhd.	Inactive	50.00	50.00
Held through Sejingkat Power Corporation Sdn. Bhd.:			
Gobel Industry Sdn. Bhd.	Sale of coal, and provision of transportation, manpower supply and machinery services	20.00	20.00

18. Investment in associates (cont'd.)

Summarised financial information

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

(i) Summarised Statements of Financial Position

	Sarawak Coal Resources Sdn. Bhd. 2019 RM'000	Sarawak Coal Resources Sdn. Bhd. 2018 RM'000
Non-current assets	122,477	90,037
Current assets	59,966	66,400
Total assets	182,443	156,437
Current liabilities	100,150	80,655
Total liabilities	100,150	80,655
Net assets	82,293	75,782

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

	Sarawak Coal Resources Sdn. Bhd. 2019 RM'000	Sarawak Coal Resources Sdn. Bhd. 2018 RM'000
Revenue	149,610	144,923
Profit for the year	6,511	5,387
Total comprehensive income	6,511	5,387

18. Investment in associates (cont'd.)

Summarised financial information (cont'd.)

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

	Sarawak Coal Resources Sdn. Bhd. 2019 RM'000	2018 RM'000
Net assets at 1 January	75,782	70,395
Profit for the year	6,511	5,387
Net assets at 31 December	82,293	75,782
Interest in associates	30%	30%
Share of net assets, representing the carrying value of the Group's interest in associates	24,688	22,735

19. Investment in joint venture

	Group 2019 RM'000	2018 RM'000
Unquoted shares outside Malaysia, at cost	18,439	7,005
Share of post-acquisition loss	(94)	(42)
Translation differences	(46)	(231)
	18,299	6,732

Details of the joint venture are shown below:

Name	Principal activities	Proportion (%) of ownership interest 2019	2018
Held through Sarawak Energy Services Sdn. Bhd.:			
PT Kayan Hydropower Nusantara#	Assessment on potential development of hydroelectric projects in the Regency of Malinau, Indonesia	50	50

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

Audited by Ernst & Young, Indonesia.

During the financial year, the Group via its wholly-owned subsidiary, namely Sarawak Energy Services Sdn. Bhd. made additional contribution of RM11,434,500 (2018: RM7,005,150) in an existing joint venture in proportion to the Group's interest.

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

(i) Summarised Statements of Financial Position

	2019 RM'000	**2018** RM'000
Non-current assets	14,728	11,009
Current assets	22,270	4,390
Total assets	36,998	15,399
Current liabilities	400	1,936
Total liabilities	400	1,936
Net assets	36,598	13,463

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

	1.1.2019 - 31.12.2019 RM'000	**30.1.2018 - 31.12.2018** RM'000
Revenue	-	-
Loss for the financial year/period	(52)	(84)
Other comprehensive income for the financial year/period	185	(463)
Total comprehensive income for the financial year/period	133	(547)

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

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

	2019 RM'000	**2018** RM'000
Net assets at 1 January/30 January	13,463	14,010
Additional contribution by joint venture partners	23,002	-
Total comprehensive income for the year/period	133	(547)
Net assets at 31 December	36,598	13,463
Interest in joint venture	50%	50%
Share of net assets, representing the carrying value of the Group's interest in joint venture	18,299	6,732

20. Other investments

	Group/Company	
	2019 RM'000	**2018** RM'000
Quoted equity instruments designated at fair value through other comprehensive income	17,815	16,767

The Group and the Company designated the quoted equity investments at fair value through other comprehensive income as the Group and the Company intend to hold for long-term strategic purposes.

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

21. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities relate to the following:

Group	At 1 January 2018 / Recognised in profit or loss	At 31 December 2018	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2019	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities:						
Property, plant and equipment	(2,387,882)	(39,400)	(2,427,282)	(189,969)	-	(2,617,251)
Mine development expenditure	(1,155)	(888)	(2,043)	33	-	(2,010)
Deferred stripping costs	-	-	-	(3,881)	-	(3,881)
Inventory	-	-	-	(1,706)	-	(1,706)
Others	(5,720)	497	(5,223)	(389)	-	(5,612)
	(2,394,757)	(39,791)	(2,434,548)	(195,912)	-	(2,630,460)
Deferred tax assets:						
Retirement benefit obligations	60,846	3,647	64,493	3,658	9,098	77,249
Unutilised investment allowances	1,251,030	(10,282)	1,240,748	(4,005)	-	1,236,743
Unutilised tax losses	5,114	(3,584)	1,530	(734)	-	796
Trade receivables	15,817	(2,391)	13,426	1,787	-	15,213
Unabsorbed capital allowances	714,879	(167,558)	547,321	20,953	-	568,274
Other payables	13,613	339	13,952	5,551	-	19,503
Others	-	-	-	429	-	429
	2,061,299	(179,829)	1,881,470	27,639	9,098	1,918,207

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

Group (cont'd.)	**At 1 January 2018** **Recognised in profit or loss** RM'000	**At 31 December 2018** RM'000	**Recognised in profit or loss** RM'000	**Recognised in other comprehensive income** RM'000	**At 31 December 2019** RM'000	RM'000
Net	(333,458)	(219,620)	(553,078)	(168,273)	9,098	(712,253)
	=======	========	========	=======	========	=======
		(Note 11)		(Note 11)	(Note 11)	
Presented after appropriate offsetting as follows:						
Deferred tax liabilities	(1,362,576)		(1,535,458)			(1,559,100)
Deferred tax assets	1,029,118		982,380			846,847
	(333,458)		(553,078)			(712,253)
	=======		=======			=======

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

Company	**At 1 January 2018** RM'000	**Recognised in profit or loss** RM'000	**At 31 December 2018** RM'000	**Recognised in profit or loss** RM'000	**Recognised in other comprehensive income** RM'000	**At 31 December 2019** RM'000
Deferred tax liabilities:						
Property, plant and equipment	(7)	2	(5)	(6)	-	(11)
	(7)	2	(5)	(6)	-	(11)
Deferred tax assets:						
Unabsorbed capital allowances	-	-	-	8	-	8
Retirement benefit obligations	376	26	402	59	130	591
Other payables	824	(410)	414	182	-	596
	1,200	(384)	816	249	130	1,195
Net	1,193	(382)	811	243	130	1,184
		(Note 11)		(Note 11)	(Note 11)	

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

Unrecognised deferred tax assets

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	96,286	65,330	47,845	22,790
Unutilised investment allowances	2,557,341	-	-	-
Unabsorbed capital allowances	-	43	-	-
Other timing differences	2,511	242	-	-
	2,656,138	65,615	47,845	22,790

The Group and the Company have not recognised the deferred tax asset on the above as it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits therefrom.

