# PESONA METRO

**PESONA METRO HOLDINGS BERHAD**

(Registration No. 201101029741) (957876-T)


# ANNUAL REPORT 2020

# 10th ANNUAL GENERAL MEETING

**BROADCAST VENUE**
Tricor Business Centre,
Manuka 2&3 Meeting Room,
Unit 29-01, Level 29,
Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur,
Malaysia

**TIME**
10.30 a.m.

**DATE**
Monday, 28 June 2021

## OUR VISION

To be the preferred construction company in Malaysia as well as a trusted and passionate partner that delivers sustainable value and builds enduring relationships with all stakeholders.

## OUR MISSION

To achieve excellence in all that we undertake by leveraging on exceptional performance, superior teamwork, strong value creation, good ethical conduct and unwavering customer satisfaction.

Superior Teamwork

Exceptional Performance

Unwavering Customer Satisfaction

Good Ethical Conduct

Strong Value Creation

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## BOARD OF DIRECTORS



## FINANCIAL & OPERATION REVIEW



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## FINANCIAL STATEMENT



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# NOTICE OF 10TH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Tenth Annual General Meeting of the Company will be conducted fully virtual from the Broadcast Venue at **Tricor Business Centre, Manuka 2&3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia** on **Monday, 28 June 2021 at 10.30 a.m**. for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. ***(Please refer to the Explanatory Notes to the Agenda)***

2. To approve the payment of Directors' fees of up to an aggregate amount of RM384,000.00 for the financial year ending 31 December 2021 to be paid quarterly in arrears. ***(Ordinary Resolution 1)***

3. To approve the payment of Directors' benefits of RM35,000.00 from the date of the forthcoming Annual General Meeting until the next Annual General Meeting of the Company. ***(Ordinary Resolution 2)***

4. To re-elect the following Directors who are retiring in accordance with Clause 76(3) of the Constitution of the Company:-

   (a) Wie Hock Beng ***(Ordinary Resolution 3)***
   (b) Salwa Binti Shamshuddin ***(Ordinary Resolution 4)***

5. To re-appoint UHY as the Auditors of the Company and to authorise the Directors to fix their remuneration. ***(Ordinary Resolution 5)***

**AS SPECIAL BUSINESS:**

To consider and, if thought fit, to pass the following resolutions, with or without modifications:-

6. **Proposed Continuation in Office of Dato' Sri Lee Tuck Fook as Independent Non-Executive Director** ***(Ordinary Resolution 6)***

   **"THAT** approval be and is hereby given to Dato' Sri Lee Tuck Fook who has served as an Independent Non-Executive Director of the Company since 8 August 2012 and will reach the nine-year term limit on 8 August 2021 to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance."

7. **Proposed Continuation in Office of Loh Kong Fatt as Independent Non-Executive Director** ***(Ordinary Resolution 7)***

   **"THAT** approval be and is hereby given to Loh Kong Fatt who has served as an Independent Non-Executive Director of the Company since 8 August 2012 and will reach the nine-year term limit on 8 August 2021 to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance."

8. **Authority to Issue and Allot Shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016** ***(Ordinary Resolution 8)***

   **"THAT** pursuant to Sections 75 and 76 of the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the

# NOTICE OF 10TH ANNUAL GENERAL MEETING (CONT'D)

Company, or allot shares under an agreement or option or offer ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, PROVIDED THAT the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 20% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 20% General Mandate").

**THAT** such approval on the Proposed 20% General Mandate shall continue to be in force until 31 December 2021.

**THAT** with effect from 1 January 2022, the general mandate shall be reinstated from a 20% limit to a 10% limit pursuant to Paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer by the Company from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 10% General Mandate").

**THAT** such approval on the Proposed 10% General Mandate shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company held after the approval was given;
(b) the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or
(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier.

(The Proposed 20% General Mandate and Proposed 10% General Mandate shall hereinafter refer to as "Proposed General Mandate".)

**THAT** the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for such New Shares on the Main Market of Bursa Malaysia Securities Berhad.

**THAT** authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

**AND THAT** the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate."

# NOTICE OF 10TH ANNUAL GENERAL MEETING (CONT'D)

9. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")** ***(Ordinary Resolution 9)***

   **"THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiaries ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.4 of Part A of the Circular to Shareholders dated 28 May 2021 ("the Related Parties") provided that such transactions are:-

   (a) necessary for the Group's day-to-day operations;

   (b) undertaken in the ordinary course of business at arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and

   (c) not detrimental to the interest of the minority shareholders of the Company.

   **THAT** the authority conferred shall continue to be in force until:-

   (i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at such Annual General Meeting whereby the authority is renewed; or

   (ii) the expiration of the period within which the next Annual General Meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

   (iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

   whichever is the earlier.

   **AND THAT** the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Renewal of Shareholders' Mandate."

10. **Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares ("Proposed Renewal of Share Buy-Back Authority")** ***(Ordinary Resolution 10)***

    **"THAT** subject always to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and all other applicable laws, guidelines, rules and regulations, approval be and is hereby given for the Company to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors of the Company may deem fit and expedient in the interest of the Company provided that:-

    (a) the aggregate number of ordinary shares in the Company purchased and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time;

# NOTICE OF 10TH ANNUAL GENERAL MEETING (CONT'D)

(b) the maximum funds to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the total retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase; and

(c) the Directors of the Company may decide either to retain the shares so purchased as treasury shares or cancel the shares so purchased or retain part of the shares so purchased and cancel the remainder or resell the treasury shares on Bursa Malaysia Securities Berhad or distribute the treasury shares as dividends or transfer the treasury shares under an employees' share scheme or as purchase consideration or otherwise use the treasury shares for such other purpose in the manner as prescribed by the applicable laws, guidelines, rules and regulations.

**THAT** the authority conferred by this resolution will be effective upon the passing of this resolution and will continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company, at which time it shall lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next Annual General Meeting of the Company after that date is required by law to be held; or

(c) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own shares before the aforesaid expiry date and, in any event, in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

**AND THAT** authority be and is hereby given to the Directors of the Company to take all such steps to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back Authority with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities or as the Directors deem fit and expedient at their discretion in the best interest of the Company."

11. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

By Order of the Board

**LIM HOOI MOOI (MAICSA 0799764) (SSM PC NO. 201908000134)**
**TE HOCK WEE (MAICSA 7054787) (SSM PC NO. 202008002124)**
**WONG WAI FOONG (MAICSA 7001358) (SSM PC NO. 202008001472)**
Company Secretaries
Kuala Lumpur

28 May 2021

# NOTICE OF 10TH ANNUAL GENERAL MEETING (CONT'D)

*NOTES:*

1. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting.*

   *Shareholders will not be allowed to attend the 10th Annual General Meeting in person at the Broadcast Venue on the day of the meeting.*

   *Shareholders are to attend, speak (including posing question to the Board via real time submission of typed texts) and vote remotely at the 10th Annual General Meeting via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at http://tiih.online.*

   *For further information, kindly refer to the Administrative Guide for the 10th Annual General Meeting.*

2. *For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 21 June 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, participate, speak and vote on his/her/its behalf.*

3. *A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*

4. *A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.*

5. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*

7. *Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.*

8. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:*

   (i) *<u>In hard copy form</u>*
   *Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.*

   (ii) *<u>By electronic means via Tricor TIIH Online website at https://tiih.online</u>*
   *Please follow the procedure as set out in the Administrative Guide of the 10th Annual General Meeting for the electronic submission of proxy form via TIIH Online.*

# NOTICE OF 10TH ANNUAL GENERAL MEETING (CONT'D)

9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*

10. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*

11. *Last date and time for lodging the proxy form is* ***Saturday, 26 June 2021 at 10.30 a.m.***

12. *For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please deposit the* ***ORIGINAL*** *certificate of appointment executed in the manner as stated in this proxy form with the Share Registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia if this has not been lodged with the Company's Share Registrar earlier.*

13. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 10th Annual General Meeting will be put to vote by way of poll.*

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## EXPLANATORY NOTES TO THE AGENDA

**(i) Item 1 of the Agenda**
**Audited Financial Statements for the financial year ended 31 December 2020**

This item is meant for discussion only. The provision of Section 248(2) and Section 340(1)(a) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a motion to be put forward to vote by shareholders.

**(ii) Ordinary Resolution 1**
**Directors' fees for the financial year ending 31 December 2021**

The Directors' fees proposed for the financial year ending 31 December 2021 are calculated based on the current board size and assuming that all Non-Executive Directors will hold office until the next Annual General Meeting. This resolution is to facilitate payment of Directors' fees on current financial year basis. In the event the Directors' fees proposed are insufficient (due to enlarged board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

**(iii) Ordinary Resolution 2**
**Directors' benefits from the date of the forthcoming Annual General Meeting until the next Annual General Meeting**

Directors' benefits include meeting allowances payable to Directors and in determining the estimated amount, the Board of Directors ("Board") has considered various factors including the current board size and number of scheduled meetings for the Board and Board Committees for the period from the date of the forthcoming Annual General Meeting until the next Annual General Meeting as well as the number of Independent Directors involved in the meeting. In the event the proposed amount is insufficient (due to more meetings/enlarged board size), approval will be sought at the next Annual General Meeting for the shortfall.

# NOTICE OF 10TH ANNUAL GENERAL MEETING (CONT'D)

**(iv) Ordinary Resolutions 3 and 4**
**<u>Re-election of Directors</u>**

Mr Wie Hock Beng and Puan Salwa Binti Shamshuddin are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 10th Annual General Meeting.

The Board had, through the Nomination Committee, carried out the necessary assessment on the aforesaid Directors and concluded that they met the criteria as prescribed under Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on character, experience, integrity, competence and time commitment to effectively discharge their roles as Directors.

**(v) Ordinary Resolution 5**
**<u>Re-appointment of Auditors</u>**

The Board had, through the Audit Committee, considered the re-appointment of UHY as the Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table their re-appointment at the 10th Annual General Meeting are disclosed in the Corporate Governance Overview Statement of the 2020 Annual Report.

**(vi) Ordinary Resolutions 6 and 7**
**<u>Proposed Continuation in Office as Independent Non-Executive Directors</u>**

The Board had, through the Nomination Committee, conducted the necessary assessment on Dato' Sri Lee Tuck Fook and Mr Loh Kong Fatt who had served as Independent Non-Executive Directors of the Company since 8 August 2012 and will reach the nine-year term limit on 8 August 2021 and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

1. They had fulfilled the criteria under the definition of Independent Directors as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. They possess strong self-esteem and confidence to stand up for an independent point of view. With "independent in mind", they would be able to bring the element of objectivity, independent judgement and balance to the Board;

2. They are knowledgeable and have applied their vast experience and exercised due care during their tenure as Independent Non-Executive Directors of the Company. They have carried out their duties professionally with reasonable skill and competence, bringing independent judgement and depth into the Board's decision making in the best interest of the Company, shareholders and stakeholders;

3. They have been with the Company for long and therefore understand the Company's business operations which enable them to participate actively and contribute during Board and Board Committee meetings; and

4. They exhibited high commitment and devoted sufficient time and efforts to attend all the meetings for informed and balanced decision making. They are unafraid to explicit disagreement on matters and able to express unbiased view without any influence.

**(vii) Ordinary Resolution 8**
**<u>Authority to Issue and Allot Shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016</u>**

The proposed ordinary resolution, if passed, will empower the Directors of the Company to issue and allot ordinary shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Proposed 20% General Mandate") up to 31 December 2021. With effect from 1 January 2022, the Proposed 20% General Mandate will be reinstated to a 10% limit ("Proposed 10% General Mandate") according to Paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

# NOTICE OF 10TH ANNUAL GENERAL MEETING (CONT'D)

The authority for the Proposed 10% General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

This proposed Resolution is a renewal of the previous year's mandate. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time.

The Board of Directors of the Company is of the view that the Proposed 20% General Mandate is in the best interest of the Company and its shareholders as it would allow the Company to raise funds quickly and efficiently during this challenging time.

The purpose of this general mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, acquisitions and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this notice, the Company did not implement its proposal for new allotment of shares under the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 which was approved by the shareholders at the 9th Annual General Meeting held on 19 June 2020 and will lapse at the conclusion of the 10th Annual General Meeting to be held on 28 June 2021. As at the date of this notice, there is no decision to issue new shares. Should there be a decision to issue new shares after the general mandate is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.

**(viii) Ordinary Resolution 9**
**Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The proposed resolution, if passed, will allow the Group to enter into recurrent related party transactions of a revenue or trading nature with its related parties as identified in Section 2.4 of Part A of the Circular to Shareholders dated 28 May 2021 in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad without the necessity to convene separate general meetings to seek shareholders' approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company and is subject to renewal on an annual basis. Further details relating to this proposed resolution are set out in Part A of the Circular to Shareholders dated 28 May 2021, which was circulated together with the Company's 2020 Annual Report.

**(ix) Ordinary Resolution 10**
**Proposed Renewal of Share Buy-Back Authority**

The proposed resolution, if passed, will empower the Company to purchase its own shares up to ten percent (10%) of the total number of issued shares of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The Company has not purchased any of its own shares since the approval of the said authority from its shareholders at the last Annual General Meeting held on 19 June 2020.

Further information relating to this proposed resolution is set out in Part B of the Statement to Shareholders dated 28 May 2021, which is circulated together with the Company's 2020 Annual Report.

# CORPORATE MILESTONES

## 1996

**ESTABLISHED**
Pesona Metro Sdn Bhd ("PMSB") was established and commenced business as sub-contractor.

## 2002

**FIRST "DESIGN & BUILD"**
PMSB won its first "Design and Build" project as the main contractor. This "Rehabilitation and Beautification of Melaka River Project" Phase 1, 2 and 3 ("Sg. Melaka Project") came with a contract value exceeding RM234 million.

## 2005

PMSB won its first "Design and Build" highway project at Jalan Pantai Luluan T1/T3, from Merang to Kuala Besut, Terengganu.

## 2006

**FIRST HIGH-RISE**
PMSB secured its first high-rise residential project, Zehn Bukit Pantai, Kuala Lumpur comprising two blocks of 25-storey luxury condominium.

## 2008

Secured "Design and Build" project for the upgrading of Timah Tasoh Dam, Perlis.

## 2009

**CERTIFICATION OF QUALITY MANAGEMENT SYSTEMS**

- PMSB was certified as having complied with ISO 9001:2008, the international standard for quality management systems.
- The Sg. Melaka project was named the Winner for Category 8 (Special Category) for PAM 2009 Awards.
- PMSB received a Letter of Appreciation from JKR Terengganu for the Jalan Pantai Laluan T1/T3 dari Merang to Kuala Besut, Terengganu project.
- PMSB received the 2009 Malaysia Independence Award under the Malaysia's Prominent Property Construction Company category.

# CORPORATE MILESTONES (CONT'D)

## 2010

- PMSB received a Letter of Appreciation from Melaka State Government for the Sg. Melaka project.
- PMSB received a Letter of Appreciation from Juta Asia Properties and CapitaLand (Singapore) for the Zehn Bukit Pantai project.
- PMSB won the Best Brand in Engineering and Construction in the BrandLaureate SME Chapter Award.
- PMSB emerged as the 2nd Runner Up for the Golden Bull Award 2010.
- PMSB again was awarded with the Malaysia Independence Award under the Malaysia's Prominent Property Construction Company category.

## 2011

- PMSB received a Letter of Appreciation (Grade A Status) from JKR (HQ) in relation to the construction of a government building project in Johor.
- The Sg. Melaka Project received the FIABCI Award under the Special Category Award for National Contribution.

## 2012

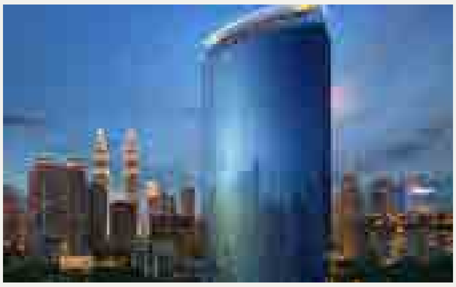
**LISTED ON THE MAIN MARKET OF BURSA SECURITIES**

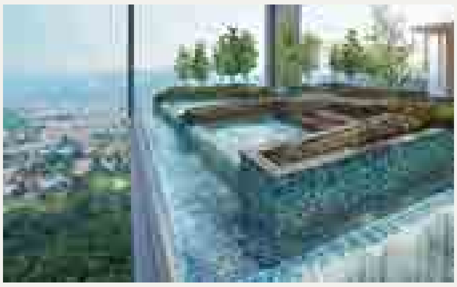
- Pesona Metro Holdings Berhad ("PMHB") was listed on the Main Market of Bursa Malaysia Securities Berhad under the Construction Sector.
- The CIQ Melaka Project was named the Overall Champion or Best Project Management in the Design and Build Category from the Ministry of Work.
- Sastra U-Thant project was certified as the First Condominium Construction Project to receive the 5-S certification in Malaysia.

## 2013

**CERTIFICATION FOR ENVIRONMENTAL MANAGEMENT SYSTEMS**

- PMSB was certified as having complied with ISO14001:2004, the international standard for environmental management systems.
- The Sg. Melaka project received the Silver Award of Merit for Category 1-Infrastructure from ACEM.
- The CIQ project championed the Contractor Excellence Award for the Large Infrastructure Project Exceeding RM50 million category from JKR.
- PMHB acquired the entire issued and paid-up capital of Pesona M2 Sdn Bhd ("PM2") making it a wholly-owned subsidiary of the Company. PM2 subsequently changed its name to PM2 Building System Sdn Bhd ("PM2") on 15 January 2014.