At the reporting date, the Group and the Company has the following available for offset against future taxable income:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	96,292	65,335	47,845	22,790
Unabsorbed capital allowances	2,363,731	2,296,265	-	-
Unutilised investment allowances	7,710,437	5,172,629	-	-
	10,170,460	7,524,229	47,845	22,790

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

Pursuant to Section 44(5F) of the Income Tax Act, 1967, the unutilised tax losses and investment allowances can only be carried forward until the following year of assessment:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses to be carried forward until:				
- Year of assessment 2025	56,216	65,335	22,790	22,790
- Year of assessment 2026	40,076	-	25,055	-
	96,292	65,335	47,845	22,790
Unutilised investment allowance to be carried forward until:				
- Year of assessment 2026	2,557,341	-	-	-

22. Inventories

	Group	
	2019	**2018**
	RM'000	RM'000
At cost		
Fuel	34,877	37,665
Coal	33,667	31,367
Consumables	115,606	106,913
Finished goods	507	1,290
Work-in-progress	720	644
	185,377	177,879

During the financial year, inventories recognised as an expense in cost of sales of the Group was RM591,395,000 (2018: RM544,136,000).

23. Land held for sale

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Leasehold land	9,316	9,316	9,171	9,171
	======	======	======	======

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

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

24. Contract assets/liabilities

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Contract assets	-	-	37,196	3,081,839
	=======	=======	=======	=======
Contract liabilities	120,906	106,126	-	-
	=======	=======	=======	=======

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

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

	Company	
	2019	**2018**
	RM'000	RM'000
Employee benefits expense (Note 9)	9,333	10,108
	======	======

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

25. Trade and other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
Current	RM'000	RM'000	RM'000	RM'000
(a) Trade receivables				
Third parties	1,001,352	972,894	-	-
Less: Allowance for expected credit losses	(80,839)	(91,276)	-	-
Trade receivables, net (i)	920,513	881,618	-	-
(b) Other receivables				
Amounts due from				
- subsidiaries (ii)	-	-	319,337	477,724
- associates (iii)	10,729	10,729	10,729	10,729
Amount due from shareholder (iv)	-	67,828	-	67,828
Amount due from an entity related to shareholder (v)	396,095	184,628	-	-
Deposits	1,467	1,529	90	88
Sundry receivables (vi)	38,518	49,983	2,845	5,158
	446,809	314,697	333,001	561,527
Less: Allowance for expected credit losses				
- associate	(10,729)	(10,729)	(10,729)	(10,729)
- third parties	(35,979)	(18,096)	-	-
	400,101	285,872	322,272	550,798
	1,320,614	1,167,490	322,272	550,798
Non-current				
Other receivables				
Amounts due from subsidiaries (ii)	-	-	10,053,021	6,720,847
Total trade and other receivables	1,320,614	1,167,490	10,375,293	7,271,645

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

(i) Trade receivables

The Group's normal trade credit term ranges from 10 days to 60 days (2018: 10 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(ii) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and non-interest bearing except for amounts of RM9,690.6 million (2018: RM6,410.2 million) which earn interest at rates ranging from 4.68% to 6.00% (2018: 4.68% to 6.00%) per annum. These amounts are repayable on demand except for RM10,053.0 million (2018: RM6,720.8 million) which are not repayable within the next twelve months.

Intercompany advances

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

(iii) Amounts due from associates

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

(iv) Amount due from shareholder

Amount due from shareholder in the previous financial year represented the balance receivable from the controlling shareholder of the Company for the Murum Hydroelectric Project's resettlement costs which bear interest at the rate of 4.68% per annum. During the current financial year, an amount of RM67.8 million had been offset by way of dividend paid to the shareholders on 10 April 2019. The remaining amount of RM23,000 was written off to profit or loss.

(v) Amount due from an entity related to shareholder

Amount due from an entity related to shareholder in the current financial year represents the balances receivable for the rural electrification project costs whereby certain amount of RM228.6 million (2018: RM118.2 million) bear interest at the rate of 5.00% (2018: 5.00%) per annum These balances are unsecured and repayment on demand.

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

(vi) Sundry receivables

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Amount due from former associates	7,000	7,000	-	-
Interest receivables	12,800	12,470	1,888	2,495
Other receivables	18,718	30,513	957	2,663
	38,518	49,983	2,845	5,158

26. Other current assets

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Advance payments	273,724	344,829	118	51
GST recoverable	37,064	439,022	1,768	6,108
Prepayments	54,704	35,136	982	89
	365,492	818,987	2,868	6,248

27. Right-of-Use ("ROU") Assets

Details of ROU assets are as follows:

	Long-term leasehold land RM'000	**Short-term leasehold land** RM'000	**Total** RM'000
Group			
Cost			
At 1 January 2019	-	-	-
Effect of adoption of MFRS 16	51,383	139,230	190,613
Revised opening at 1 January 2019	51,383	139,230	190,613
Transfer from property, plant and equipment	40,725	-	40,725
At 31 December 2019	92,108	139,230	231,338
Accumulated depreciation			
At 1 January 2019	-	-	-
Effect of adoption of MFRS 16	3,825	63,771	67,596
Revised opening at 1 January 2019	3,825	63,771	67,596
Depreciation charge for the year	1,106	2,644	3,750
Transfer to property, plant and equipment	(81)	-	(81)
At 31 December 2019	4,850	66,415	71,265
Carrying amount			
At 31 December 2019	87,258	72,815	160,073

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

The Group's long-term leasehold land with carrying amount of RM5,232,000 are pledged as security for the Sukuk Mudharabah as disclosed in Note 31.