# CORPORATE MILESTONES (CONT'D)

**COMPLETION OF ITS FIRST GREEN BUILDING**

- PMSB completed the construction of its first green building, Menara Technip at Kuala Lumpur, which carries a Gold GBI certification. This building achieved a score of 73% in QLASSIC by CIDB. PMSB was certified as having complied with OHSAS 18001:2007, the international standard for occupational health and safety management systems.
- Pesona Saferay Sdn Bhd ("PSSB") received the Malaysia Good Design Mark 2013 from Majlis Rekabentuk Malaysia for the Architecture and Environment category.
- PM2 obtained the IBS status as a manufacturer for EPS panels, a certified IBS component by CIDB.
- PSSB won the Silver Award for MIIP Interior Industry 2014 Award under the Interior Products for Furniture, Furnishing and Fittings category for Bibik Heritage project at KLIA 2, Sepang.

## 2014

- PMSB won the QLASSIC Excellence Awards 2016 in Category C for achieving 81% in QLASSIC for the Menara SPR project.
- Menara Technip attained the Gold Rating under Malaysia's Green Building Index.

## 2016

## 2015

**OBTAINED 3 GREEN 5S CERTIFICATIONS OF RECOGNITION FROM SIRIM**

- The Menara SPR project received the Highest Merit Points 2014 for the Health, Safety and Environment category for high-rise buildings. Subsequently, the same building achieved a score of 81% in QLASSIC by CIDB and 77.3% in CONQUAS by Building & Construction Authority Singapore. Both the scores are among the highest scores achieved by premium contractors in Malaysia.
- The Central Spine Road Pakej 3: Gua Musang, Kelantan ke Kg. Relong, Pahang Seksyen 3F1: Kg. Kubang Rusa ke Kg. Sg. Yu project won the First Runner Up for the Innovative Project Management 2014 Award by the Ministry of Works Malaysia.
- PM2 panel had been certified by Green Pages Malaysia as a sustainable building material which passed the application Green Building Index credits for (1) Energy Efficiency (EE); (2) Indoor Environment Quality (EQ); (3) Sustainable Site Planning and management (SM); and (4) Material and Resource (MR).
- PMSB obtained 3 Green 5S certifications of recognition from SIRIM Berhad for the implementation of Green 5S Program according to SIRIM's Green 5S Criteria at The Mews, Third Avenue and UNIMAP project sites respectively.

# CORPORATE MILESTONES (CONT'D)

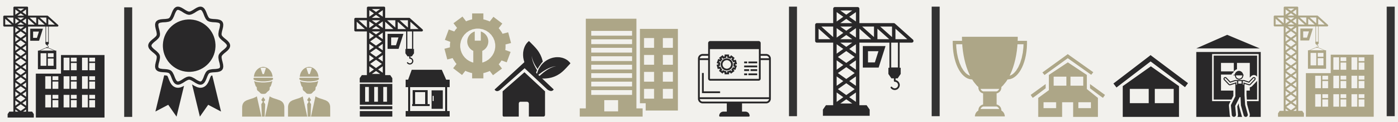
## 2018

- The KPJ Bandar Dato' Onn Specialist Hospital project achieved a score of 79% in the QLASSIC Assessment from CIDB.
- The Gua Musang Seksyen 3E2 Central Spine Road project was awarded with unprecedented outstanding performance certifications by Jabatan Kerja Raya Malaysia for completing the project ahead of time and within budget with zero accident.
- PMSB bagged the GOLD CLASS 2 for the 2017 OSH Performance Award by Malaysian Society for Occupational Safety and Health for its Residensi Gen project. This project also scored 93% in SHASSIC by CIDB in December 2018.
- The Central Plaza i-City Mall project achieved a score of 92% in the SHASSIC Assessment from CIDB.
- PMSB emerged as the Top Winner for the Eminent Eagles category of the Golden Eagle Award 2018 organised by Nanyang Siang Pau.

## 2020

**SHASSIC ACHIEVER**

- PMSB received the SHASSIC Achiever recognition from CIDB for achieving a score of 95% (5 star rating) in SHASSIC Assessment for its Lot 15 SJCC project.

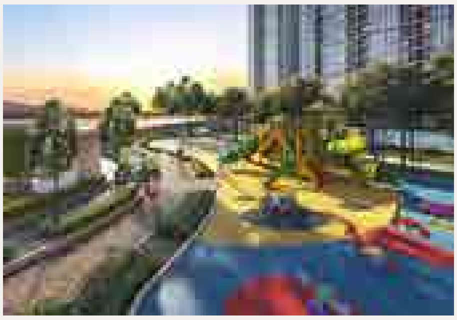


## 2017

- PMSB bagged 2 awards from the prestigious Sin Chew Business Excellence Award 2017, namely the Business Service Excellence Award and Property Excellence Award.
- PMSB walked away with the Super Golden Bull Award 2017 at the 11th Malaysia Outstanding SMEs Award organised by Business Media International for achieving an annual sales turnover of RM100 million and above in the last three financial years.
- The Central Spine Road Package 3 project won the Mino Best Project Award (Category 1 – High Volume road) by the Road Engineering Association of Asia and Australasia ("REAAA") at its 15th REAAA Conference in Bali, Indonesia.
- PMSB won the silver award for the PAM Awards 2017 for category 4 (Public & Institutional) for the Menara SPR project.

## 2019

- PMSB was awarded with the Gold Award at the 15th MOSHPA OSH Excellent National Award 2019 ceremony by the Malaysian Occupational Safety & Health Practitioner's Association for its excellent OSH practices at the TRIA Seputeh project.
- PMSB bagged the Gold Class 2 award for the 2018 OSH Performance Award by the Malaysian Society for Occupational Safety and Health for its Lot 15 SJCC project.
- The Central Spine Road Package 3E2 project emerged as the Champion for EXCELLENT CONTRACTOR Award (Category: Infrastructure) by Jabatan Kerja Raya Malaysia.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Sri Lee Tuck Fook**
Chairman
*(Independent Non-Executive Director)*

**Datuk Hj Subhi Bin Dziyauddin**
Deputy Chairman
*(Non-Independent Non-Executive Director)*

**Wie Hock Beng**
Managing Director
*(Non-Independent Executive Director)*

**Wie Hock Kiong**
*(Non-Independent Non-Executive Director)*

**Loh Kong Fatt**
*(Senior Independent Non-Executive Director)*

**Salwa Binti Shamshuddin**
*(Independent Non-Executive Director)*

## COMPANY SECRETARIES

Lim Hooi Mooi
*(MAICSA 0799764)*
*(SSM PC NO. 201908000134)*
Te Hock Wee
*(MAICSA 7054787)*
*(SSM PC NO. 202008002124)*
Wong Wai Foong
*(MAICSA 7001358)*
*(SSM PC NO. 202008001472)*

## HEAD OFFICE/ REGISTERED OFFICE

39, Jalan SB Indah 1/19
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia
Tel : +60 3 8941 0818
Fax : +60 3 8941 0817
Website : www.pesona.com.my

## AUDIT COMMITTEE

Loh Kong Fatt *(Chairman)*
Dato' Sri Lee Tuck Fook
Wie Hock Kiong
Salwa Binti Shamshuddin

## REMUNERATION COMMITTEE

Loh Kong Fatt *(Chairman)*
Dato' Sri Lee Tuck Fook
Wie Hock Kiong

## NOMINATION COMMITTEE

Dato' Sri Lee Tuck Fook *(Chairman)*
Wie Hock Kiong
Loh Kong Fatt

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market
Construction Sector

## STOCK NAME AND CODE

**PESONA** (8311)

## AUDITORS

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel : +60 3 2279 3088
Fax : +60 3 2279 3099

## REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970)
(11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : +60 3 2783 9299
Fax : +60 3 2783 9222

*Customer Service Centre*
Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

## BANKERS

Alliance Bank Malaysia Berhad
AmBank (M) Berhad
CIMB Bank Berhad
Malayan Banking Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad

# CORPORATE STRUCTURE

**PESONA METRO**

**PESONA METRO HOLDINGS BERHAD**
(Registration No. 201101029741)
(957876-T)

- 100% **PESONA METRO SDN BHD** *199601029306 (401658-P)*
  - 100% IMEJ MAYANG SDN BHD *199601030201 (402553-M)*
  - 100% INSAMEWAH SDN BHD *200201023239 (590902-X)*
  - 100% RATUS SYABAS SDN BHD *201401044279 (1120461-X)*
- 100% **PESONA SAFERAY SDN BHD** *199101018863 (229174-V)*
- 100% **LUMAYAN METRO SDN BHD** *202101014359 (1414659-A)*
- 100% **PESONA ASSET MANAGEMENT SDN BHD** *201201029841 (1014328-M)*
- 70% **SEP RESOURCES (M) SDN BHD** *201301013382 (1043220-T)*
  - 100% BUDAYA POSITIF SDN BHD *201201039032 (1023510-U)*
- 100% **MEGAH MESTIKA SDN BHD** *201201016132 (1001643-P)*
  - 100% AWANA INFRA SDN BHD *201101005063 (933204-M)*
    - 30% SALURAN ARENA SDN BHD *201001030461 (914382-X)*
- 100% **PM2 BUILDING SYSTEM SDN BHD** *201301042003 (1071828-W)*

# BOARD OF DIRECTORS

| | | | | | |
|---|---|---|---|---|---|
| **WIE HOCK BENG** | **LOH KONG FATT** | **SALWA BINTI SHAMSHUDDIN** | **DATO' SRI LEE TUCK FOOK** | **WIE HOCK KIONG** | **DATUK HJ SUBHI BIN DZIYAUDDIN** |
| Managing Director | Director | Director | Chairman | Director | Deputy Chairman |

# DIRECTORS' PROFILE

## DATO' SRI LEE TUCK FOOK

*Chairman*
*(Independent Non-Executive Director)*

Male  66 years old  Malaysian

Dato' Sri Lee Tuck Fook was appointed to the Board as the Chairman of the Company on 8 August 2012. He is currently the Chairman of the Nomination Committee, and a member of the Audit Committee and Remuneration Committee of the Company.

Dato' Sri Lee is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He also holds a Masters Degree in Business Administration from International Management Centre, Buckingham, United Kingdom.

He began his career with KPMG in 1974 under articleship and was subsequently admitted as a partner of the firm in 1985. He was responsible for KPMG's Malaysian management consultancy practice until he left the practice in 1990. From 1990 to 1992, Dato' Sri Lee was appointed the Vice President of the Samling Group in Sarawak. He later joined the Renong Group as the Managing Director of Renong Overseas Corporation from 1992 to 1994. From 1994 to 2000, he was the Chairman of the Executive Committee of the Board of Peremba-Kentz Ltd, an engineering company with operations from South Africa to the Middle East, Thailand, Ireland and Malaysia. He was the Managing Director of Cement Industries of Malaysia Bhd from 2001 to 2002.

From 2002 to 2006, Dato' Sri Lee was the Managing Director of Paracorp Berhad. In 2003, he was appointed as the Executive Director of Malton Group, and was re-designated as its Managing Director in December 2003. He retired from the Board of Malton Berhad in 2009. From 2006 to 2007, he was the Non-Independent Non-Executive Director of Landmarks Berhad.

He is currently the Managing Director of WCT Holdings Bhd. He is also the Executive Director of Pavilion REIT Management Sdn Bhd and a Director of Kuala Lumpur Pavilion Sdn Bhd and Makna Mujur Sdn Bhd.

Dato' Sri Lee does not have any family relationship with other Directors and/ or major shareholders of the Company. He has no conflict of interest and does not hold any shares in the Company and its subsidiaries. He has no conviction of any offences within the past 5 years.

Dato' Sri Lee attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2020.

# DIRECTORS' PROFILE (CONT'D)

Male

57 years old

Malaysian

## DATUK HJ SUBHI BIN DZIYAUDDIN

*Deputy Chairman (Non-Independent Non-Executive Director)*

Datuk Hj Subhi was appointed to the Board as the Director and Deputy Chairman of the Company on 8 August 2012.

He graduated with a Bachelor of Science Degree in Engineering Physics from the University of Texas El Paso, Texas, USA. He began his career as a Pilot Trainer with the Royal Malaysian Air Force Flying School ("RMAF") in Kepala Batas, Alor Setar, Kedah with the rank of Lieutenant. In 1994, he left the RMAF Flying School and joined Indah Water Konsortium Sdn Bhd as a Senior Manager of the Entrepreneur Development Program Department.

He later joined Puncak Niaga (M) Sdn Bhd ("Puncak Niaga") as the General Manager for Special Projects. His significant achievement during his tenure in Puncak Niaga was the vital role he played in the listing of Puncak Niaga Holdings Bhd on the then Main Board of the Kuala Lumpur Stock Exchange in 1997. In February 1999, he joined the Malaysian Resources Corporation Berhad as a Director, responsible for Special Projects. In 2000, he became a Director in Puncak Niaga Overseas Capital Sdn Bhd, a subsidiary of Puncak Niaga. He was also previously a Director of Metronic Global Berhad.

Datuk Hj Subhi does not hold any directorship in public companies and listed issuers other than the Company. He does not have any family relationship with other Directors and/or major shareholders of the Company. He has no conflict of interest and does not hold any shares in the Company and its subsidiaries. He has no conviction of any offences within the past 5 years.

Datuk Hj Subhi attended four (4) Board Meetings of the Company held during the financial year ended 31 December 2020.

Male

48 years old

Malaysian

## WIE HOCK BENG

*Managing Director (Non-Independent Executive Director)*

Wie Hock Beng was appointed to the Board as the Managing Director of the Company on 8 August 2012. Wie Hock Beng, also the founder of Pesona Metro Sdn Bhd, has engineered the growth of the same until the commendable size as of today.

He obtained his Diploma in Civil Engineering from the Federal Institute of Technology Malaysia in 1995. He began his career with Invescor Venture Sdn Bhd and was involved in the construction of Starhill Shopping Centre in Kuala Lumpur. To date, he has 29 years of working experience in the rehabilitation and beautification of river and dam, constructions of bridge and flyover, roadwork, drainage, industrial, and high-rise luxury residential building projects.

Wie Hock Beng does not hold any directorship in public companies and listed issuers other than the Company. He is the substantial and major shareholder of the Company and brother to another Director, Wie Hock Kiong. He has no conflict of interest with the Company and its subsidiaries. He has no conviction of any offences within the past 5 years.

Wie Hock Beng attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2020.

# DIRECTORS' PROFILE (CONT'D)

## WIE HOCK KIONG

*(Non-Independent Non-Executive Director)*

Male

60 years old

Malaysian

Wie Hock Kiong was appointed to the Board as a Director of the Company on 8 August 2012. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Wie Hock Kiong is an engineer by profession with a Bachelor of Science (Hons) Degree in Civil and Structural Engineering from the University of Aberdeen, United Kingdom. He has more than 30 years of working and management experience in the fields of civil and structural works locally and abroad. After five years as Project Engineer, he founded Kamunting Construction Sdn Bhd in 1989 on behalf of Kamunting Corporation Berhad. Subsequently, he transformed Kamunting Construction Sdn Bhd into a giant construction and property development conglomerate, Putrajaya Perdana Berhad ("PBB") where he held the position as PPB's CEO from 1998 till 2011.

With his wealth of experience in construction and a keen interest in property development, Wie Hock Kiong subsequently ventured into property development and has to-date, successfully delivered a number of developments comprising of both commercial building and luxury residences.

Wie Hock Kiong does not hold any directorship in public companies and listed issuers other than the Company. He is the substantial and major shareholder of the Company and brother to the Managing Director, Wie Hock Beng. He has no conflict of interest with the Company and its subsidiaries. He has no conviction of any offences within the past 5 years.

Wie Hock Kiong attended five (5) Board Meetings of the Company held during the financial year ended 31 December 2020.

## LOH KONG FATT

*(Senior Independent Non-Executive Director)*

Male

67 years old

Malaysian

Loh Kong Fatt was appointed as a Director of the Company on 8 August 2012. He is currently the Chairman of the Audit Committee and Remuneration Committee, and a member of the Nomination Committee of the Company.

He holds a Bachelor of Business Degree from Deakin University, Warrnambool, Australia.

Loh Kong Fatt was principally involved in the formulation of new strategies, business plans and directions of UMBC Finance Bhd in his secondment from the parent UMBC Bank Bhd in 1987. Leading to UMBC Finance Bhd's turnaround and set the company towards profitability. He was nominated by the UMBC Finance's Board and approved by Bank Negara Malaysia to assume the Chief Executive Officer's position for then troubled financial institution, Kuala Lumpur Finance Bhd in 1989. He subsequently successfully paved the merger of the two financial institutions and became the Head for Credit and Marketing of the enlarged portfolio thereafter.

In 1993, he returned to UMBC Bank to assume the post of General Manager, Corporate and Commercial Banking. The bank turned in very healthy profit by the time he left in 1996. He was also with Alliance Bank Bhd ("ABB") as the Senior General Manager for Corporate Banking. He was the Acting CEO of ABB for a short duration and left the position in 2005 when the new CEO came onboard.

Loh Kong Fatt does not hold any directorship in public companies and listed issuers other than the Company. He does not have any family relationship with other Directors and/or major shareholders of the Company. He has no conflict of interest and does not hold any shares in the Company and its subsidiaries. He has no conviction of any offences within the past 5 years.

Loh Kong Fatt attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2020.

# DIRECTORS' PROFILE (CONT'D)

Female
44 years old
Malaysian

## SALWA BINTI SHAMSHUDDIN

*(Independent Non-Executive Director)*

Salwa binti Shamshuddin was appointed to the Board as a Director of the Company on 1 October 2018. She is currently a member of the Audit Committee of the Company.

She holds a Master of Industrial Psychology from Universiti Kebangsaan Malaysia and a Bachelor of Human Resources Management Degree from Universiti Utara Malaysia.

She began her career with Rasah Kemayan Golf Club & Country Club as its Sports & Recreational Officer in 1998 and subsequently joined Universiti Kebangsaan Malaysia in 1999 as a Tutor and Research Assistant. In 2000, she was recruited as a Management Trainee for SKF Bearing Industries (Malaysia) Sdn Bhd for a year. In 2002, she joined Kurnia Insurans Sdn Bhd primarily responsible for the corporate business development of the insurance company.

Salwa binti Shamshuddin is currently the Director of Kelik Highway Sdn Bhd, Sungai Klang Link Sdn Bhd, Propadu Development Sdn Bhd and Kinetic Green Technology Asia Sdn Bhd. She is also the Chairman of Epad Kinetic Asia Sdn Bhd, Juta Hajat Sdn Bhd and Poteck Enterprise Sdn Bhd.

Salwa binti Shamshuddin does not hold any directorship in public companies and listed issuers other than the Company. She does not have any family relationship with other Directors and/or major shareholders of the Company. She has no conflict of interest and does not hold any shares in the Company and its subsidiaries. She has no conviction of any offences within the past 5 years.

Salwa binti Shamshuddin attended all the five (5) Board Meeting of the Company held during the financial year ended 31 December 2020.

# KEY SENIOR MANAGEMENT

The Key Senior Management of Pesona Metro Holdings Berhad ("PMHB") consists of two key personnel, namely the Chief Financial Officer and the Chief Operating Officer who are assisting the Managing Director in all operating matters of the Group.

## CHONG KIEN ENG

*Chief Financial Officer*

Male | 49 years old | Malaysian

Mr. Chong Kien Eng brings with him 16 years of expertise in Accounting and Finance before joining Pesona Metro Holdings Berhad as the Chief Financial Officer in September 2012.

He is a member of the Malaysian Institute of Accountants ("MIA") and The Malaysian Institute of Certified Public Accountants ("MICPA"). Prior to joining PMHB, Chong Kien Eng held senior position in public listed companies namely Melewar Industrial Group Berhad, Mithril Berhad and The Media Shoppe Berhad with principal responsibilities in accounting, finance and corporate restructuring.

Chong Kien Eng currently is tasked with the responsibility to oversee the accounting and finance functions of the Group.

He does not hold any directorship in public companies and listed issuers. He does not have any family relationship with other Directors and/or major shareholders of the Company. He has no conflict of interest and does not hold any shares in the Company and its subsidiaries. He has no conviction of any offences within the past 5 years.

## SOH CHOON GUAN

*Chief Operating Officer*
*(Building Division)*

Male | 53 years old | Malaysian

Mr. Soh Choon Guan, a Bachelor Degree holder of Technology (Honours) in Construction Management, has to-date more than 30 years of experience in the construction and property development industry in construction and project management. His vast exposures in both the construction and development industries are backed by his previous employment with IRDK Land Group, Acmar International Group and Ralco Corporation Berhad from liaising with local authorities on land takeover, contracts to setting up of system operating procedure leading to ISO compliance, corporate strategic planning and business development.

His specializes in building construction and management for both commercial and residential construction activities including high-rise luxury condominiums in Malaysia.

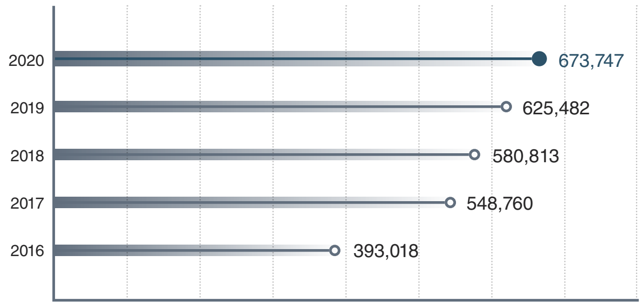
On 26 June 2014, he joined PMHB as the Chief Operating Officer for the Building Division in overseeing the Building Division from project planning to execution.

He does not hold any directorship in public companies and listed issuers. He does not have any family relationship with other Directors and/or major shareholders of the Company. He has no conflict of interest and does not hold any shares in the Company and its subsidiaries. He has no conviction of any offences within the past 5 years.

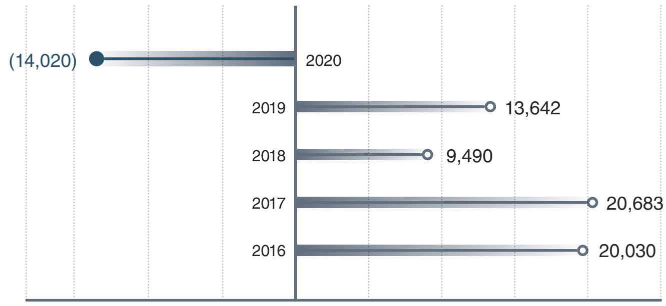
# FINANCIAL HIGHLIGHTS

| In RM'000 (Except otherwise indicated) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Revenue | 673,747 | 625,482 | 580,813 | 548,760 | 393,018 |
| Profit/(Loss) before tax | (12,805) | 17,745 | 14,057 | 29,235 | 28,705 |
| Profit/(Loss) after tax | (14,020) | 13,642 | 9,490 | 20,683 | 20,030 |
| Total assets | 704,838 | 700,555 | 569,128 | 531,066 | 348,730 |
| Share capital | 194,032 | 194,020 | 194,020 | 194,008 | 163,684 |
| Total equity attributable to owners of the parent | 159,146 | 183,101 | 1,778,998 | 177,683 | 143,519 |
| No. of shares ('000) (Unit) | 694,987 | 694,941 | 694,910 | 694,891 | 654,735 |
| Earnings/(Loss) per share (Sen) | (2.45) | 1.59 | 1.19 | 2.76 | 3.06 |
| Net assets per share (Sen) | 22.90 | 26.35 | 25.70 | 25.57 | 21.92 |
| Dividend (Sen) | - | 1.00 | 1.00 | 1.00 | 2.00 |

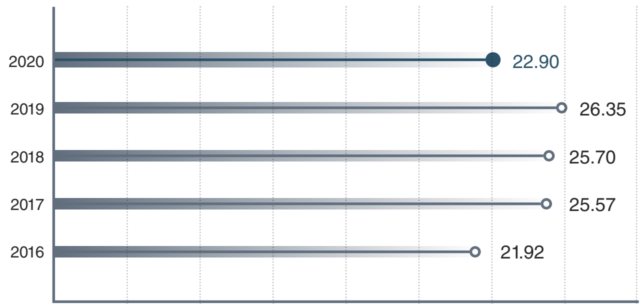
**Revenue**
**RM'000**



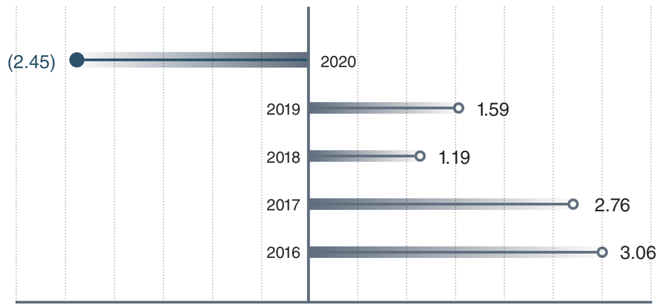

**Profit/(Loss) after tax**
**RM'000**



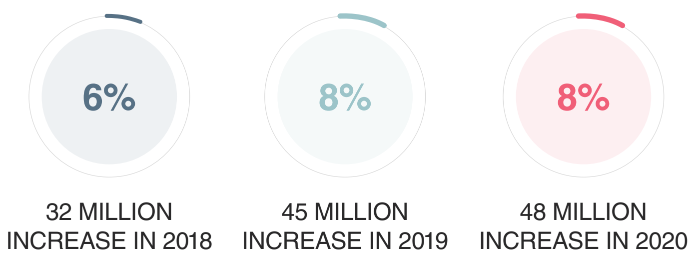

**Net assets per share**
**(Sen)**




**Earnings/(Loss) per share**
**(Sen)**



# CHAIRMAN'S STATEMENT




**IMPROVEMENT IN COMPARISON TO REVENUE WITHIN THREE YEAR**

*DEAR SHAREHOLDERS,*

*On behalf of the Board of Directors, it is my pleasure and privilege to present the Annual Report and Financial Statements of Pesona Metro Holdings Berhad ("PMHB" or "the Group") for the financial year ended 31 December 2020.*

**DATO' SRI LEE TUCK FOOK**
*Chairman*
*(Independent Non-Executive Director)*

## A CREDIBLE PERFORMANCE AMIDST AN UNPRECEDENTED YEAR

The year under review was unprecedented as the COVID-19 pandemic and the ensuing lockdowns brought about major disruptions to economic activities and dramatically altered lifestyles. Due to the slowdown in the economy and the construction industry, the Group did not secure any new project over the course of the year. We refocused our resources and effort on delivering on our existing projects and on controlling costs.

When the quarantine restrictions under the initial Government-ordered Movement Control Order ("MCO") were imposed on 18 March 2020, all construction activities came to a halt for some two months. This disruption led to a delay in the delivery of our projects. When onsite activities were allowed again, we could not work at the same pace as before due to several limitations including the imposition of stringent but necessary Standard Operating Procedures ("SOPs"). The implementation of new health and safety measures also resulted in unexpected expenses that we had not budgeted for.

Amidst this highly challenging operating environment, PMHB turned in a credible performance in 2020. We generated revenue of RM674 million for 2020, an 8% rise over the previous year's revenue. However, despite the higher revenue, we went on to register a loss before tax of RM12.8 million for the year, compared to a profit before tax of RM17.8 million achieved the year before.

Our Construction Division, helmed by Pesona Metro Sdn Bhd ("PMSB"), continued to be the main contributor to the Group's revenue, generating some 96% of the year's revenue. This performance was attributable to the contributions from PMSB's nine ongoing projects. We also continued to earn stable income from our concessionaire and maintenance activities.

For an in-depth review of our operational and financial performance, please refer to the Management Discussion and Analysis section of this Annual Report.

# CHAIRMAN'S STATEMENT (CONT'D)

*The year under review was unprecedented as the COVID-19 pandemic and the ensuing lockdowns brought about major disruptions to economic activities and dramatically altered lifestyles. Due to the slowdown in the economy and the construction industry, the Group did not secure any new project over the course of the year. We refocused our resources and effort on delivering on our existing projects and on controlling costs.*

**PMHB IMPLEMENTED SEVERAL HEALTH AND SAFETY MEASURES IN 2020 TO ENSURE THE WELLBEING OF OUR WORKFORCE DURING COVID-19 PANDEMIC**

**PMHB GENERATED REVENUE OF RM 674 MILLION FOR 2020, 8% RISE OVER THE PREVIOUS YEAR'S REVENUE.**

## TOWARDS SHAREHOLDER VALUE CREATION AND BUSINESS SUSTAINABILITY

During the year under review, the Board of Directors resolved to reclassify the proposed single tier final dividend (in respect of the financial year ended 31 December 2019) to a single tier interim dividend. This decision was based on the Board's aim to facilitate a timely dividend payment to shareholders. The single tier interim dividend of 1.0 sen per ordinary share for the financial year ended 31 December 2019 amounting to RM6.9 million was paid on 22 May 2020.

For the financial year ended 31 December 2020, your Board did not recommend any dividend so as to conserve cash for operations as we continue to navigate through the unfolding pandemic.

PMHB remains committed to upholding shareholder value and the sustainability of our business. The Group's commitment to excellence has been recognised in the various awards and accolades that we have received over the years through our primary subsidiary, PMSB. These awards include the Gold Award from the Malaysian Occupational Safety & Health Practitioner's Association in 2019 for PMSB's excellent OSH practices at the TRIA Seputeh project; and a Gold Class 2 Award from the Malaysian Society for Occupational Safety and Health for PMSB's 2018 OSH Performance at the Lot 15 SJCC project.

On 25 February 2020, PMSB went on to receive the Safety and Health Assessment System in Construction ("SHASSIC") Achiever recognition from the Construction Industry Development Board ("CIDB") for achieving a SHASSIC score of 95% (5-star rating) for its Lot 15 SJCC project. This latest honour underscores the market's continued confidence in PMSB's capabilities and track record as a reputable construction player.

# CHAIRMAN'S STATEMENT (CONT'D)

## UPHOLDING RESPONSIBLE CORPORATE PRACTICES

**Focused on Keeping Our People Safe**
As part of our response to the COVID-19 pandemic, the Group implemented several health and safety measures in 2020 to ensure the wellbeing of our workforce. Our emergency contingency plan closely observed the COVID-19 SOPs announced by the Ministry of Health. These measures which are still in place today include ensuring that our offices and sites are properly sanitised and that temperature checks and hand sanitisers are made available at all major entryways. All employees and workers are required to observe stringent health and safety SOPs which include wearing masks, practicing social distancing and undertaking contract tracing, among others. Our preventive measures also include minimising movement at our offices and conducting meetings online, whenever possible. The Group also continues to conduct COVID-19 testing for all our foreign workers to prevent the potential spread of the virus to their quarters.

**Committed to Good Governance**
As a reputable industry player, PMHB is committed to upholding the highest standards of corporate governance and ensuring that all our dealings are conducted with transparency. We also practice robust risk management and implement stringent internal control measures throughout our organisation. All these efforts are part of our mission to create value in a sustainable manner that is supported by strong ethical practices.

For more details of our Board Charter, the Terms of Reference for the Audit Committee, Remuneration Committee and Nomination Committee, as well as our Whistleblowing Policy and Anti-Bribery and Corruption Policy, please refer to our website at www.pesona.com.my.

## MOVING FORWARD

The rate of economic growth, both locally and internationally, has begun to gradually recover from the sharp declines that marked mid-2020. While Malaysia's GDP growth for 2021 is projected to recover to between 6.5% and 7.5%, concerns about job security and the overall affordability and availability of housing loans remain. The various phases of MCO amid a resurgence in COVID-19 cases are likely to continue to cause further uncertainties to the investment climate, businesses, and market sentiment, particularly the tourism and retail sectors. Similarly, the market outlook for the construction and property development sector remains difficult. However, the government-driven stimulus packages and sales incentives for homebuyers are set to improve market prospects for 2021.

The Group will explore new business opportunities, leveraging on our strengths and resources, in order to diversify our earnings. Property development, especially in the affordable housing segment, is one such attractive opportunity. In addition to leveraging on our construction expertise as builders, it will increase the usage of our plant and machineries.

As at 31 December 2020, the Group had an outstanding order book of RM0.9 billion, comprising nine ongoing projects. These projects will contribute to construction income for 2021. In addition, the concessionaire and maintenance income, which was not affected by the various phases of the MCO, will provide a consistent contribution for 2021. The Board of PMHB is cautiously optimistic about the Group's prospects for 2021.

## ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to express my sincere gratitude to our valued shareholders, customers and clients, bankers, government departments and agencies, vendors, suppliers and all other parties who have stood by us and journeyed with us through these unprecedented times. While the year presented many challenges to the Group and the industry as a whole, we have resiliently pulled through it with your continued support.

To all our management team and employees of our subsidiaries and associate companies, we recognise your resilience, dedication and worthy effort as the driving force behind our progress and we are truly grateful for your hard work.

Finally, I would like to convey my utmost appreciation to my esteemed colleagues on the Board. Your knowledge and insights have been the guiding lights that have helped the Group to navigate safely through the year's challenges.

Moving forward, although economic conditions are improving, the outlook remains uncertain. Despite the uncertainties, PMHB remains steadfast in our goal of creating sustainable value. I look forward to the continued support of our stakeholders even as we work towards delivering a resilient performance in this new financial year. Thank you and stay safe.

**DATO' SRI LEE TUCK FOOK**
Chairman

# MANAGEMENT DISCUSSION & ANALYSIS

## OVERVIEW OF THE GROUP

Pesona Metro Holdings Berhad ("PMHB" or "the Group") is an investment holding company that is well established in the construction industry as a builder of residential and commercial buildings as well as infrastructure works. The Group's construction efforts come under the ambit of Pesona Metro Sdn Bhd ("PMSB") whose wide scope of offerings range from the construction of luxury residential and commercial buildings to infrastructural works such as highways and irrigation projects. PMSB's portfolio also includes the rehabilitation and beautification of the Sungai Melaka waterfront, the single biggest infrastructure development undertaken by the Malacca Historic City Council to date. As the main contributor to the Group's overall performance, PMSB generated RM647 million or 96% of the Group's revenue in 2020.

The Group also has a concessionaire arm by virtue of its ownership of a 70% equity stake in SEP Resources (M) Sdn Bhd ("SEP"). The year in review saw the Group's Concessionaire Division contribute RM24 million to PMHB's revenue. The Concessionaire Division continues to be a testament of PMHB's effort to increase the Group's revenue streams through the diversification of its businesses. In contrast, PMHB's Manufacturing Division continues to see a downtrend in its revenue due to the reduction of overseas orders and full impairment of the Industrialised Building System ("IBS") equipment. In an effort to consolidate its resources and to mitigate further losses, the Group has decided to divest the manufacturing business.