28. Cash and bank balances

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Short-term deposits placed with licensed banks	3,334,361	4,038,737	1,071,599	1,652,478
Cash at banks and on hand	876,498	177,527	264,050	80,063
Cash and bank balances	4,210,859	4,216,264	1,335,649	1,732,541
Less: Short-term deposits pledged for bank borrowings	(291,391)	(278,636)	(94,547)	(99,103)
Less: Cash at banks placed in designated accounts [Note 31(iv) and (v)]	(958,969)	(1,109,683)	-	-
Less: Short-term deposits with maturity more than 3 months	(6,816)	(53,328)	-	(50,000)
Less: Investment securities	(162,000)	-	(100,000)	-
Cash and cash equivalents	2,791,683	2,774,617	1,141,102	1,583,438

Short-term deposits are made for varying periods range from 1 day to 330 days (2018: 1 day to 365 days) depending on the cash flow requirements of the Group and of the Company and earn interest at the respective short-term deposits rates. The interest rates of short-term deposits at reporting date range from 2.50% to 3.80% (2018: 2.90% to 4.05%) per annum.

Investment securities comprised investment in income trust funds in Malaysia. These trust funds invest in highly liquid assets which are readily convertible to cash.

29. Trade and other payables

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade payables				
Third parties	451,241	524,201	210,691	252,869
Amount due to an associate	8,779	12,150	-	-
Amount due to a non-controlling shareholder of a subsidiary	35,465	4,782	-	-
	495,485	541,133	210,691	252,869
Other payables				
Other payables	454,100	392,211	170,361	158,012
Accruals	849,402	1,014,688	8,176	2,664
Amounts due to subsidiaries	-	-	3,641	3,999
Amount due to a non-controlling shareholder of a subsidiary	8,315	5,847	-	-
Collateral deposits	444,968	437,244	-	-
Deposit payables	9,169	10,778	-	-
Retention monies	308,217	268,354	-	-
	2,074,171	2,129,122	182,178	164,675
Total trade and other payables	2,569,656	2,670,255	392,869	417,544

(a) Trade payables

Trade payables are non-interest bearing. The normal trade credit terms granted to the Group range from 14 days to 120 days (2018: 14 days to 120 days).

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on credit terms ranging from 14 days to 120 days (2018: 14 days to 120 days).

(c) Amounts due to subsidiaries and non-controlling shareholder of a subsidiary

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

30. Other current liabilities

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
GST payable	24,655	264,972	-	170,820

31. Loans and borrowings

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Current				
Secured:				
Islamic debt securities	435,000	515,000	-	200,000
Term loans	1,772	-	-	-
Revolving credits	15,000	5,000	-	-
Obligation under finance lease	1	19	-	-
	451,773	520,019	-	200,000
Unsecured:				
Term loans	540,000	750,000	-	-
Revolving credits	139,812	50,000	139,812	50,000
	679,812	800,000	139,812	50,000
	1,131,585	1,320,019	139,812	250,000
Non-current				
Secured:				
Islamic debt securities	16,120,000	16,555,000	11,100,000	11,100,000
Term loans	83,228	49,671	-	-
Obligation under finance lease	-	1	-	-
	16,203,228	16,604,672	11,100,000	11,100,000
Unsecured:				
Islamic debt securities	1,000,000	1,000,000	-	-
Term loans	1,812,993	1,537,996	-	-
	2,812,993	2,537,996	-	-
	19,016,221	19,142,668	11,100,000	11,100,000
Total loans and borrowings	20,147,806	20,462,687	11,239,812	11,350,000

31. Loans and borrowings (cont'd.)

Islamic debt securities

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

(i) 15-year RM215 million Sukuk Musharakah

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

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

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

The summary of the profit payment rates and redemption dates of the Sukuk Musharakah as at 31 December 2019 is tabulated below:

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

The Sukuk Musharakah is redeemable as follows:

	Group	
	2019	**2018**
	RM'000	RM'000
Redeemable within 1 year	5,000	-
Redeemable after 1 year	15,000	20,000
	20,000	20,000
	======	======

31. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

(ii) 15-year RM665 million Sukuk Mudharabah

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

The Sukuk Mudharabah is secured by the following:

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

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

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

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

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

The summary of the profit payment rates and redemption dates of the Sukuk Mudharabah as at 31 December 2019 is tabulated below:

Year of Issuance	**Nominal amount**	**Profit payment rates**	**Tenure**	**Redemption dates**
	RM'000	% per annum	Years	Year
2006	140,000	8.30 - 8.60	13.5 - 15	2020 - 2021
	======			

31. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

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

The Sukuk Mudharabah is redeemable as follows:

	Group	
	2019	**2018**
	RM'000	RM'000
Redeemable within 1 year	70,000	70,000
Redeemable after 1 year	70,000	140,000
	140,000	210,000

(iii) 25-year RM15 billion Sukuk Musyarakah

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

The Sukuk Musyarakah is secured by a first legal assignment over the designated accounts and the credit balances therein and shall have a tenor of up to 25 years from the date of first issuance.

The summary of the profit payment rates and redemption dates of the Sukuk Musyarakah as at 31 December 2019 is tabulated below:

Year of Issuance	**Nominal amount**	**Profit payment rates**	**Tenure**	**Redemption dates**
	RM'000	% per annum	Years	Year
2011	1,800,000	5.15 - 5.65	10 - 15	2021 - 2026
2012	2,500,000	4.50 - 4.85	10 - 15	2022 - 2027
2014	1,300,000	5.00 - 5.50	10 - 15	2024 - 2029
2015	1,500,000	4.75 - 5.28	10 - 20	2025 - 2035
2016	1,500,000	5.04 - 5.18	15 - 20	2031 - 2036
2017	1,000,000	5.32	15	2032
2018	1,500,000	4.70 - 4.95	10 - 15	2028 - 2033
	11,100,000			

31. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

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

The Sukuk Musyarakah is redeemable as follows:

	Group/Company	
	2019	**2018**
	RM'000	RM'000
Redeemable within 1 year	-	200,000
Redeemable after 1 year	11,100,000	11,100,000
	11,100,000	11,300,000

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

This represents the Serial Sukuk Murabahah of up to an aggregate nominal amount of RM5.54 billion ("the Sukuk Murabahah") arising from the assumption of debts vis-à-vis acquisition of Bakun Hydro Power Generation Sdn. Bhd. ("Bakun HPG") in previous year which was issued in 2016 under the Islamic principle of Murabahah to partly finance the development and construction of the power plant.