## STRATEGIC OBJECTIVES

PHMB's commitment to sustainable practices is embedded in our aim to deliver value to our stakeholders in every aspect of our business, be it in our dividend pay-out or in the quality of our products. Our commitment is carried out via our Group-level strategies which help us to ensure that sustainability continues to be upheld in both our near-term and long-term ventures.

**The Group also has a concessionaire arm by virtue of its ownership of a 70% equity stake in SEP Resources (M) Sdn Bhd ("SEP"). The year under review saw the Group's Concessionaire Division contribute RM24 million to PMHB's revenue.**

## NEAR-TERM STRATEGIES

The Group's near-term strategies are focused on increasing the efficiency of our operations across the board to minimise waste by decreasing the margin for error in our processes. These efforts are spearheaded under our enhanced cost control management programme, the results of which will positively contribute to the Group's profit margins.

# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

***The Group's construction efforts come under the ambit of Pesona Metro Sdn Bhd ("PMSB") whose wide scope of offerings range from the construction of luxury residential and commercial buildings to infrastructural works such as highways and irrigation projects.***

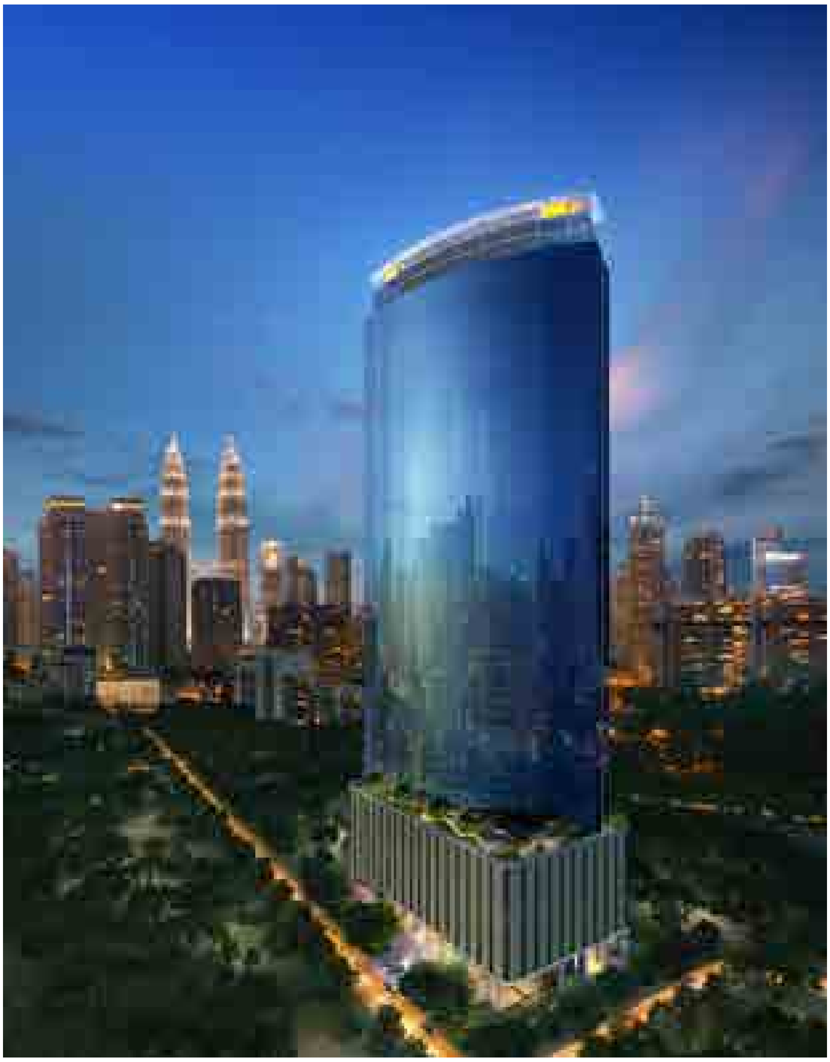
On the employee level, PMHB's initiatives to mitigate waste and error have seen the Group implement a 'buddy-system' to encourage a culture of peer-to-peer training. Our employees are encouraged to have a good work-life balance and overtime hours are closely monitored to discourage burn-out. The Group also continues to roll out in-house and external training sessions for its workforce to ensure that our employees are equipped to remain responsive and adaptive to changes in the economic cycle. Through the upskilling of our employees, we aim to nurture a capable workforce that can effectively enforce and align the solid work processes and workflows that we continue to implement at both our Headquarters and our project sites.

Combining a competent workforce with efficient processes enables PMHB to ensure that our core business, the Construction Division, continues to deliver high-quality products (with a minimum QLASSIC score of 73%) within the specified time-frame.

## LONG-TERM STRATEGIES

PMHB's strategy for the long-term has been translated into a four-phase plan which is geared towards strengthening the Group's assets while driving its ventures in value creation. Over the years, the Group's implementation of the first two phases have seen PMHB establish suitable systems and human resource measures that are complemented by the enhancement of our workforce, assets and equipment. In the third phase, the Group successfully implemented its strategy to bid and acquire projects in an assertive, yet fair manner that remained respectful of industry peers. Now in the fourth phase of the strategy, the Group continues to drive the delivery of long-term sustainable profits.

Our main subsidiary, PMSB, spearheads our ventures on the domestic front even as it continues to grow its reputation as a dependable builder with the capabilities to deliver high-quality works for development of various sizes. Moving forward, the company intends to diversify its business by expanding its offerings in the property development sector, focusing its efforts particularly on the affordable homes segment.



## OPERATING ENVIRONMENT

In 2020, effects of the COVID-19 outbreak caused the value of construction work to decline to RM118 billion from RM146 billion in the preceding year. Similarly, growth in the construction sector contracted by 19%. The overall decline of the industry can be attributed to the reduction of work output due to containment measures, site shutdowns, supply chain disruptions, and labour shortages due to the closure of international borders. The suspension of almost all construction work in March and April 2020 saw the industry come to a near standstill. Although the month of May marked the gradual resumption of construction activity, the following months remained slow as developers continued to be challenged by setbacks on the sales, compliance and supply-chain fronts.

# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

The second half of 2020 marked an improvement in delivery as the industry begin to understand and establish effective Standard Operating Procedures ("SOPs") in regard to the pandemic. Furthermore, the Government's rollout of stimulus packages encouraged growth, particularly among smaller scale developments and in the special trades subsector. The introduction of new housing projects served to boost the residential subsector while the non-residential subsector saw an acceleration in the progress of projects due for completion. Likewise, the continued progress of large infrastructure projects supported the civil engineering subsector.

The property development sector also saw similar fluctuations due to the difficult operating environment. While the property market recorded new lows in its sales performance and transactions in the first half of 2020, the resumption of economic activities from the third quarter of 2020 onwards saw a gradual uptrend in sales. In its bid to stimulate the sluggish property market, the Government reintroduced the Home Ownership Campaign 2020 and other incentives. The Government also kickstarted a six-month repayment moratorium to keep default rates in check in April 2020. It also introduced the National Economic Recovery Plan ("PENJANA"), worth RM35 billion, which comprised stimulus initiatives aimed at addressing the overbuilt property sector.

## FINANCIAL PERFORMANCE

**Statement of Comprehensive Income**

| | 2020 RM'000 | 2019 RM'000 | Variance RM'000 | Variance % |
|---|---|---|---|---|
| Revenue | 673,747 | 625,482 | 48,265 | 8% |
| Gross Profit | 33,626 | 63,722 | (30,096) | -47% |
| Other Income | 3,336 | 3,408 | (72) | -2% |
| Administrative Expenses | 38,150 | 40,050 | (1,900) | -5% |
| Finance Costs | 11,617 | 9,334 | 2,283 | 24% |
| (Loss)/Profit Before Tax | (12,805) | 17,745 | (30,550) | -172% |

**Statement of Financial Position**

| | 2020 RM'000 | 2019 RM'000 | Variance RM'000 | Variance % |
|---|---|---|---|---|
| Current Assets | 383,921 | 354,253 | 29,668 | 8% |
| Equity | 173,893 | 194,852 | (20,959) | -11% |
| Non-current Liabilities | 183,855 | 205,898 | (22,043) | -11% |
| Current Liabilities | 347,090 | 299,805 | 47,285 | 16% |

The Group garnered revenue amounting to RM674 million for the financial year ended 31 December 2020 ("FY2020") with the Group's Construction Division serving as the primary contributor to PMHB's revenue. This amount marked an increase in revenue of RM48 million or 8% as compared to revenue of RM626 million in FY2019.

Despite the higher revenue, the Group registered a loss before tax ("LBT") of RM13 million in FY2020 as compared to a profit before tax ("PBT") of RM18 million achieved in the preceding year. The LBT was mainly due to the additional provision for the foreseeable loss of RM10 million incurred in the teaching hospital project, cost overruns of RM4 million incurred for a completed project, as well as a one-off impairment for IBS equipment amounting to RM4 million. In addition, due to the COVID-19 pandemic and the implementation of MCO 1.0, the Group incurred unbudgeted expenses of approximately RM6 million during the year under review.

# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

For the FY2020, PMHB's non-current assets declined by RM25 million or 7% from the previous year. Meanwhile, the Group's current assets increased by 8% due to an increase in the Group's trade and other receivables as a result of higher progress billings towards the year end. In addition, the Group's non-current liabilities decreased by 11% due to the repayment of RM10 million SUKUK and the reduction of retention sums due to the sub-contractors. The current liabilities increased correspondingly with the increase in trade debtors as a result of work done by sub-contractors and suppliers towards the year end.

**For the FY2020, PMHB's non-current assets declined by RM25 million or 7% from the previous year. Meanwhile, the Group's current assets increased by 8% due to an increase in the Group's trade and other receivables as a result of higher progress billings towards the year end.**

***For the FY2020, the Construction Division under PMSB recorded revenue of RM647 million which marked an 8% increase from revenue of RM598 million in the previous year.***

## PERFORMANCE OF THE BUSINESS SEGMENTS

### Construction Division

#### Financial Overview

For the FY2020, the Construction Division under PMSB recorded revenue of RM647 million which marked an 8% increase from revenue of RM598 million in the previous year. The increase was mainly due to the higher progress billings recognised from the ongoing projects. In contrast, the Division registered a LBT of RM17 million in the FY2020.

#### Performance Highlights

With the disruptions that unfolded in the FY2020, PMSB redirected its resources from pursuing new contracts to fully focusing on the progress of the nine ongoing construction projects. The temporary suspension of all economic and construction activities in MCO 1.0, along with mandatory COVID-19 screening and quarantine measures, resulted in several delays in the completion of PMSB's projects. Comprising various residential projects, one commercial unit, and a public amenities project, all of PMSB's projects were affected by COVID-19 screening and quarantine measures as well as mandatory stop work orders – all of which caused delays in project completion.

The Group continues to gain headway in its positioning as a builder of Green Building Index or GBI-certified projects. With three GBI-certified buildings to our name, we currently have two green building projects ongoing, namely, Conlay 301 (GBI Gold Rating - Provisional) and TRIA Seputeh (GBI Certified Rating - Provisional).

Aside from its residential projects, the year under review also saw PMSB work on the Universiti Sultan Zainal Abidin ("UniSZA") Teaching Hospital in Terengganu. Consisting of 400 beds in total, the state-of-the-art hospital will serve as a healthcare centre for excellence on the East Coast of Peninsular Malaysia and is also set to serve as a state-of-the-art research centre for chronic diseases in the country. With the addition of the new hospital, UniSZA will become the fourth institute of higher learning to have a teaching hospital. PMSB has been commissioned to construct Phase 1 of the hospital project which consists of 200 beds.

In 2020, we also focused a significant amount of our efforts on rolling out preventive measures and SOPs to establish the safety of our employees, workforce, offices and work sites amidst the ongoing pandemic. All our initiatives have been aligned with the operational guidelines and practices issued by the Ministry of Health.

# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

### Moving Forward

Moving forward, the Group will continue to leverage innovative technology as part of our competitive advantage over our industry peers. To this end, we continue to expand our initiatives in Building Information Modelling ("BIM") technology in our construction management processes. Featuring a 3D model-based process, BIM technology encapsulates the various aspects of architecture, engineering and construction to produce a more holistic overview of the building. This insight enables the Group to efficiently plan out projects resulting in significant savings in time and cost. BIM technology also helps us to considerably minimise wastage as the coordination of a project's various design facets mitigates the risk of rework. The adaptability of this technology has allowed its users to consistently deliver solid results while remaining flexible to marketplace changes and emerging technological trends. To date, the Group has constructed three projects using BIM technology, namely, Eaton Residences, Conlay 301 in Kuala Lumpur and Lot 15 SJCC in Subang Jaya.

IBS methodology also continues to play an important part in our construction works. IBS involves either by system construction or by pre-fabrication of construction components, from design to production, in a controlled environment. The manufactured components can then be easily assembled on site into construction works, not unlike building blocks. While IBS methodology has been used to construct some of Malaysia's most iconic structures, the technology has only begun to gain momentum on the local front in the past few years. To date, the Group has employed IBS methodology in both the Universiti Malaysia Perlis ("UNIMAP") project which was completed in 2016 and in the ongoing UniSZA project.

***For the FY2020, PMHB's Concessionaire Division registered total revenue of RM34 million and a PBT of RM13 million.***

Moving forward, while PMHB has decided to divest of its IBS manufacturing capabilities under the ambit of subsidiary, PM2 Building System Sdn Bhd, the Group will continue to utilise the IBS methodology in its projects given its proven benefits. Similarly, we will continue to incorporate BIM technology in our construction practices. The Group will also continue to further explore the digitalisation of our construction operations as we aim to enhance the key aspects of efficiency, relevancy and excellence in support of ensuring the sustainability of our business.

### Concessionaire Division

During the year in review, the Concessionaire Division continued to contribute positively towards the Group's revenue. PMHB's Concessionaire Division supervises the Group's 70% equity stake in SEP which currently comprises the development and management of student hostels at Universiti Malaysia Perlis or UNIMAP. The work scope for this project has seen SEP undertake every aspect of the project's development – from the planning, construction and installation of fittings at the hostel, to ensuring its upkeep via the provision of asset management services. SEP's UNIMAP project has been a steady source of income for the Group since 2017.

For the FY2020, PMHB's Concessionaire Division registered total revenue of RM34 million and a PBT of RM13 million, thus recording a commendable 26% and 18% increase in revenue and PBT respectively from total revenue of RM27 million and a PBT of RM11 million in the FY2019. As our contract with UNIMAP carries on for the next 17 years, we look forward to this business being a reliable contributor to the Group's income for the foreseeable future.

### Manufacturing Division

PMHB's Manufacturing Division, which was first established to play a complementary role to the Group's Construction Division, consists of two subsidiaries, namely Pesona Saferay Sdn Bhd ("PSSB") and PM2 Building System Sdn Bhd ("PM2"). While PSSB's business revolves around the manufacturing of polyurethane for overseas markets, PM2 caters specifically to the IBS and green building segments through its provision of expanded polystyrene EPS panels. Due to the lacklustre performances from both subsidiaries over the past few years, the Group has been looking to divest these businesses to mitigate further losses.

For the FY2020, the Division registered a loss before tax of RM5 million due to the full impairment of the IBS equipment. Although PSSB had made progress in overseas markets in 2019, operating conditions due to the global pandemic made it highly difficult for the Division to move forward in the FY2020.

# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

## BUSINESS RISKS

PMHB's commitment to upholding robust risk management practices is aligned with the Group's sustainability agenda. The effective management of risks helps us to safeguard our operations, performance, financial condition and liquidity from any negative material impact. As such, we take care to mitigate all anticipated and known risks via the application of appropriate strategies. These measures can be seen in the following outline:

| Key Area | Risk | Description | Mitigation Measures |
|---|---|---|---|
| **Operational** | Over-dependence on a single business segment. | The Group's over-reliance on its Construction Division poses a significant risk to the Group's financial health should the segment experience difficulties due to poor market and economic conditions. | PMHB will continue to explore opportunities to diversify and strengthen both its concessionaire and property development businesses. This will serve to cushion the impact of a potential slump in the construction industry. |
| **Operational** | Unsatisfactory performance by sub-contractors. | The overall performance of the Group could be negatively impacted by delays, unplanned abortive works and additional project costs caused by the lack of proper planning and coordination by sub-contractors. | PMSB's architectural, civil and structural project team is to closely monitor and supervise the quality and progress of work being conducted.<br><br>This includes intensifying the frequency of Quality Assurance and Control ("QA/QC") audits on the progress of work and issuing warning letters leading to back-charges whenever necessary to ensure that subcontractors deliver on their promises.<br><br>The team will also conduct frequent discussions with sub-contractors at the end of each work day to discuss and resolve issues they face from work so as to ensure smooth work progress on the following day.<br><br>On-site induction courses to site workers and sub-contractors will also be conducted. |
| **Operational** | Shortage of construction materials. | The temporary shutdown of manufacturing plants for maintenance every now and then could potentially result in the shortage of construction materials such as steel bars and cement. | Implement monitoring of a centralised construction material procurement process on a weekly basis. |

# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

## BUSINESS RISKS (CONT'D)

| Key Area | Risk | Description | Mitigation Measures |
|---|---|---|---|
| **Operational** | The occurrence of personal injuries and accidents. | Due to the nature of work, the construction of high-rise buildings tends to yield a higher number of personal injuries. | As per the Project Occupational Safety and Health ("POSH") Plan, Toolbox Meetings are conducted daily before the commencement of any work to emphasise the importance of observing safety guidelines at sites.<br><br>All critical tasks are verified via the Hazard Identification Risk Assessment and Risk Control Measures or HIRARC standard to ensure that all safety risks are mitigated.<br><br>A minimum of two Health and Safety personnel are positioned at each site to constantly assist, advise, audit and inspect activities to ensure all aspects of the Group's safety measures are stringently observed.<br><br>Weekly internal training sessions for workers are conducted and machinery and equipment inspections are implemented as per the POSH Plan.<br><br>A minimum of one safety audit per month is to be carried out at all sites. |
| **External** | Volatile material prices. | Unstable market prices for raw materials could cause the Group to incur additional expenses, thus affecting financial losses and profit margins. | The Group is to monitor material prices daily and to align all material purchases to allow for bulk purchases at better prices for all our projects.<br><br>PMHB will also negotiate for and incorporate a Price Fluctuation Clause during tenders as a safeguard against sudden price hikes in the market. |

# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

**OUTLOOK AND PROSPECTS**

A year on from the onset of the COVID-19 pandemic and the global economy is already starting to recover from the recession that it plunged into in 2020. [1] As vaccinations continue to be consistently rolled out globally, the International Monetary Fund ("IMF") has raised its forecast for world economic growth in 2021 to 6% from its initial forecast of 5.5% in January. This outcome, however, remains dependent on both the efficacy of the vaccination programmes in individual countries and the varying speed of recovery of national economies even as governments continue to unfold and gauge the full impact of economic damage that the crisis has inflicted. As part of its aim to boost economies worldwide, the IMF continues to urge nations to provide fiscal support and to encourage public investment so as to mitigate the potential of economic stagnancy.

In Malaysia, the economy is expected to grow from 6% to 7.5%, thus signalling a gradual recovery in the financial year ending 31 December 2021 ("FY2021"). However, the unpredictable risk of COVID-19 remains a threat to the economy as the country continues to battle surges of the pandemic. With the arrival and implementation of the vaccine in the country, there are hopes that we will soon be able to contain this threat. On another front, while uneven growth recovery across economic sectors is expected, experts fear that divergences could cause larger permanent job losses and business closures, particularly in high-touch services sectors.

In its bid to drive economic stability, the Government has rolled out several stimulus packages to encourage external demand and higher public and private expenditure. The Government is also actively positioning Malaysia as a respectable player in diversified external trade structures as well as in rapidly expanding segments of global value chains. According to Bank Negara Malaysia's Economic and Monetary Review 2020, these efforts need to be underscored by stringent policy support and thorough execution for these factors to truly stimulate the nation's economic recovery in 2021.

With the resumption of economic activities across all subsectors, the construction sector is also expected to rebound. While the ramp up of construction activity in large infrastructure projects is set to kickstart the civil engineering subsector once again, the residential subsector will be kept busy with the launch of affordable housing projects due to rising demand. In addition, the special trade subsector is to gain more traction from solar power projects under the Jalinan Digital Negara (JENDELA) initiative; small-scale projects under the 2021 Budget and PEMERKASA measures; as well as works from the completion of large projects. In contrast, however, the non-residential subsector is expected to slow down with the completion of large commercial projects.

Even as the nation slowly makes its way to recovery, PMHB remains cautiously optimistic of our prospects in the FY2021. Going forward, we will continue to enhance the sustainability of our business by aligning our value-creation endeavours with our strategic objectives, both for the near-term and the long-term. These initiatives will see the Group continue to prioritise the strengthening of our workforce and construction standards while driving efficiency in project timelines and the efficient management of our cashflow and resources. Focusing our efforts on the domestic market, PMHB will also continue to engage in brand-building initiatives that will cement our positioning as a preferred contractor. Pursuant to this, the Group aims to achieve SIRIM Green 5-S certification with zero non-conformance reports for all its projects and its operations at Group headquarters.

Our efforts will be spearheaded by our main subsidiary, PMSB, which is steadily expanding its reputation as a trustworthy builder that delivers excellent results within budget. As of 31 December 2020, the Group had an outstanding order book of RM0.9 billion, comprising nine ongoing projects. These projects are expected to continue contributing construction income over the FY2021. The Division will also ramp up its efforts to actively secure new projects to ensure business continuity. In the meanwhile, our Concessionaire Division is expected to continue delivering consistent earnings for the foreseeable future.

Taking into account economic conditions and fluctuating market trends, the Board and Management of PMHB remain steadfast in our commitment to our stakeholders. We will ensure that all our endeavours are guided by prudent strategies and underscored by careful insights that will help propel our business forward for the long-term. Moving forward into 2021, PMHB is cautiously optimistic of turning in a resilient performance.

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[1] https://www.cnbc.com/2021/04/06/imf-world-economic-outlook-april-2021-global-gdp-to-hit-6percent.html

# SUSTAINABILITY STATEMENT

**Pesona Metro Holdings Berhad ("PMHB" or "the Group") is committed to operating in a sustainable manner that facilitates the delivery of holistic, long-term value to our stakeholders and the community at large while also contributing to the conservation of the environment. Embedded in our sustainability agenda, these goals are upheld via our sustainable business model that enables PMHB to safeguard the interests of our stakeholders, both internal and external, through the application of efficient operations.**

## COMMITTED TO CREATING SUSTAINABLE VALUE

Pesona Metro Holdings Berhad ("PMHB" or the "Group") is an investment holding company that is listed under the Construction segment on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Group's principal activities entail civil engineering, building construction, river rehabilitation and beautification, the manufacturing-cum-trading of building-related materials, and concessionaire activities.

PMHB is committed to developing a sustainable future for the Group through the creation of long-term shared value for its stakeholders. Our mission is achieved via our continual effort towards making sustainable progress on our Economic, Environmental and Social ("EES") fronts. As such, PMHB continues to create momentum for its businesses by strengthening their operational efficiencies and implementing responsible and sustainable management practices across the Group's operations.

# SUSTAINABILITY STATEMENT (CONT'D)

## SCOPE OF REPORT

As PMHB's fifth Sustainability Report ("Report"), this Report covers the key activities that the Group carried out in respect of the material EES aspects that were highlighted through our engagements with our internal and external stakeholders. The Group has ensured that the highest levels of transparency and accountability have been observed in this Report even as we continue to uphold best practice standards in our reporting process.

### Reporting Period

1 January 2020 – 31 December 2020.

### Reporting Cycle

Annually.

### Business Entity Covered

The scope of this Report is limited to the activities of Pesona Metro Sdn Bhd ("PMSB"), the Group's Construction Division, that contributes 96% of the Group's annual turnover. It does not cover the activities of PMHB's other subsidiaries but only details the material issues arising from PMSB's principal business activities. PMSB's primary business ventures revolve mainly around the construction of commercial and residential buildings as well as infrastructural works in Peninsular Malaysia.

### Guidelines

This Report aligns with and complies with Bursa Securities' Sustainability Reporting Guide.

### Report Content

The contents of this Report are centred on the significant material matters which are material or important to PMHB's stakeholders. This Report complies with the rules and regulations of the related local authorities and is to be read in conjunction with the rest of PMHB's 2020 Annual Report, which highlights other financial and non-financial aspects of the Group's business. This Report has not been subjected to external assurance aa the Group aims to streamline its sustainability data collection and monitoring activities first and then seek external assurance in due course.

### Methodology

As per PMHB's practice, the various aspects and concerns highlighted in this Report were proposed by the Executive Committee, approved by the Board of Directors and executed by the Working Committee.

### PMHB's Sustainability Journey

Since it was first founded in 1996, PMHB has remained steadfast in its commitment to growing and operating as a responsible corporate citizen. The Group's Sustainability Framework serves to guide our business activities and operations to ensure that our efforts are directed towards building a sustainable business and future for its stakeholders. PMHB first began to incorporate the Sustainability Framework in its processes following Bursa Securities' introduction of Sustainability Reporting in 2016. Through rigorous compliance with sustainability standards and embedding the relevant sustainability components in its businesses, the Group also aims to strengthen its focus on operational efficiencies, cost savings, enhanced revenue generation and innovation for the long-term.

# SUSTAINABILITY STATEMENT (CONT'D)

### Sustainability Themes

To ensure our sustainability efforts remain congruent, the following themes in sustainability are incorporated across the board of our operations:

#### Health & Safety

PMHB continues to prioritise the health and safety of the Group's employees and the public. It is our responsibility to ensure the good health and safety of our employees and the people within the vicinity of our project sites. To this end, we are continuously upgrading our equipment and ensuring that our safety, health and environmental practices comply with regulatory requirements.

#### Environment

The Group is highly aware of the impact that its projects may have on the environment. Being a conscientious contractor, PMHB views the environment as being "close to our hearts" as we have direct contact with the soil, plants, air, water bodies and animals. As these are all exhaustible resources and crucial to the survival of mankind, we approach all environmental matters with the utmost care. It is our duty to perform our daily operations with great awareness and sensitivity towards Mother Nature so as not to cause any imbalance in the scheme of things that may negatively affect people or the environment.

#### Labour Practices

PMHB's inclusive human resource practices ensure that all employees and workers, be they contractual or permanent, are treated fairly and justly despite our highly diversified demography in terms of nationality, race, religion and gender. We also endeavour to achieve a good work-life balance to ensure the physical, mental and emotional wellbeing of our people.

#### Profitability

As a responsible business, PMHB exists to generate profits and value as well as to ensure the long-term, sustainable growth of its businesses. To this end, we are determined to keep to our promise of delivering excellent products within the stipulated budgets and timeframes.

### SUSTAINABILITY GOVERNANCE

The Group's sustainability reporting is implemented and monitored in accordance with the highest governance standards. The following governance structure enables the Group to ensure that transparency and accuracy are observed in every stage of our reporting process:

***Group Sustainability Governance Structure***

| Board Of Directors | Executive Committee | Sustainability Working Committee |
|---|---|---|
| Chairman of Audit Committee | Top Management chaired by Managing Director ("MD") | • Health & Safety (Head of Health & Safety)<br>• Environment (Head of Environment)<br>• Labour Practices (Head of Human Resources)<br>• Profitability (MD) |

# SUSTAINABILITY STATEMENT (CONT'D)

The roles and responsibilities of the Board of Directors and the various committees are as follows:

| Governance Body | Roles and Responsibilities |
| --- | --- |
| Board of Directors | Guide and Support |
| Executive Committee | Strategize and Standardise |
| Sustainability Working Committee | Plan and Execute |

### Board of Directors

PMHB's Board of Directors ("the Board") continues to subscribe to an agenda that upholds good and consistent EES practices. This includes investing in measures that promote the sustainable growth of the Group's businesses and which will create long-term value for shareholders.

As the Board shoulders the responsibility for overseeing, supporting and promoting EES efforts within the Group, we strive to ensure that the Board is made up of professionals with a broad and diverse range of experiences and expertise. The Board is committed to upholding corporate governance best practices and sound internal controls in its evaluation and incorporation of relevant sustainable material matters into the Group's business strategy. The Board is also responsible for implementing planning activities that will strengthen transparency, integrity and accountability towards the Group's stakeholders in every area of our operations and management activities.

### Executive Committee

The Group's Executive Committee is in charge of studying, formulating and strategizing the sustainability framework for the Group. Comprising the Chief Financial Officer ("CFO") and Chief Operating Officer ("COO"), the Committee is led by the MD who reports the findings and progress of the Group's sustainability development efforts to the Board. The committee's role and responsibilities include drawing up the Sustainability Report and Policy, setting sustainability objectives and targets, identifying internal and external stakeholders, as well as prioritising all material matters in relation to the EES aspects of sustainability reporting.

**The Board is committed to upholding corporate governance best practices and sound internal controls in its evaluation and incorporation of relevant sustainable material matters into the Group's business strategy.**

### Sustainability Working Committee

Established in 2018, PMHB's Sustainability Working Committee ensures that the Group's sustainability targets are attained in line with the group-wide implementation of policies and best practices. These targets are closely monitored by the Committee whose members are selected based on the relevance of their roles to the Group's sustainability material matters. All of the committee's findings are shared at quarterly reviews where any gaps between the targets and the results are subsequently finetuned.

Moving forward, the Group will continue to appraise PMHB's sustainability governance structure, restructuring and enhancing when necessary, in the aim of enhancing efficiencies in planning, implementation and reporting. For more detailed information on the Group's overall corporate governance and risk management structures, please refer to the Statement on Corporate Governance as well as the Statement on Risk Management and Internal Control in this Annual Report.

# SUSTAINABILITY STATEMENT (CONT'D)

## STAKEHOLDER ENGAGEMENT

Stakeholder Engagement remains an integral aspect of the Group's sustainability strategy even as PMHB's businesses and markets continue to evolve and expand. The Group's efforts in developing and bolstering its ties with its stakeholders are part of its aim to reinforce its position as a stakeholder-centric organisation. The Group's stakeholder engagement is frequently aligned with the project development process that runs throughout the project life cycle. Through regular interaction with its stakeholders, the Group ensures that the interests and expectations of its stakeholders are being addressed in an accurate and timely manner.

In order to address our stakeholders' needs in the most efficient manner possible, PMHB evaluates its stakeholders needs through identifying and categorising its stakeholders into groups based on their direct and indirect impact on the Group's business and supply chain as well as vice versa. Our stakeholders' expectations as well as the methods by which PMHB engages with them and meet their expectations are outlined in the Stakeholder Engagement Matrix below:

***Stakeholder Engagement Matrix***

| Stakeholder | Stakeholder Expectations | Engagement Methods | How We Meet Our Stakeholder's Expectations |
|---|---|---|---|
| Clients | Project to be completed on time, within budget and good quality.<br><br>Full compliance with authorities' rules and regulations with minimal penalties or summons.<br><br>Zero fatalities.<br><br>Proper project management and communications. | Progress meeting (fortnightly).<br><br>Site walk with client (ad hoc).<br><br>Client satisfaction survey (upon completion of the project). | QLASSIC score of 73% and above.<br><br>Submission of monthly progress reports on time.<br><br>Achieve a minimum 80% client satisfaction rate.<br><br>All correspondence to be answered within 24-48 hours.<br><br>Always assign a point of contact for clients e.g., Project Manager or Contract Manager. |
| Authorities & Regulators | Compliance with rules and regulations. | Site inspections.<br><br>Audits.<br><br>Accreditation.<br><br>Training sessions. | Weekly internal site meeting and site inspection on HSE issues, 5S methodology, GBI matters to ensure compliance.<br><br>Regularly attend trainings/seminars/ conferences/discussions to improve work methods and get updates on new regulations. |
| Employees | Attractive pay-out and job security.<br><br>Career development and progression.<br><br>Good HSE practices.<br><br>Fair and equal treatment. | Annual Staff Survey.<br><br>Annual Appraisal.<br><br>Staff activities. | Corporate Social Responsibilities ("CSR") activities to encourage off-site relationships with stakeholders.<br><br>The operation of a transparent and fair rewarding mechanism based on merit.<br><br>Regular updates on Group-related news and progress via the Group intranet.<br><br>Feedback on the matters raised by staff via all the engagement activities to assure them that the Group cares and will act upon the requests/concerns which are deemed right for the Group. |

# SUSTAINABILITY STATEMENT (CONT'D)

***Stakeholder Engagement Matrix (Cont'd)***

| Stakeholder | Stakeholder Expectations | Engagement Methods | How We Meet Our Stakeholder's Expectations |
|---|---|---|---|
| Business partners (suppliers & sub-contractors) | Timely payment.<br><br>Fair and transparent procurement processes.<br><br>Safe work sites. | Toolbox meetings.<br><br>Weekly meetings.<br><br>Transparent tender processes.<br><br>Suppliers & sub-contractors evaluation. | Achieve a minimum of 75% in Grade C and above rating for supplier evaluations.<br><br>Achieve a 75% in Grade B- and above rating for sub-contractor evaluations.<br><br>Factory/warehouse visits. |
| General Public & Community | Responsible corporate citizen.<br><br>Transparent and timely information. | Corporate website.<br><br>Feedback platform. | An updated website with the latest information made available to all. |
| Media | Timely and transparent financial and corporate information. | Press conferences.<br><br>Corporate website.<br><br>Press releases. | Meetings with the Media after the Annual General Meeting.<br><br>Press releases uploaded on the website for easy access by the Media. |

## STAKEHOLDER PRIORITISATION

To ensure that our stakeholders' needs are met in a timely and efficient manner, the Group prioritizes how it deals with different stakeholder groups. To this end, we conducted a stakeholder prioritisation exercise which served to divide our stakeholders into two categories with the determining factors being how dependent the stakeholder group is on the Group and how these stakeholders' influence the Group. The findings were tabulated as follows:

| Stakeholder Group | Dependency on the Company<br>1 = lowest dependency<br>4 = highest dependency | Influence on the Company<br>1 = least influence<br>4 = strong influence |
|---|---|---|
| Employees | 4 | 4 |
| Sub-contractors | 4 | 4 |
| Consultants | 2 | 4 |
| Clients | 2 | 4 |
| Government/local authorities | 2 | 4 |
| Suppliers | 2 | 4 |
| Competitors | 1 | 2 |
| Bankers | 1 | 4 |
| Media | 1 | 2 |
| Community | 1 | 1 |

The findings of the stakeholder prioritisation exercise were further organised to form the Group's Stakeholder Prioritisation Matrix. Stakeholders were categorised in accordance with the extent of influence their opinions and views have for the advancement and development of the Group. For the purpose of this Report, the seven top stakeholders have been categorised in terms of their High Dependency-High Influence while others fall into the Low Dependency-High Influence category.