The Sukuk Murabahah is secured by the following:

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

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

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

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

31. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

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

The summary of the profit payment rates and redemption dates of the Sukuk Murabahah as at 31 December 2019 is tabulated below:

Year of Issuance	**Nominal amount**	**Profit payment rates**	**Tenure**	**Redemption dates**
	RM'000	% per annum	Years	Year
2016	5,295,000	4.16 - 4.67	4 - 15	2020 - 2031
	=======			

The Sukuk Murabahah is redeemable as follows:

	Group	
	2019	**2018**
	RM'000	RM'000
Repayable within 1 year	360,000	245,000
Repayable after 1 year	4,935,000	5,295,000
	5,295,000	5,540,000
	=======	========

(v) 15-year RM1 billion Sukuk Ijarah

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

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

31. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

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

The summary of the profit payment rates and redemption dates of the Sukuk Ijarah as at 31 December 2019 is tabulated below:

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

The Sukuk Ijarah is redeemable as follows:

	Group	
	2019	**2018**
	RM'000	RM'000
Repayable after 1 year	1,000,000	1,000,000
	=======	=======

Term loans

During the financial year, the Group had secured one (2018: two) loan facilities.

	Group	
	2019	**2018**
	RM'000	RM'000
Unsecured term loans of a subsidiary:		
TL1	-	220,000
TL2	-	220,000
TL3	100,000	300,000
TL4	890,000	1,000,000
TL5	1,000,000	547,996
TL7	362,993	-
	2,352,993	2,287,996
Secured term loan of a subsidiary:		
TL6	85,000	49,671
	2,437,993	2,337,667
	=======	=======

31. Loans and borrowings (cont'd.)

Term loans (cont'd.)

The term loans are repayable as follows:

	Group	
	2019	**2018**
	RM'000	RM'000
Repayable within 1 year	541,772	750,000
Repayable after 1 year	1,896,221	1,587,667
	2,437,993	2,337,667

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

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

The Group was required to maintain a consolidated gearing ratio of not more than 3.0 times throughout the tenure of the facility. Gearing ratio was defined as Total Borrowings divided by Tangible Net Worth (Shareholders' funds less any intangible assets). The term loan has been fully settled during the financial year.

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

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

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

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

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

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

31. Loans and borrowings (cont'd.)

Term loans (cont'd.)

(ii) 3-year RM500 million term loan ("TL2") (cont'd.)

The term loan has been fully settled during the financial year.

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

The term loan of RM500 million granted to a subsidiary is to part-finance the acquisition of Bakun HPG Group in prior year and is repayable over 3 years commencing 2018. Interest is charged at 4.42% (2018: 4.74%) per annum. The facility is secured by corporate guarantee from the Company.

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

The term loan of RM1 billion granted to a subsidiary is to finance the Group's capital expenditure and/or working capital expenses and is repayable over 3 years commencing 2019. Interest is charged at 4.77% (2018: 4.77%) per annum. The facility is secured by corporate guarantee from the Company.

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

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

The term loan of total available facility limit of RM1 billion granted to a subsidiary is to finance the Group's capital expenditure and is repayable over 10 years commencing 2021. Interest is charged at 4.76% (2018: 5.05%) per annum. As at the current reporting date, a total amount of RM1,000.0 million (2018: RM548.0 million) had been drawndown. The facility is secured by corporate guarantee from the Company.

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

31. Loans and borrowings (cont'd.)

Term loans (cont'd.)

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

The term loan of total available facility limit of RM85 million granted to a subsidiary is to finance the Group's capital and operating expenditure and is repayable over 10 years, inclusive of 2 years grace period, commencing 2020. Interest is charged at 4.74% to 5.06% (2018: 5.06%) per annum. As at the current reporting date, a total amount of RM85.0 million (2018: RM49.7 million) had been drawndown. The facility is secured by corporate guarantee from the Company and assignment of proceeds from Coal Supply Agreement between subsidiaries.

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

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

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

(vii) 12-year EUR104 million export credit agency ("ECA") loan ("TL7")

The ECA loan of total available facility limit of EUR104.0 million granted to a subsidiary is to finance the Group's capital and operating expenditure and is repayable over 10 years, commencing 2022. Interest is charged at EURO LIBOR plus 1.70% (2018: Nil) per annum. As at the current reporting date, a total amount of EUR79.0 (2018: Nil) million had been drawndown. The facility is secured by corporate guarantee from the Company.

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

(i) The subsidiary's debt service cover ratio of not less than 1.25 times; and

(ii) The subsidiary's leverage ratio (defined as the ratio of Total Net Debt to EBITDA) not exceeding 4 times.

Revolving credits

The revolving credit facilities of the Group and of the Company bear interest ranging from 3.90% to 5.06% (2018: 4.89% to 5.19%) per annum and 3.90 to 4.37% (2018: 4.89%) per annum respectively. The revolving credit facilities granted to the subsidiaries are secured by corporate guarantee of the Company and assignment of proceeds from Coal Supply Agreement between subsidiaries.

31. Loans and borrowings (cont'd.)

Obligation under finance lease

The obligation under finance lease is secured by a charge over the leased asset (Note 13). The average discount rate implicit in the lease is 5.03% (2018: 5.03%) per annum.