# SUSTAINABILITY STATEMENT (CONT'D)

***Stakeholder Prioritisation Matrix***

| Stakeholder dependency on the organisation | High Dependency | CONSULT/INVOLVE | | COLLABORATE/EMPOWER (Maximum Attention) | |
|---|---|---|---|---|---|
| | | | | | 1) Employee<br>2) Sub-contractors |
| | Low Dependency | KEEP INFORMED (Minimal Effort) | | INFORM/ENGAGE | |
| | | Community | Competitors<br>Media | | 3) Consultants<br>4) Clients<br>5) Government/ Local Authorities<br>6) Bankers<br>7) Suppliers |
| | | No Influence | Low Influence | Some Influence | Formal Power/High Influence |
| | | Stakeholder influence on the organisation | | | |

## MATERIAL MATTERS

Material topics are defined as those issues which have a direct or indirect impact on the Group's ability to create, preserve or erode EES value for the Group, its stakeholders and the community. The Group's approach to best addressing these material topics is strategically based on material analyses which provide detailed insights into the EES-related topics that the Group's stakeholders deem most important. These analyses comprise various engagement methods which include face-to-face meetings, surveys, feedback and a brief analysis of our peers' practices.

In February and December 2018, the Group conducted two material analyses. Utilizing Google Forms, a survey was sent to stakeholders within the High-Dependency and High Influence category, namely the Group's employees, customers, suppliers, sub-contractors, regulators and authorities, consultants and bankers. The parameters of the survey are outlined below:

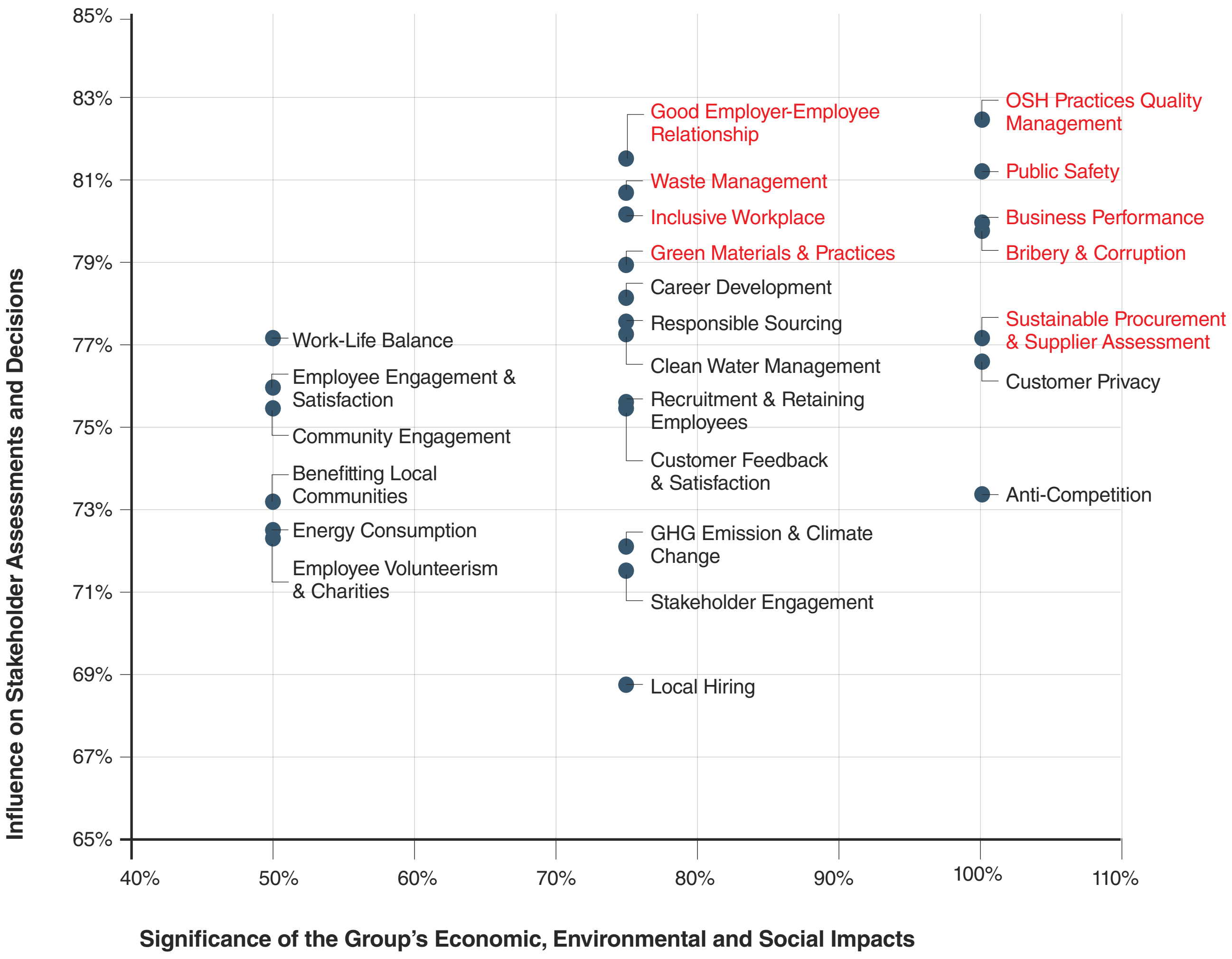
***Parameters of Survey***

| Stakeholders | Parameters |
|---|---|
| Clients | Existing and past clients who have engaged the Company in jobs - both private and public organisations. |
| Authorities & Regulators | Governments, local councils, the Construction Industry Development Authority or CIDB, SIRIM, the Fire Department, and the regulators for Green Building Index (GBI) certification. |
| Consultants | Professionals who have a direct influence on the Company's operations including architectural, structural, electrical, mechanical, and landscaping professionals. |
| Employees | Permanent, contractual and interns; locals and foreign workers. |
| Business partners (suppliers & sub-contractors) | Product and service providers. |
| General Public & Community | People living/working within a 5 km radius of our workplaces; Other non-governmental organisations (NGOs) with influence. |
| Bankers/Financiers | Financing bodies that conduct monetary transactions with the Company. |

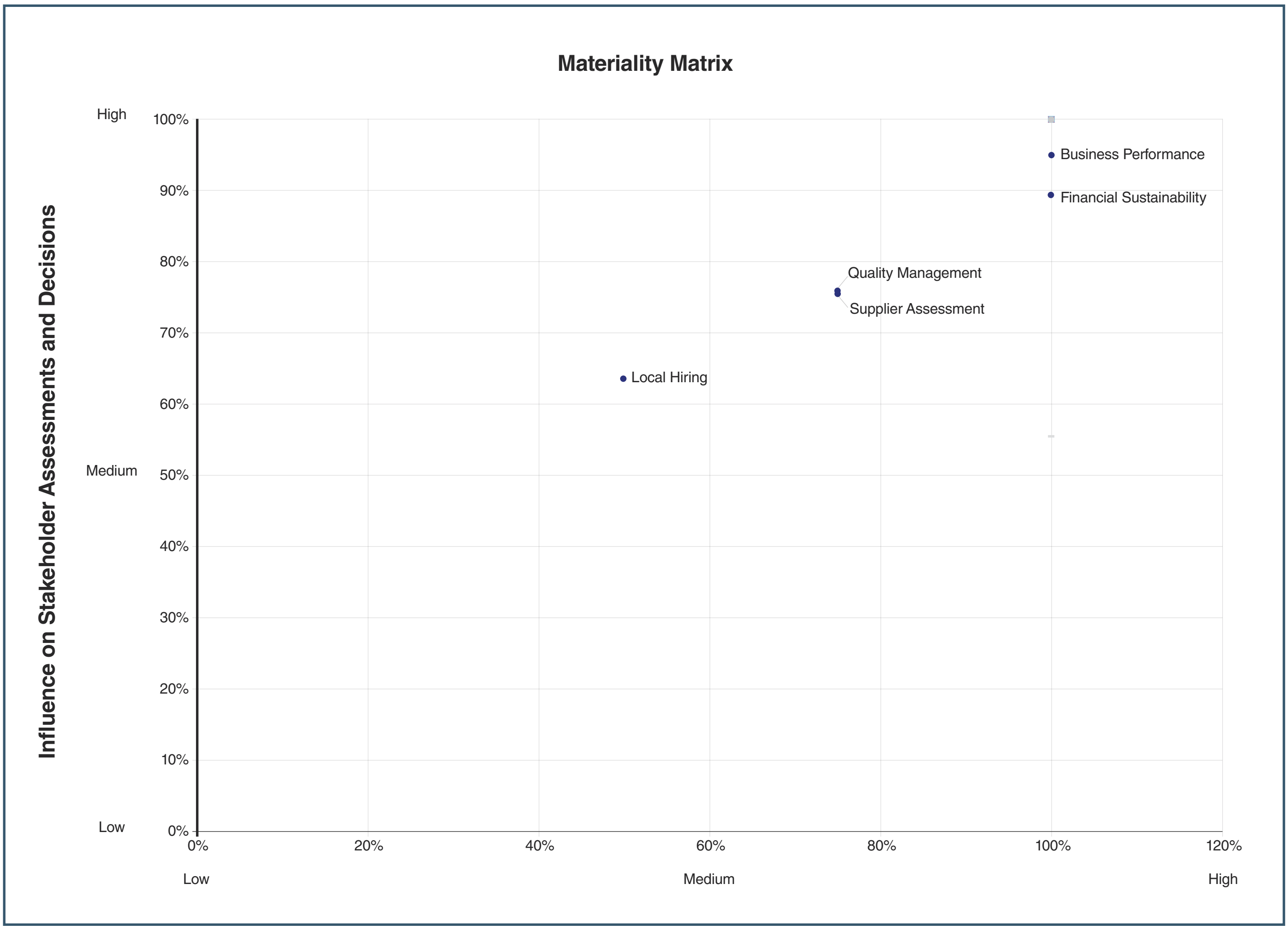
The results of the December 2018 survey led to the development of the Materiality Matrix below which in turn determined the Group's 2020 Sustainability Roadmap.

# SUSTAINABILITY STATEMENT (CONT'D)

***EES Materiality Matrix***



# SUSTAINABILITY STATEMENT (CONT'D)




## UPHOLDING GOOD ECONOMIC PRACTICES

### Strategic Direction

To ensure the Group's sustainable growth, PMHB is continuously finetuning the course of its core businesses. As such, the Group maintains a close observation of the ever-changing market and economic conditions, adapting and implementing changes to our businesses when and where it is required. For insights into the Group's overall strategic direction plus its financial and operational performance, please refer to the Management Discussion and Analysis section within this Annual Report.

# SUSTAINABILITY STATEMENT (CONT'D)

### 2020 Highlights: Sustainability Target & Achievements

***2020 Sustainability Roadmap (Targets and Achievements)***

| Health & Safety | | Labour Practices | | Environment | | Product Quality | |
|---|---|---|---|---|---|---|---|
| Target | Achievements | Target | Achievements | Target | Achievements | Target | Achievements |
| Zero Fatalities | √ | Annual Staff Survey | √ | Allowable Construction Waste | √ | QLASSIC 73% | √ |
| Zero Lost Time | √ | 3 Major Festive Celebrations | √ | Steel 7% | √ | 80% Customer Satisfaction | √ |
| Zero Restricted Work Cases | √ | 14 Hour/ Staff Training | √ | Concrete 5% | √ | 75% Sub-Cons Grade B | 71% |
| Zero Stop Work Orders | √ | 4 CSR activities | √ | Timber 10% | √ | 75% Supplier Grade C | √ |
| | | Internship | √ | Zero Styrofoam Food Packaging (Apr-Dec 2019) | 11.1% | | |
| | | 8 Scholarships | √ | Zero Environmental Summons/ Notices | √ | | |

The detailed achievements for all the sustainability themes are spelt out in the respective sections of this Sustainability Report.

### Strengthening the Market Ecosystem

PMHB continues to engage in marketplace activities with the aim of establishing connections at every level across the supply chain, from its suppliers to its customers. Through our efforts, we aim to cultivate synergistic relationships that will serve to generate sustainable reciprocal growth. As a member of the construction industry, the Group is also committed to enriching the diverse social and industrial circles in which it operates through the investment of its resources in initiatives that will help to create value. The Group's marketplace efforts are based largely in the construction sector as our initiatives are led by our main subsidiary, PMSB. Although the domestic construction industry suffered a substantial decline in the FY2020, it remains a significant factor in the nation's economic cycle.

Two decades ago, PMHB began its operations with 20 employees, to date, the Group has grown to command a workforce of approximately 400 employees comprising both permanent and contract workers. The Group also employs general workers with special skills in specific trades such as carpenters, bar benders, electricians and special trade workers to assist with the construction work at its sites.

In support of trans-border employment, the Group employs both local and foreign workers to work at its construction sites. Malaysia's construction labour force is heavily supported by skilled-blue-collar labourers from neighbouring countries as Malaysians tend to generally have a low-opinion on labour-intensive work and opt to work in other industries instead. In 2020, the Malaysian Construction Industry Development Authority or CIDB reported that there are close to 430,000 foreign workers registered with the Malaysian Immigration Department.

The Group also does its bit to support the local economy through the provision of jobs within its project sites and its prioritisation of local SMEs for the purchase of raw materials such as cement, steel and timber. This practice not only opens up avenues of opportunity and growth for our local producers, it also limits the Group's dependency on foreign suppliers and decreases the risk of external macroeconomic factors in our dealings. Our efforts are further complemented by our commitment to engage in prudent procurement practices in support of encouraging healthy competition in the market. Additionally, the Group continues to help develop the domestic construction industry through its utilisation of new methodologies in its projects.

# SUSTAINABILITY STATEMENT (CONT'D)

### Transparent Marketplace Practices

As a conscientious business operator in a high-risk industry that involves hazardous activities, PMHB is committed to upholding the strict regulations that govern the construction sector. In its capacity as a public listed company, PMHB is governed by the Main Market Listing Requirements ("MMLR") of Bursa Securities. It is also governed by the rules and regulations of the CIDB, of which it is a member; and is subject to audit by SIRIM.

PMHB strives to ensure that our efforts towards promoting good industry and market behaviour are underscored by our strong advocacy for transparent dealings. The Group's zero tolerance stance towards bribery and corruption is illustrated in the various practices, values and policies that the Group continues to implement. One such example is the PMHB Induction Programme which was introduced in 2019. This programme helps us to ensure that all new employees are well-acquainted with the Group's firm stand against white-collar crime. In June 2020, PMHB initiated a group-wide introduction of its Zero Tolerance Policy via the Group Employee Handbook.

The Group has also implemented these policies in its fight against unethical practices:

- A Code of Conduct underscoring the Group's approach towards business ethics and employee integrity;
- The Overview Statement on Corporate Governance which spells out the functions of the Board and various Board committees, among other things. This is published in the Group's Annual Report, while the Board Charter is published on our website;
- The Open Tender Policy which is applied to all sub-contractor awards where three out of five committee members must be present at the opening of the Tender Box. One of the three committees must be from a department other than the Tender and Contract Department to ensure non-biased decisions are made;
- The Whistleblowing Policy that provides employees a safe mechanism for raising genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, and in an appropriate manner. The Whistleblowing Policy is spelt out in our Employee's Handbook while the general public can access this on our website at www.pesona.com.my; and
- The Anti Bribery and Corruption Policy that promote better governance culture and ethical behaviour within the Group in order to prevent the occurrence of corrupt practices. The Anti Bribery and Corruption Policy is spelled out on our website at www.pesona.com.my.

PMHB also works in close compliance with the relevant regulatory bodies to ensure that our governance framework remains comprehensive and up-to-date. On 1 June 2020, Section 17A of The Malaysian Anti-Corruption Commission ("MACC") Act 2009 was put into effect. This piece of legislation addresses the problem of corruption among corporations by introducing corporate liability for corruption and imposing personal liability on directors, controllers and management. In line with this new legislation, the Board has evaluated potential areas of risk and introduced the necessary compliance measures in response. The Group has also adopted an Anti-Bribery and Corruption Policy in compliance with the MACC's Section 17A ruling.

### Our Commitment to Excellence

The Group continues to be acknowledged for its commitment to upholding excellence throughout the scope of its operations. For details on the awards the Group received during the year in review, please refer to the Social: Occupational Health and Safety section of this report.

# SUSTAINABILITY STATEMENT (CONT'D)

## UPHOLDING GOOD ENVIRONMENTAL PRACTICES

### Education and Awareness Programmes

PMHB's commitment to protecting the environment is actioned through the various initiatives that the Group implements to scale down the negative environmental impact of its operations and businesses.

Our efforts include the rollout of education and awareness programmes which help us to ensure that environmental awareness continues to be championed on a group-wide level. By educating our employees, workers, sub-contractors and suppliers, we aim to instil environmental conservation throughout every level of our operations.

*Green 5S Practices*

PMHB's drive towards a 'greener' organisation is supported by our implementation of the 5S workplace organisation methodology in our project sites. PMHB was one of the first builders on the domestic front to subscribe to the 5S methodology which helps us to ensure that the Group's project sites are kept organised, clean and free of hazardous incidences. All of the Group's projects have been audited by the SIRIM Green 5S team for their relevant Green 5S practices. In 2017, the Group's 'The Mews' project site was the first of its sites to achieve a Zero Non-Conformance Report under SIRIM's Green 5S Audit.

Prior to the introduction of the 5S Induction Programme for new employees in 2019, the Group conducted a vigorous two-year 5S education programme which saw 5S Talks conducted at Headquarters ("HQ") and project sites for all employees. Workers at new project sites were also required to attend a 5S Talk at the beginning of each project lifecycle.