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

	Group	
	2019	**2018**
	RM'000	RM'000
Minimum lease payments:		
Not later than 1 year	2	19
Later than 1 year but not later than 2 years	-	2
Total minimum lease payments	2	21
Less: Amounts representing finance charges	(1)	(1)
Present value of minimum lease payments	1	20
Present value of payments:		
Not later than 1 year	1	19
Later than 1 year but not later than 2 years	-	1
Present value of minimum lease payments	1	20
Less: Amount due within 12 months	(1)	(19)
Amount due after 12 months	-	1

31. Loans and borrowings (cont'd.)

Changes in liabilities arising from financing activities

Group	At 1 January RM'000	Cash flows RM'000	Translation differences RM'000	Others RM'000	At 31 December RM'000
2019					
Interest-bearing loans and borrowings					
- Current	1,320,019	(1,165,207)	-	976,773	1,131,585
- Non-current	19,142,668	855,093	(4,767)	(976,773)	19,016,221
	20,462,687	(310,114)	(4,767)	-	20,147,806
2018					
Interest-bearing loans and borrowings					
- Current	1,770,018	(1,715,018)	-	1,265,019	1,320,019
- Non-current	18,090,184	2,317,503	-	(1,265,019)	19,142,668
	19,860,202	602,485	-	-	20,462,687

Company	At 1 January RM'000	Cash flows RM'000	Translation differences RM'000	Others RM'000	At 31 December RM'000
2019					
Interest-bearing loans and borrowings					
- Current	250,000	(110,188)	-	-	139,812
- Non-current	11,100,000	-	-	-	11,100,000
	11,350,000	(110,188)	-	-	11,239,812
2018					
Interest-bearing loans and borrowings					
- Current	700,000	(650,000)	-	200,000	250,000
- Non-current	9,800,000	1,500,000	-	(200,000)	11,100,000
	10,500,000	850,000	-	-	11,350,000

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

32. Deferred income

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

	Group 2019 RM'000	Group 2018 RM'000
At 1 January	1,910,271	1,850,492
Received during the year	108,226	150,396
Amortisation during the year (Note 6)	(96,133)	(90,617)
At 31 December	1,922,364	1,910,271

Capital contributions of RM108,226,000 (2018: 150,396,000) were received during the financial year whereas an amount of RM96,133,000 (2018: RM90,617,000) was recognised to profit or loss.

Government grants of RM169,457,000 (2018: RM5,930,000) were received whereas an amount of RM174,681,000 (2018: RM706,000) was deducted in arriving at the carrying amount of the assets during the current financial year.

33. Retirement benefit obligations

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

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
At 1 January	266,495	251,656	1,674	1,565
Recognised in profit and loss (Note 9)	27,341	24,934	274	168
Benefits paid	(9,869)	(10,095)	(26)	(59)
Actuarial loss recognised in OCI	37,905	-	540	-
At 31 December	321,872	266,495	2,462	1,674

33. Retirement benefit obligations (cont'd.)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Present value of unfunded defined benefit obligations				
Current	7,522	9,122	30	42
Non-current	314,350	257,373	2,432	1,632
	321,872	266,495	2,462	1,674

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Recognised in profit and loss:				
Current service cost	12,157	10,688	178	79
Interest cost	15,184	14,246	96	89
Total, included in employee benefits expense (Note 9)	27,341	24,934	274	168
Recognised in OCI:				
Actuarial loss due to:				
- liability experience	6,016	-	140	-
- changes in demographic assumptions	11,570	-	103	-
- changes in financial assumptions	20,319	-	297	-
Total, included in OCI	37,905	-	540	-

33. Retirement benefit obligations (cont'd.)

Principal actuarial assumptions used:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	%	%	%	%
Discount rate	4.70	5.70	4.70	5.70
Medical cost inflation rate reducing to 5% in	8% reducing to 4% in 4 years	10% reducing to 5% in 4 years	8% reducing to 4% in 4 years	10% 4 years

The weighted average duration of the Group and the Company's liability for the retirement benefit obligation is estimated at approximately 18 years (2018: 16 years) for the retirement benefit obligations.

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

	Impact on retirement benefit obligations Increase/(Decrease)			
	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
1% increase in discount rate	(50,000)	(36,215)	(465)	(275)
1% increase in medical cost inflation rate	61,876	49,368	596	389

34. Derivative financial liabilities

The impact of the hedging instrument on the statement of financial position as at 31 December is as follows:

	Notional amount		Liabilities	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Group				
Derivatives at fair value through other comprehensive income				
Cash flow hedges				
- Cross-currency interest rate swap ("CCIRS")	477,864	-	(15,134)	-
	======	======	======	======

The Group has entered into CCIRS during the year to hedge the cash flow risk relation to the 12-year EUR104 million (or equivalent to RM477,864,000) export credit agency ("ECA") loan whereby the Group pays fixed rate of interest of 5.47% per annum and receives interest at a variable rate equal to 6-month EURO LIIBOR plus 1.70% per annum on the notional amount. The CCIRS also fixed the exchange rate of EUR/RM to 4.66 on payment of principal and interest. Currently, the Group has drawn down EUR79 million (or equivalent to RM362,993,000). The CCIRS has nominal amount of EUR104 million (or equivalent to RM477,864,000) and are settled half-yearly, coincide with the principal and interest repayment schedule of the ECA loan.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the CCIRS match the terms of the ECA loan (i.e., notional amount, maturity and payment dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the CCIRS is identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

35. Share capital

	Number of shares		Amount	
	2019	**2018**	**2019**	**2018**
	'000	'000	RM'000	RM'000
Group and Company				
At 1 January and 31 December	1,610,569	1,610,569	1,833,341	1,833,341

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

36. Reserves

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Fair value reserve of financial assets at FVOCI	(38,076)	(39,124)	(38,076)	(39,124)
Hedging reserve	(10,367)	-	-	-
Translation reserve	(46)	(231)	-	-
Retained earnings	8,556,204	7,481,193	889,332	924,842
	8,507,715	7,441,838	851,256	885,718

Movements in reserves are shown in the Statements of Changes in Equity. The nature and purpose of each category of the reserves are as follows:

Fair value reserve of financial assets at FVOCI

The Group or the Company has designated the equity investments at fair value through other comprehensive income.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

37. Dividends

	Dividends in respect of year		Dividends recognised in year	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Single-tier dividend:				
4.21 sen per ordinary share on 1,610,568,979 ordinary shares	-	67,805	67,805	-
	=======	=======	=======	=======

On 27 March 2019, the Board of Directors declared a single-tier dividend of 4.21 sen on 1,610,568,979 ordinary shares of RM1.00 each amounting to RM67,804,954 in respect of the financial year ended 31 December 2018. The dividend was paid on 10 April 2019 via offsetting of the amount due from shareholder for the Murum Hydroelectric Project's resettlement costs.