In 2020, the Group's revamped 5S Awareness Campaign saw the Group conduct a total of two 5S Induction Training sessions and 5S Awareness training at six sites. PMHB also organised 33 weekly 5S Site Coordination and Surveillance sessions as well as 12 HQ 5S Monthly Audit sessions. During the year under review, a total of 500 employees received 5S education. This number includes both workers from our own operations and workers from our sub-contractor teams.

The Group's 5s efforts are kept on track by the SIRIM Green 5S Audit. The audits have also helped us to track our progress in our Zero Non-Conformance commitment at our project sites. Our accomplishments in this area have helped to establish PMHB as a trusted builder in the construction industry.

***5-Year SIRIM 5S External Audit Results***

| Year of Audit | Project Sites | Number of Non-Conformance Reports | Number of Issues Under Observation |
|---|---|---|---|
| **2015** | UNIMAP, Perlis | 3 | 23 |
| | The Mews, Kuala Lumpur | 3 | 24 |
| | Third Avenue, Cyberjaya | 4 | 35 |
| **2016** | The Mews, Kuala Lumpur | 0 | 13 |
| | Third Avenue, Cyberjaya | 2 | 11 |
| | KPJ Bandar Dato' Onn Specialist Hospital, Johor | 5 | 13 |
| **2017** | Residensi Gen, Kuala Lumpur | 0 | 3 |
| | Central Plaza i-City Mall, Selangor | 0 | 6 |
| | Gua Musang Seksyen 3E2, Pahang | 3 | 9 |
| **2018** | UniSZA, Terengganu | 0 | 5 |
| **2019** | Eaton Residences, Kuala Lumpur | 0 | 10 |
| | Lot 15 SJCC, Selangor | 3 | 17 |
| | Conlay 301, Kuala Lumpur | 0 | 18 |
| **2020** | Conlay 301, Kuala Lumpur | 0 | 3 |

In 2020, due to the Covid-19-induced operational restrictions, the Group's site auditing efforts were limited to its Conlay 301 project site.

# SUSTAINABILITY STATEMENT (CONT'D)

*Environmental Talks*

Our environmental preservation efforts are also regulated by systems that the we have put in place to guide us in our role as a good practitioner. These regulatory systems are complemented by the quarterly refresher courses and sharing sessions that the Group conducts with its project teams. These initiatives help the Group to remain compliant with regulatory requirements while enabling us to adopt a more comprehensive approach to our check-and-balance efforts.

The Group's maintenance of its successful Green 5S performance can be attributed to its effective on-site implementation of environmental and 5S practices. The following table highlights the number of in-house environmental talks that the Group conducted for its employees between 2017 and 2020:

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Environmental Talks during EMS Internal Audits at Project Sites | 6 | 5 | 7 | 7 |
| Environmental Talks during EMS Internal Audits at Headquarters | 4 | 1 | 4 | 5 |
| Induction Programme (EMS Session) – introduced in Nov 2018 | NA | 1 | 5 | 2 |

The topics that were discussed during the year under review include the following:

- The value of recycling materials (i.e., paper, plastic bottles, aluminium cans, card boxes, etc.) at offices and construction sites;
- The value of minimising construction materials (i.e., concrete, timber, rebars and plywood timber) wastage at construction sites;
- The value of conserving resources such as paper from trees and the need to mitigate deforestation and global warming brought on by high CO2 levels in the atmosphere;
- The value of conserving energy resources i.e., electricity and portable water consumption to minimise the effects of global warming resulting from the burning of fossil fuels for electricity generation and water processing;
- The value of minimising environmental pollution contributed by construction site activities i.e., water pollution, air quality degradation, etc.; and
- The value of sustainability in construction that can be achieved by replacing conventional construction practices with environmental-friendly methods such as the use of system formworks including DOKA, Plytech, aluminium formworks, etc.

During the year under review, the Group continued to introduce PMHB's culture and commitment to environmental conservation and 3R activities to new employees via environmental talks during our induction sessions. The Group also carried on the Zero Styrofoam Food Packaging Campaign from the previous year. The campaign saw Group Management issue a strict ban on all plastic/ polystyrene food and beverage packaging at our operational sites. Encouraging our workers and employees to utilize reusable containers to pack their food, the initiative is part of the Group's effort to minimise the use of non-biodegradable and single-use waste.

# SUSTAINABILITY STATEMENT (CONT'D)

### Materials Management

In line with our goal to minimise waste, the Group has implemented a materials management programme at all our project sites. The programme aims to mitigate wasteful processes through the careful budgeting of construction materials and the quantities needed. Project site teams are also responsible for overseeing the monthly recycling of all access construction materials. The decrease in wastage has helped the Group to consolidate its resources and to garner more savings from the decreased landfill input.

*Raw Materials Management*

PMHB sources its raw materials locally and budgets its purchases in accordance with the number of projects being carried out. For the purposes of this Report, we will focus on the three main construction materials which make up 80% of the Group's raw materials.

The following is a tabulation of the raw materials purchased over the past four years:

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Steel Bar (tonnes) | 14,055 | 9,681 | 18,487 | 10,557 |
| Concrete (m3) | 152,278 | 114,165 | 188,944 | 95,222 |
| Timber (tonnes) | 712 | 716 | 1,159 | 506 |

To ensure that construction materials are utilized efficiently, the Group has set a limit for the maximum amount of allowable wastage. The following table portrays the amount of waste generated from the Group's nine ongoing projects in 2020.

| | Target/Allowed Wastage | Actual Wastage |
|---|---|---|
| Steel Bars | 7% | 3.71% |
| Concrete | 5% | 3.19% |
| Timber (with a 4-time lifecycle) | 10% | 5.45% |

As the Group continues to make progress in its conservation of resources, it will review and further enhance the materials management programme for better results. The programme's success thus far is largely attributable to the dedication our site management teams have given in lowering the materials management percentage. Their effort includes the continuous monitoring of the construction materials wastage output on a monthly basis. Moving forward, the Group will continue to work closely with our teams to take the necessary control measures to mitigate any wastage.

*Utilities Management*

The Group's drive to consolidate resources which were not limited to its use of construction materials but extends to the consumption of utilities at its project sites as well. As part of its aim to reduce the Group's carbon footprint, the Group closely monitors the consumption of utilities such as diesel, petrol, water and electricity which are essential to the day-to-day operations of construction sites.

Water is conserved through the utilisation of rain-water harvesting methods which the Group uses to supply water for cleaning purposes at its sites. This water is in turn recycled, where possible, to wash tyres and other objects. The amount of potable water used at each site is also monitored and determined by the number of workers residing at the site.

**PMHB sources its raw materials locally and budgets its purchases in accordance with the number of projects being carried out. For the purposes of this Report, we will focus on the three main construction materials which make up 80% of the Group's raw materials.**

# SUSTAINABILITY STATEMENT (CONT'D)

***Water Usage (m3)***

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Project Sites | 403,256 | 94,728 | 90,614 |
| Headquarters | 1,610 | 1,754 | 1,735 |

The use of diesel on-site is often at its peak in the beginning of the construction cycle, when it is used to power machinery before the electricity supply is established. Consequently, the amount of diesel usage on-site tends to downtrend once electricity is made available and fully utilised on site. In 2020, the Group's total amount of diesel utilisation decreased significantly as our projects are currently ongoing and past the establishment stage.

***Diesel Usage (litres)***

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Project Sites | 1,197,298 | 656,640 | 473,248 |
| Headquarters | 9,893 | 9,120 | 8,610 |

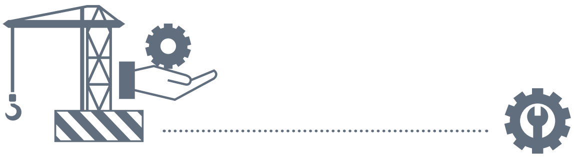
***Electricity Usage (kWh)2***

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Project Sites | 2,024311 | 2,464,521 | 2,892,113 |
| Headquarters | 142,056 | 142,885 | 139,412 |

The Group's use of petrol is limited primarily to fuelling the vehicles that ferry workers and employees to and from the Group's sites thus the amount used is significantly smaller than other utilities. As petrol remains a contributor to the Group's carbon footprint, we have included it in this Report.

***Petrol Usage (litres)***

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Project Sites | 61,521 | 67,726 | 68,655 |
| Headquarters | 89,927 | 89,616 | 70,300 |



**As part of its aim to reduce the Group's carbon footprint, the Group closely monitors the consumption of utilities such as diesel, petrol, water and electricity which are essential to the day-to-day operations of construction sites.**

### Waste Management

Coming under the ambit of our comprehensive waste management programme, the Group's initiatives to limit the generation of general waste covers the general scope of its operations. The programme has set the following objectives:

- To minimise formwork wastage (by recycling formworks or using alternative non-traditional formworks which are recyclable);
- To minimise packaging waste resulting from products purchased;
- To minimise rework and thus reduce the cost, materials, time and effort spent;
- To minimise materials damage due to negligence; and
- To minimise the quantity of unused materials and wrongly-ordered materials which cannot be returned/ reused due to their specifications.

# SUSTAINABILITY STATEMENT (CONT'D)

The means by which we achieve these targets are explained below:

*Waste Management Targets and Programmes*

*Minimising Formwork Wastage*

To reduce the high percentage of timber wastage that is involved in the manufacturing and short-term usage of conventional frameworks, the Group has elected to utilize non-traditional formworks that are recyclable. Comprising table-forms, jump-forms and aluminium forms, proprietary-type system formworks can be reused for extended periods. However, the Group will still require timber formworks for project structures that are not uniform and require more flexible formwork.

*Optimising Formwork Usage*

In 2020, the Group maintained it's 90% rate of system formworks usage at all its sites since it first achieved this milestone in 2019. This achievement highlights the Group's long-term effort to reduce the usage of timber formworks at its sites through its investment in fixed assets such as system formworks.

*Minimising Packaging Waste*

Protective packaging from building materials contribute to approximately 60% of all construction waste. To reduce the amount of waste that is disposed in landfills, the Group recycles the generated waste from this protective packaging where possible. Typically comprising timber pallets, timber crates. cardboard boxes, plastic wrappers and metal strips, the waste is re-purposed by the Group to be used in temporary walling systems, walkways, temporary low-fencing and road barriers at its sites.

*Minimising Rework*

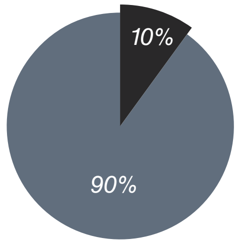
The Group continues to tackle waste management at the root by moderating the necessity for rework in the construction process by closely scrutinizing projects in the blueprint phase. Employing innovative technologies such as Building Information Modelling ("BIM") and Virtual Design and Construction ("VDC") have allowed the Group to pick up errors prior to the construction of any project. Correcting these errors before a project enters into the construction phase mitigates the risk of additional expenses, resources and time lost due to rework. The Group has since organised a BIM team and appointed a BIM Manager to oversee this vital aspect of the construction process.

*Minimising Instances of Damaged Materials*

The accidental damage of materials at construction sites due to mishandling or improper storage has resulted in unnecessary expenses for the Group to replace and remove the damaged items. Seeking to eliminate this problem, the Group has implemented the 5S system to ensure the safe and proper storage of materials. The system outlines the following undertakings:

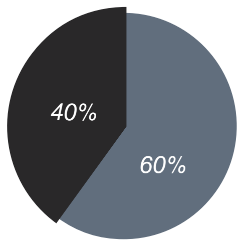
- Prefabricated steel frames are used to store steel bar bundles which helps prevent corrosion when the bundles encounter moisture from the ground;
- Proper designation of boxes/areas for the storing of scaffolding components such as joint pins, swivel clamps, jack bases, u-heads, cross bracing, catwalk platforms and frames. Boxes are also placed on every floor to enable workers to return the unused smaller components in a convenient manner so that they do not get misplaced; and
- Fragile materials are appropriately tagged and materials with expiry dates are organised according to their dates in a 'first-in, first-out' order.

*PMHB's Formwork Usage*




- Timber Form (limited lifecycle)
- System Form (unlimited lifecycle)

*Construction Waste*




- Building Materials
- Others

**Seeking to eliminate this problem, the Group has implemented the 5S system to ensure the safe and proper storage of materials.**

# SUSTAINABILITY STATEMENT (CONT'D)

### Recycling Efforts

The year under review saw PMHB continue to partner with NGOs to process recyclable waste collected from our Headquarters and our employees' homes. This practice has served to inculcate a sense of responsible recycling amongst our employees, resulting in a year-on-year increase in the number of items being recycled. Meanwhile our project sites continued to uphold proper recycling practices by repurposing construction waste where possible and transporting recyclable waste to recycling centres.

***Results of 2020 Recycling Efforts (kg)***

| | Headquarters | | | | All Project Sites | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| Carton Boxes/Cardboard | 5,477 | 6,687 | 4,222 | 6,458 | 9,469 | 9,333 | 13,974 | 51,950 |
| Plastics & PVC | 1,037 | 883 | 343 | 343 | 3,429 | 2,297 | 8,812 | 26,398 |
| Metal/Aluminium/Iron | 0 | 0 | 20 | 25 | 973 | 547 | 624 | 1,763 |
| Others (shredded paper, glass, unused film) | 9 | 1,699 | 2,852 | 3,613 | 51 | 116 | 1,705 | 9,780 |

### Pollution Control and Management

In order to manage the Group's carbon footprint, the Group estimates the potential carbon output of every project prior to the commencement of each project. Formulated with the help of an Environment Consultant, the Environmental Management Plan ("EMP") for every project is developed in compliance with regulatory requirements. The consultant is tasked with oversight for the EMP covering the monthly monitoring system for water quality, air quality, noise levels and vibrations to ensure that the activities carried out comply with the Department of Environment's requirements.

In addition, the Group continues to reinforce its environmental performance in its construction activities with several environmentally friendly and contamination preventive measures. These measures include metal drip trays for oil leakage protection, grease/oil interceptors at all canteen and kitchen facilities, proper Imhoff tanks for toilets, water browsers to reduce air particulate, and the use of water jets and wash troughs to clean lorries and the tyres of other vehicles.

### Our Commitment to Implementing Good Environmental Management Systems

Our environmental initiatives are kept in check with the latest International Standard for Environmental Management Systems ("EMS"), ISO14001:2015. Having upgraded from the previous ISO14001:2004 standard, PMSB is committed to implementing the following EMS formulation processes which are in line with the new standard:

- Strategic Environmental Management Planning: PMSB has enhanced the strategic planning process by prioritising actions that revolve around mitigating risk and capitalising on opportunities. The planning process now emphasises the identification of risks and opportunities related to environmental aspects, compliance obligations and other issues that are driven by the business context, including the needs and expectations of our internal and external stakeholders;
- Risk-Based Thinking: PMSB's application of risk-based thinking enables the Group to identify and focus on actions that can reduce environmental impact;
- Leadership: PMSB has appointed key people to take the lead role in promoting environmental management within its organisation. Greater leadership and commitment will be promoted by its top management and senior managers to ensure all action plans are in line with the Group's EMS objectives and requirements;
- Protecting the Environment: This initiative facilitates PMSB's goal to define the organisation's environmental protection goals which include the prevention of pollution and the proper use of sustainable resources;
- Process Approach: PMSB is redirecting its processes from just focusing on EMS to include outcomes and results as well;
- Environmental Performance: PMSB aims to shift its emphasis from highlighting the organisation's policy, commitment and continuous environmental performance, to the reduction of emissions, effluents and carbon footprint;
- Lifecycle Perspective: PMSB is looking to enhance the entire lifecycle of its products and services to be more environmentally efficient. This aim will include lifecycle stages such as the acquisition of raw materials, design, production, transportation/delivery, use, end of life treatment and final disposal and not just those relating to onsite activities;
- Integration with Business Process: PMSB has integrated its EMS objectives as part of its business processes so that it now encompasses procurement, subcontract management, construction implementation, asset management and human resource activities. The integration of EMS requirements into existing business processes is in line with the Group's objectives and Bursa Securities' requirements for sustainable development on the EES fronts,

# SUSTAINABILITY STATEMENT (CONT'D)

## UPHOLDING GOOD SOCIAL PRACTICES

### SOCIAL: LABOUR & DECENT WORKPLACE PRACTICES

PMHB is committed to the fair treatment of all its employees, regardless of race, background, gender and age. Our approach to human resources is guided by the Group's 'fair and equal opportunity policy' that is outlined in our Employee Handbook.

As a forward-thinking organisation, PMHB's employees are testament of the Group's role as a preferred employer of committed individuals who originate from different backgrounds, cultures, religions, races and nationalities.

### Composition of the Board

In compliance with Bursa Securities' recommendations to foster gender equality on the Board, PMHB's Board currently comprises one female Director, Independent Non-Executive Director, Pn. Salwa Binti Shamshuddin. With her experiences and perspectives, Pn. Salwa's input as a valued member of the Board helps us to maintain a well-rounded and more balanced sharing of views and opinions between the genders. Pn Salwa serves as a member of the Group's Audit Committee.