38. Future capital commitments

	Group	
	2019	**2018**
	RM'000	RM'000
Capital expenditure:		
Approved and contracted for	2,430,559	2,623,719
Approved and not contracted for	498,461	521,281
	2,929,020	3,145,000
	=======	=======

39. Related party disclosures

(a) Identity of related parties

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

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

39. Related party disclosures (cont'd.)

(a) Identity of related parties (cont'd.)

The Group and the Company have related party relationship with its subsidiaries, associates, joint venture, controlling shareholders and key management personnel.

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

	Group 2019 RM'000	Group 2018 RM'000
(i) Associate:		
Expenditure		
Purchases of coal	194,809	188,964
Rental	-	26
Expenses related to short-term leases	29	-
	======	======
(ii) Controlling shareholders:		
Dividend paid	67,805	-
	======	======
(iii) A corporate shareholder in a subsidiary:		
Expenditure		
Contractor service fees	75,013	104,373
	======	======

(iv) Subsidiaries:

	Company 2019 RM'000	Company 2018 RM'000
Income		
Corporate support service fees	21,814	16,767
Dividend	100,000	100,000
Expenditure		
Corporate support service fees	26,314	21,679
	======	======

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2019 is disclosed in Note 25 and Note 29.

39. Related party disclosures (cont'd.)

(c) Compensation of key management personnel

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 10)	3,037	2,825	2,296	2,034
Short-term employee benefits	31,711	31,448	11,670	10,228
Post-employment benefits				
- defined contribution plan	4,699	4,052	2,230	1,984
- defined benefit plan	384	155	5	-
Other benefits	246	147	93	65
	40,077	38,627	16,294	14,311

40. Fair value of financial instruments

(a) Determination of fair value

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

(i) Loans and borrowings

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

(ii) Other investments

Fair value is determined by reference to its quoted price on Bursa Malaysia Securities Berhad.

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

(a) Determination of fair value (cont'd.)

(iii) Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, amount due from/to subsidiaries, trade and other payables and loans and borrowings) are, because of the short period to maturity, assumed to approximate to their fair values; or that they are floating rate instruments that are re-priced to market interest rate on or near the reporting date.

No disclosure of fair value is made for non-current amounts due from/to subsidiaries as it is not practicable to determine their fair value with sufficient reliability since these balances have no fixed terms of repayment.

(b) Fair values versus carrying amounts

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

	2019		2018	
	Carrying amount RM'000	**Fair value** RM'000	**Carrying amount** RM'000	**Fair value** RM'000
Group				
Financial liabilities				
Loans and borrowings	20,147,806	21,624,814	20,462,687	20,936,746
	========	========	========	========
Company				
Financial liabilities				
Loans and borrowings	11,239,812	12,336,695	11,350,000	11,718,644
	========	========	========	========

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

(c) Fair value hierarchy

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

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

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

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

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

Quantitative disclosures of the fair value measurement hierarchy as at 31 December 2019 and 31 December 2018 were as follows:

	Date of valuation 31 December	**Level 1** RM'000	**Level 2** RM'000	**Total** RM'000
Group				
Financial assets				
Assets measured at fair values:				
Other investments	2019	17,815	-	17,815
	2018	16,767	-	16,767
		=======	=======	=======
Financial liabilities				
Liabilities for which fair values are disclosed:				
Loans and borrowings	2019	-	21,624,814	21,624,814
	2018	-	20,936,746	20,936,746
		=======	=======	========

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

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

	Date of valuation 31 December	**Level 1** RM'000	**Level 2** RM'000	**Total** RM'000
Group (cont'd.)				
Financial liabilities (cont'd.)				
Liabilities measured at fair values:				
Derivative financial liabilities	2019	-	15,134	15,134
		=======	=======	========
Company				
Financial assets				
Assets measured at fair values:				
Other investments	2019	17,815	-	17,815
	2018	16,767	-	16,767
		=======	=======	=======
Financial liabilities				
Liabilities for which fair values are disclosed:				
Loans and borrowings	2019	-	12,336,695	12,336,695
	2018	-	11,718,644	11,718,644
		=======	=======	========

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

Management assessed that the fair values of cash and short-term deposits, investment securities, receivables, other current assets, payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities to these instruments.

The following methods and assumptions were used to estimate the fair values:

(a) There is an active market for the Group's listed equity investments.
(b) The fair values of the Group's interest-bearing loans and borrowings are determined by using the discounted cash flows method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

The following table shows the valuation techniques used in the determination of fair values for derivative financial liabilities, as well as the key unobservable inputs used in the valuation models.

Financial instruments carried at fair value

Type	Description of valuation technique and inputs used	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
CCIRS	The fair value of interest rate swap is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on terms and maturity of loan contract and using market interest rates for a similar instrument at the measurement date.	Interest rate (2019: EURO LIBOR + 1.70% per annum)	The estimated fair value would increase/decrease if the interest rate were lower/higher.

41. Categories of financial instruments

The table below provides an analysis of the Group's financial instruments as at 31 December 2019, categorised as follows:

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

	Note	AC RM'000	FVOCI EIDUIR RM'000	Derivative used for hedging RM'000
Group				
2019				
Financial assets				
Other investments	20	-	17,815	-
Trade and other receivables	25	1,320,614	-	-
Cash and bank balances	28	4,210,859	-	-
		========	========	========
Financial liabilities				
Loans and borrowings	31	20,147,806	-	-
Trade and other payables	29	2,569,656	-	-
Derivative financial liabilities	34	-	-	15,134
		========	========	========
2018				
Financial assets				
Other investments	20	-	16,767	-
Trade and other receivables	25	1,167,490	-	-
Cash and bank balances	28	4,216,264	-	-
		========	========	========
Financial liabilities				
Loans and borrowings	31	20,462,687	-	-
Trade and other payables	29	2,670,255	-	-
		========	========	========

41. Categories of financial instruments (cont'd.)

	Note	AC RM'000	FVOCI EIDIUR RM'000
Company			
2019			
Financial assets			
Other investments	20	-	17,815
Trade and other receivables	25	10,375,293	-
Cash and bank balances	28	1,335,649	-
		========	========
Financial liabilities			
Loans and borrowings	31	11,239,812	-
Trade and other payables	29	392,869	-
		========	========
2018			
Financial assets			
Other investments	20	-	16,767
Trade and other receivables	25	7,271,645	-
Cash and bank balances	28	1,732,541	-
		========	========
Financial liabilities			
Loans and borrowings	31	11,350,000	-
Trade and other payables	29	417,544	-
		========	========

42. Financial risk management objectives and policies

The Group is exposed to financial risks arising from their operations and the use of financial instruments. The Group's principal financial instruments comprise loans and borrowings, cash and short-term deposits. The main purpose of these financial instruments is to manage the Group's funding and liquidity requirements. The Group has other financial assets and liabilities such as other investments, trade receivables and trade payables, which arise directly from their operations. The Company also provides unsecured financial guarantees to banks in respect of certain banking facilities extended to its subsidiaries.

The Group has established risk management policies which are periodically reviewed and approved by the Board of Directors and executed by the relevant departments within the Group to manage its exposure to these financial risks. The Group Risk Management Division provides assurance to the Board via the Board Audit & Risk Committee on the effectiveness of the enterprise risk management framework in the Group.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The key financial risks include credit risk, liquidity risk and market risk such as interest rate risk, foreign currency risk and market price risk.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objective, policies and processes for the management of these risks.

(a) Credit risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limit and monitoring procedures. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at 31 December 2019, approximately 53% (2018: 54%) of the Group's trade receivables were due from 5 major customers. In addition to customers' collateral deposits, the Group holds guarantees from creditworthy financial institutions to secure the repayments of these customers.

42. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses ("ECL"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The loss allowance is calculated after taken into consideration customers' collateral deposits received and bank guarantees secured.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019 and 31 December 2018.

Group

2019	**Gross carrying amount** RM'000	**Loss allowance** RM'000	**Net balance** RM'000
Not past due	533,097	(7,905)	525,192
Past due			
1 to 30 days	313,344	(3,079)	310,265
31 to 60 days	36,587	(3,659)	32,928
61 to 90 days	29,379	(4,007)	25,372
91 to 120 days	6,401	(3,727)	2,674
More than 120 days	82,544	(58,462)	24,082
	468,255	(72,934)	395,321
	1,001,352	(80,839)	920,513

42. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

Group (cont'd.)

2018	**Gross carrying amount** RM'000	**Loss allowance** RM'000	**Net balance** RM'000
Not past due	514,994	(6,976)	508,018
Past due			
1 to 30 days	294,336	(3,048)	291,288
31 to 60 days	33,687	(2,328)	31,359
61 to 90 days	27,589	(2,514)	25,075
91 to 120 days	30,098	(12,995)	17,103
More than 120 days	72,190	(63,415)	8,775
	457,900	(84,300)	373,600
	972,894	(91,276)	881,618

The movement in allowance accounts in respect of trade receivables were as follows:

	Group **2019** RM'000	**2018** RM'000
At 1 January	91,276	82,945
(Reversal of)/Allowance for expected credit losses during the year (Note 8)	(10,437)	8,331
At 31 December	80,839	91,276

42. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

The movement in allowance accounts in respect of other receivables were as follows:

	Group	
	2019	**2018**
	RM'000	RM'000
At 1 January	28,825	34,391
Allowance for/(Reversal of) expected credit losses during the year (Note 8)	17,883	(5,566)
At 31 December	46,708	28,825

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position except for financial guarantees. The Company's maximum exposure relating to financial guarantees is as disclosed in the liquidity table in the ensuing pages.

Intercompany loans, advances and contract assets

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

42. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

Intercompany loans, advances and contract assets (cont'd.)

Generally, the Company considers loans and advances to subsidiaries as well as contract assets with subsidiaries have low credit risk. The Company assumes that there is significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loans and advances to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans, advances and contract assets individually using internal information available.

As the subsidiaries have low credit risk, thus, there is no ECL provided.

Financial guarantees

The maximum exposure to credit risks, being the outstanding financial guarantees granted to the subsidiaries as at end of the reporting period is summarised as follows:

	Company	
	2019	**2018**
	RM'000	RM'000
Loans and borrowings outstanding and recognised in financial statements	2,453,175	2,320,799
	========	========

There is no indication that any subsidiary would default on the repayments of its loans and borrowings. The financial guarantees have not been recognised since their fair values on initial recognition are not material and the probability of the subsidiaries defaulting on the credit lines is remote.

42. Financial risk management objectives and policies (cont'd.)

(b) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The following are the expected contractual undiscounted cash flows of financial liabilities of the Group and the Company, including interest payments:

	Carrying amount RM'000	Total contractual cash flow RM'000	Within 1 year RM'000	Within 2-5 years RM'000	More than 5 years RM'000
Group					
2019					
Non-derivative financial liabilities					
Trade and other payables	2,569,656	2,569,656	2,569,656	-	-
Loans and borrowings	20,147,806	27,694,253	2,080,182	8,935,578	16,678,493
	22,717,462	30,263,909	4,649,838	8,935,578	16,678,493
Derivative financial liabilities					
CCIRS (gross settled)	15,134	141,742	16,703	75,481	49,558
	22,732,596	30,405,651	4,666,541	9,011,059	16,728,051

42. Financial risk management objectives and policies (cont'd.)

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	Carrying amount RM'000	Total contractual cash flow RM'000	Within 1 year RM'000	Within 2-5 years RM'000	More than 5 years RM'000
Group (cont'd.)					
2018					
Non-derivative financial liabilities					
Trade and other payables	2,670,255	2,670,255	2,670,255	-	-
Loans and borrowings	20,462,687	28,708,485	2,295,731	8,613,737	17,799,017
	23,132,942	31,378,740	4,965,986	8,613,737	17,799,017
Company					
2019					
Non-derivative financial liabilities					
Trade and other payables	392,869	392,869	392,869	-	-
Loans and borrowings	11,239,812	16,292,985	703,172	4,728,228	10,861,585
Financial guarantees *	-	2,453,175	2,453,175	-	-
	11,632,681	19,139,029	3,549,216	4,728,228	10,861,585

42. Financial risk management objectives and policies (cont'd.)

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	Carrying amount RM'000	Total contractual cash flow RM'000	Within 1 year RM'000	Within 2-5 years RM'000	More than 5 years RM'000
Company (cont'd.)					
2018					
Non-derivative financial liabilities					
Trade and other payables	417,544	417,544	417,544	-	-
Loans and borrowings	11,350,000	16,972,006	820,137	4,234,017	11,917,852
Financial guarantees *	-	2,320,799	2,320,799	-	-
	11,767,544	19,710,349	3,558,480	4,234,017	11,917,852

* *Being corporate guarantees granted for banking facilities of the subsidiaries [see Note 31], which will only be encashed in the event of default by the subsidiary. These financial guarantees do not have an impact on group contractual cash flows.*

42. Financial risk management objectives and policies (cont'd.)

(c) Interest rate risk

The Group's primary interest rate risk arises primarily from interest-bearing assets and debts. The investment in financial assets are not held for speculative purposes but have been mostly placed in short-term deposits which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. The Group has entered into cross currency interest rate swaps ("CCIRS") in order to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points (2018: 50 basis points) higher/lower, with all other variables held constant and after the impact of hedge accounting on loans and borrowings denominated in Euro, the Group's and the Company's profit net of tax would have been RM8,473,000 (2018: RM9,092,000) and RM531,000 (2018: RM190,000) lower/higher respectively, arising mainly as a result of higher/lower interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(d) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in currency other than Malaysian Ringgit, mostly in US Dollar ("USD"), Renminbi ("RMB"), Euro ("EUR") and Singapore Dollar ("SGD"). Foreign exchange exposures in transactional currencies other than the entity's functional currency are kept to an acceptable level.

42. Financial risk management objectives and policies (cont'd.)

(d) Foreign currency risk (cont'd.)

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based in carrying amounts as at the end of the reporting period which were material were:

	Denominated in			
Group	**RMB**	**USD**	**EUR**	**SGD**
	RM'000	RM'000	RM'000	RM'000
Balances recognised in the statement of financial position				
2019				
Cash and bank balances	190	345	294,901	-
Other payables	(36,761)	(11,007)	(140,918)	(672)
Loans and borrowings	-	-	(367,760)	-
	(36,571)	(10,662)	(213,777)	(672)
2018				
Cash and bank balances	2	12,620	16	-
Other payables	(75,526)	(10,383)	(145,269)	(517)
	(75,524)	2,237	(145,253)	(517)

	Denominated in		
Company	**RMB**	**USD**	**SGD**
	RM'000	RM'000	RM'000
Balances recognised in the statement of financial position			
2019			
Cash and bank balances	188	21	-
Other payables	(36,761)	(728)	(672)
	(36,573)	(707)	(672)

42. Financial risk management objectives and policies (cont'd.)

(d) Foreign currency risk (cont'd.)

Exposure to foreign currency risk (cont'd.)

Company		Denominated in	
	RMB	**USD**	**SGD**
	RM'000	RM'000	RM'000
2018			
Cash and bank balances	-	21	-
Other payables	(75,526)	(154)	(517)
	(75,526)	(133)	(517)

Currency risk sensitivity

A 10% strengthening analysis or 10% weakening of the foreign currency against RM at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period, after the impact of hedge accounting on loans and borrowings denominated in Euro. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

		Profit or loss before tax	
		2019	**2018**
		RM'000	RM'000
Group			
RMB/RM	- strengthened 10% (2018: 10%)	(3,657)	(7,552)
	- weakened 10% (2018: 10%)	3,657	7,552
USD/RM	- strengthened 10% (2018: 10%)	(1,066)	224
	- weakened 10% (2018: 10%)	1,066	(224)
EUR/RM	- strengthened 10% (2018: Nil)	(15,398)	(14,525)
	- weakened 10% (2018: Nil)	15,398	14,525
SGD/RM	- strengthened 10% (2018: 10%)	(67)	(52)
	- weakened 10% (2018: 10%)	67	52

42. Financial risk management objectives and policies (cont'd.)

(d) Foreign currency risk (cont'd.)

Currency risk sensitivity (cont'd.)

		Profit or loss before tax	
		2019	**2018**
		RM'000	RM'000
Company			
RMB/RM	- strengthened 10% (2018: 10%)	(3,657)	(7,553)
	- weakened 10% (2018: 10%)	3,657	7,553
USD/RM	- strengthened 10% (2018: 10%)	(71)	(13)
	- weakened 10% (2018: 10%)	71	13
SGD/RM	- strengthened 10% (2018: 10%)	(67)	(52)
	- weakened 10% (2018: 10%)	67	52
		=======	=======

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to market price risk in the value of investments held arising from its investments in quoted equity investment which is listed on Bursa Malaysia Securities Berhad. The Group and the Company manage the risk of impairment by continuously monitoring the performance of investments held. The investments in quoted equity investment are classified as fair value through other comprehensive income.

43. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is total loans and borrowings divided by total equity. Total equity comprises equity attributable to owners of the Company and non-controlling interests.

		Group		**Company**	
	Note	**2019** RM'000	**2018** RM'000	**2019** RM'000	**2018** RM'000
Loans and borrowings	31	20,147,806	20,462,687	11,239,812	11,350,000
Total equity		10,377,692	9,300,494	2,684,597	2,719,059
Gearing ratio (times)		1.94	2.20	4.19	4.17

The Group is also required to maintain Sukuk Service Cover Ratio, debt to equity ratio, gearing ratio and Funds From Operations Debt Cover in order to comply with certain debt securities and borrowings covenants as disclosed in Note 31, failing which the affected facilities will be subject to downgraded ratings or recall.

The Group has complied with all these covenants as at the end of the reporting period.

44. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2019 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 12 May 2020.