### PMHB's Workforce

PMHB's success to date can be attributed to the committed, hard-working and talented individuals who form our workforce. As of December 2020, the Group registered a total count of 367 employees (end 2019:399 employees). The following table details the composition of the Group's workforce over the past two years:

**PMHB is committed to the fair treatment of all its employees, regardless of race, background, gender and age.**

***Details of PMHB's Workforce***

| | 2019 | 2020 |
|---|---|---|
| **Total number of Employees** | 399 | 367 |
| **Gender (gender equality):** | | |
| Male | 78% | 77% |
| Female | 22% | 23% |
| **Age (inclusivity):** | | |
| > 50 years old | 14% | 17% |
| 30 – 50 years old | 54% | 55% |
| < 30 years old | 32% | 28% |
| **Race (Diversity):** | | |
| Malay | 58% | 56% |
| Chinese | 33% | 35% |
| Indian | 7% | 7% |
| Others | 2% | 2% |
| **Type of Employment (Fair employment policy):** | | |
| Permanent | 41% | 45% |
| Contractual | 59% | 55% |
| **Nationality (local labour employment):** | | |
| Malaysian | 100% | 100% |
| Non-Malaysian | 0% | 0% |
| **Skills (product quality):** | | |
| Technical | 77% | 79% |
| Non-technical | 23% | 21% |
| **Year of service (talent attraction & retention):** | | |
| < 1 year | 32% | 23% |
| 1 – 3 years | 25% | 22% |
| > 3 – 6 years | 21% | 27% |
| > 6 – 10 years | 12% | 17% |
| > 10 years | 10% | 11% |
| **Staff Turnover Rate** | 20% | 20% |
| **Health & Safety:** | | |
| Worked Manhours | 9,029,260 | 11,400,772 |
| Fatal Accidents | 0 | 0 |
| Lost Time Injury Accidents | 0 | 0 |
| Accident Frequency Rate/Million Hours | 0 | 0 |

# SUSTAINABILITY STATEMENT (CONT'D)

Historically, the construction industry has always been more male-dominated and this is reflected in the Group's current workforce gender ratio. However, with the steady increase of female engineers in the construction industry, the Group is looking forward to seeing the demographic of our female employees expand from the administrative functions of our operations into our project sites and field work. In the area of racial diversity, the Group's Malay and Chinese employees continue to form the majority of our workforce, followed by Indians and other races.

In 2020, PMHB maintained the same staff turnover rate of 20% from the year prior. The Group sees the turnover cycle of staff as a healthy contributor to operational sustainability as the inflow of new recruits into the Group cultivates a steady stream of new ideas, fresh perspectives and approaches. Furthermore, the movement of employees encourages the younger employees to gain more experience and climb up the corporate ladder as they fill in the roles left vacant by their former seniors in the Company.

The Group has maintained its positive health and safety record from 2019 with zero hours lost to injury or accidents. For information on our health and safety initiatives, please refer to the 'Occupational Health & Safety' section of the Social segment.

### Human Rights

PMHB continues to champion the practice of safeguarding the rights of all its employees and workers. With regard to our general on-site workers (blue collar workers), the Group has established the following standards to ensure that their wellbeing and rights are protected:

- Separate sanitary areas (i.e., shower areas and toilets) for males and females to ensure their privacy;
- Proper cooking area where fire extinguishers are easily accessible and a proper wash area to ensure cleanliness and good hygiene at the cooking and canteen area;
- A designated worship area in the worker's camp to ensure workers are able to exercise their faith;
- An entertainment area equipped with television;
- A clean water dispenser where potable water is always made available;
- Resting areas equipped with beds to ensure that workers get proper rest;
- A 30-minute break to be taken during an interval of 1.5 to 2 hours of work; and
- A one-hour lunch break.

In line with our zero-tolerance stance on slavery, PMHB is strongly against the enslavement of individuals and child labour both as a practice in general and especially within our operations. The Group also strives to ensure that the fair and humane treatment of our workers remains discrimination free, be it in nationality, gender or age. In terms of legality, all the Group's workers are employed via legal means and own CIDB green card issued by the Construction Industry Development Board of Malaysia.

The Group's Employee Handbooks outlines the employee policies that we have established to ensure the equal and fair treatment of our white-collar employees. The Guide also highlights the various benefits that our employees are entitled to.

### Work-Life Integration

The Group's commitment to sustainability is reflected in its human resource efforts which focus on ensuring the wellbeing of our workforce. Being in the construction industry often means that our employees and workers are subject to lengthy periods of strenuous activity at the workplace. To offset the duress of a construction work-cycle, the Group endeavours to create a more holistic and beneficial working environment that supports the physical and mental health of its members.

*Sports for Physical and Mental Wellbeing*

As part of its belief that all members of the PMHB should remain healthy in mind and body, the Group encourages its members to pursue a healthy work-life balance which includes exercise. This belief has seen the Group organise after-work sports activities at both its HQ and construction sites for members of its workforce. These include weekly activities such as futsal, bowling and badminton. Furthermore, all the Group's staff have access to the fitness centre located near its HQ where they can work out and refresh themselves with a heated shower. Staff based at HQ also have the option of participating in fitness classes which cater to those who would prefer to exercise in a group. In 2020, PMHB organised a total of 138 physical activities for members of its workforce.

*Education and Personal Development*

Partnering with local universities and colleges, the Group continues to provide undergraduate internship programmes for students who need to fulfil the practical on-site training aspect of their academic requirements at our construction sites and offices. This programme is part of the Group's endeavour to contribute to the development of a better Malaysia.

# SUSTAINABILITY STATEMENT (CONT'D)

*Internship Programme*

In 2020, PMHB accepted 11 interns at HQ and an additional 29 interns at its construction sites. These internship placements are the results of the sponsorship initiatives which the Group continues to carry out in conjunction with the Universiti Tunku Abdul Rahman ("UTAR").

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Interns at HQ | 11 | 10 | 11 |
| Interns at Project Sites | 26 | 46 | 29 |
| Total | 37 | 56 | 40 |

*Training & Development*

In 2020, the Group's employees underwent a total of 4.58 training hours (2019: 16.6 training hours) per employee as per the training categories listed below:

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Health & Safety | 18 | 25 | 10 |
| Quality & Technical | 31 | 29 | 13 |
| Environmental | 14 | 9 | 4 |
| Corporate Governance | NA | 5 | 1 |

The decrease in training hours can be attributed to the operational limits and circumstances that were unique to the year under review.

## Employee Reward and Recognition Practices

Giving credit where it is due, the Group continues to recognise and rewards its employees in diverse areas. Aside from rightly rewarding deserving effort, these activities are part of the Group's initiative to strengthen its position as an employer of choice.

*Employee Recognition Awards*

In recognition of the diligent, long-serving and exceptional high-performing individuals within the Group, we have organised the following recognition programmes over the past few years:

- **PMHB's Good Action Award** recognises the additional contributions/efforts by employees or project teams that increase the efficiency of working methods which in turn lead to better productivity and effectiveness in the delivery of quality products to our customers.
- **PMHB's HSE Excellence Award** recognises employees who prioritise good HSE practices and fully comply with HSE requirements.
- **PMHB's Good Attendance Award** recognises employees who have achieved full attendance, are punctual and have not taken any sick leave during the year.
- T**he Group's 10-Year and 20-Year Long Service Awards** honour long-serving employees who have served the Group over a period of 10 or 20 years.
- **PMHB's Green 5S Award** recognises employees and project sites that have contributed by way of team effort in organising and implementing 5S practices at the workplace; carried out good communications to motivate other colleagues to join in the 5S efforts via posters, notices and labels; as well as implemented a good 5S setup at the workplace.

We did not carry out any of our recognition programmes in 2020 as the operational constrictions during the year under review made it difficult to gather the sufficient data necessary for the efficient execution of the programme.

# SUSTAINABILITY STATEMENT (CONT'D)

*Annual Appraisal*

Aside from our recognition awards, our employees are rewarded at the end of every financial year following an evaluation and appraisal of their performance, competency and personal attributes. The Group's Annual Appraisal serves to help our employees define and plot their career paths. It also examines each employee's performance, highlighting areas for improvement and identifying the appropriate training and development activities that will best benefit the employee. The Group will continue to implement the necessary measures to help and inspire our employees to move forward and attain their career goals while meeting the Group's requirements as well.

*The Annual Appraisal process comprises a face-to-face dialogue session between an employee and their respective superior(s) to review and assess the employee's performance, skills and initiative throughout the entire year. The process enables the Group to determine the bonus, increment, promotion and training required for each employee. It also aims to clearly define an employee's job requirements if necessary and to serve as a platform for the clarification of any doubt or misunderstanding in work processes. The session also facilitates good employee-management engagement which ultimately leads to a more efficient and cohesive working environment.*

**The Group was conferred several honorers over the course of 2019 in recognition of its commitment to upholding excellent HSE measures.**

**Employee Welfare and Benefits**

Members of the Group's workforce are entitled to standard employee benefits such as general group health insurance, medical claims, paid and special leave, as well as travelling and outstation allowances. In addition, PMHB also provides the following employee welfare benefits:

- Staff houses for overseas and outstation employees;
- Medical benefits and group health insurance are applicable to all employees fairly and equally without discrimination to their job grades;
- Sanitary toilet facilities are prepared for worker convenience on all alternate floors at high-rise building construction sites; and
- All workers at site are given masks and full Personal Protective Equipment ("PPE") to ensure that they are protected from hazards at construction sites.

These benefits are provided equally to all our employees, regardless of their nationalities and backgrounds. New employees to the Group are educated on PMHB's Work Culture, Employee Benefits, Health & Safety Practices, Quality and Environment Practices via the Employee Induction Programme. Being a mandatory course, all new employees are required to attend the induction programme within a month of assuming their roles in the Group. The Group's Fair & Equal policy is also highlighted during the induction programme.

As ambassadors of PMHB, all Group employees are required to uphold the Employee Code of Conduct. The code is highlighted in the Employee Handbook which also outlines the Group's policies on work ethics as well as anti-corruption and bribery practices.

**Employee Engagement**

Understanding that clear and consistent communication is an integral element for success, the Group continues to organise opportunities for healthy employee engagement. Featuring engagement activities such as corporate social responsibility initiatives, sport activities, festive celebrations and the Group's Annual Dinner, these events help to foster strong management-employee relationships and establish lines of trust and communication. PMHB also facilitates engagement through the following platforms:

*Annual Employee Survey*

To gauge the needs and perspectives of its employees, the Group carried out its third groupwide employee survey in 2020. The term 'employees' refers to all staff members who are registered under the Group's payroll. A total of 29% of employees responded to the 2020 survey (2019: 27%), thus meeting the Group's target of achieving a minimum response rate of 25%. The survey conducted in 2020 revealed that approximately 67% of PMHB's employees are happy working with the Group and that 63% look forward to serving the Group for the next two years.

# SUSTAINABILITY STATEMENT (CONT'D)

*Greater Use of Technology Platforms*

The advent of technological advances in communication have seen the Group's employees leverage these tools to maintain a steady line of communication with their diverse stakeholders. The use of social interaction platforms such as WhatsApp allows our teams to monitor and check on work progress and access other data on a real time basis. On a more advanced scale, the Group's utilisation of its intranet platform, eBoard, enables the dissemination of corporate information, project updates and group-wide activities to all employees on a common platform.

## SOCIAL: OCCUPATIONAL HEALTH AND SAFETY

### Recognised for Good Health and Safety Measures

In recognition of the Group's commitment to upholding excellent health and safety measures, PMSB was conferred with the Gold Award at the 16th MOSHPA OSH Excellent National Award 2020 ceremony from the Malaysian Occupational Safety & Health Practitioner's Association for its excellent OSH management in construction.

PMSB also clinched a Gold Class 1 Award from the Malaysian Society for Occupational Safety and Health for its 2019 OSH Performance at the Conlay 301 project. These awards underpin the industry's continued confidence in the Group's capabilities and track record as a reputable construction player.

### Continuing to Uphold Stringent Health and Safety Standards

When it comes to the management of the Group's health and safety initiatives, the Group continues to subscribe to only the best practices. During the year under review, the Group migrated from the OHSAS 18001:2007 management system to the ISO 45001:2018 international standard as the former is due to be retired in 2021. While both systems are renowned international standards for occupational health and safety, ISO 45001:2018 includes some very important enhancements over OHSAS 18001:2007, such as greater emphasis on workers and their participation. These enhancements also include a more robust approach to health and safety management with regard to contractors and the inclusion of health and safety in the purchase-decision-making process. The necessity for leadership participation, change management and performance management are also emphasised more in the new standard.

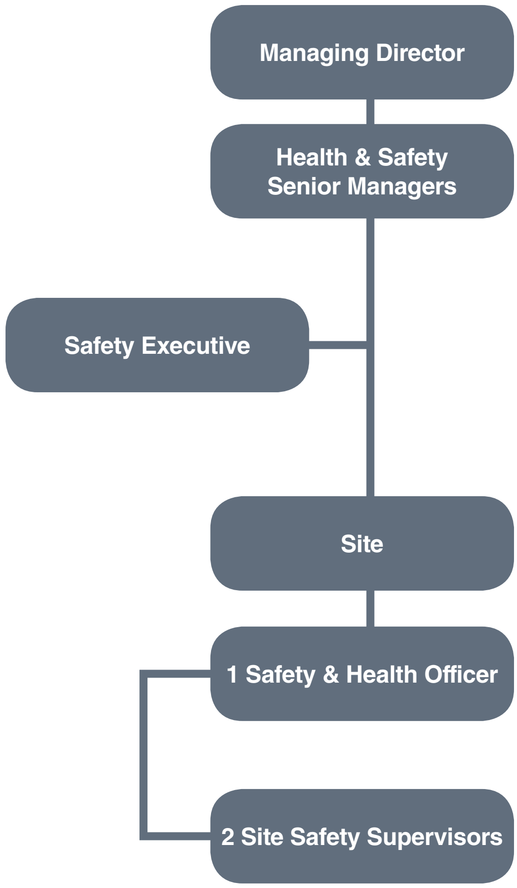
### Our Health and Safety Policy

Safety is prioritised as one of the most important aspects of our sustainability efforts even as the Group continues to work towards establishing a more holistic working environment. To this end, the Group has embedded health and safety regulations within its operations and requires all personnel to abide in full compliance with these rules. Having a clear outline of the rules and regulations within their workflows have enabled our teams to garner better insights into their roles and responsibilities. It has also served to inculcate good and safe working practices among our workforce.

To ensure that all work procedures are carried out safely and in accordance with the law, while safety instructions are upheld at all times, the Group has established a standard organisational flow for health and safety measures. These measures aim to mitigate, eliminate and avoid all possible health and safety risk towards the Group's employees, co-workers and assets.

The following chart highlights the typical organisational flow for health and safety matters:

***A Typical Health & Safety Organisational Chart for Project Sites***



# SUSTAINABILITY STATEMENT (CONT'D)

### Safety Efforts

The Group's maintenance of its high standard of OSH practices is ensured through the implementation of the following activities at its project sites in 2020:

| Target | Actual | Remarks/Reasons |
|---|---|---|
| A minimum of one Safety Health Officer ("SHO") and two Site Safety Supervisors ("SSS") at each project site. | Achieved | All sites complied with the minimum requirements. |
| A minimum of one on-the-job coaching session for workers every week. | Achieved | On-the-job training ("OJT") was conducted every Wednesday with the aim of educating workers on how to deal with high-risk situations in their work. The coaching conducted sought to train employees to reduce the possibility of a situation by avoiding potential hazards. All project sites have complied with this requirement since 2018. |
| A minimum of one OSH training session on a half-yearly basis for employees and a minimum of one OSH training session per annum for sub-contractor staff. | 50% achieved | An OSH training session was conducted in the first of half 2020. The second half will be focused on the conversion of OHSAS 18001 to 45001 |
| Not more than two medical treatment cases for every 1,000,000 man-hours worked. | Achieved | In 2020, there were only 10 medical treatment cases over 11,400,772 man-hours worked. |
| A minimum of one recordable audit per month per site. | Achieved | Every site-walk was followed by a meeting where all matters raised from the audit were discussed and rectified immediately to make the workplace safer for employees. |
| Set KPIs for tasks incorporated into the Occupational Health and Safety Assessment Series ("OHSAS") and Principles of Occupational Safety and Health ("POSH") planning. | Achieved | Monthly KPIs were set in line with the OHSAS 18001 and POSH Plan. On top of this, the HSE team was tasked with adhering to a daily To-Do List. |
| Half-yearly training sessions for Safety Personnel to learn and maintain all safety equipment and tools. | Achieved | All SHO and SSS personnel attended various training sessions pertaining to the usage of safety equipment and tools. |
| Safety inspections and maintenance on plant, accessories and equipment per week per site. | Achieved | Safety inspections were carried out as scheduled on a weekly basis at all sites. These inspections covered welding sets, power tools, air compressors, mobile and tower cranes. |
| Achieve 100% passes for CIDB credential programme for Site Supervisors. | 57% achieved | In 2020, only 57% of our Site Supervisors passed; The rest are to attend and re-sit the programme until they are accredited. No interview this year since CMCO. All forms for 'to arrange' staffs have been submitted. But the interview will be conducted in year 2021. |
| A minimum of two training sessions per annum under the Continuous Education Programme for safety staff by an external training provider. | Achieved | All SHOs attended 5-6 external courses/training sessions in 2020 while SSS attended 4-5 external courses/training sessions in the same year. |

# SUSTAINABILITY STATEMENT (CONT'D)

*Training*

The Group organises various training sessions throughout the year at its project sites. These sessions cater specifically to the needs of each individual site and its workers and are aimed at promoting safe work practices and reducing incidents due to human error. Divided into three types of training, the sessions that were implemented are as follows:

- On-the-Job Training: Conducted by safety personnel, such as professional Safety Officers or professional Site Safety Supervisors, this training focuses on preparing a group of workers specifically for the high-risk job that they were about to embark on.
- Internal Training: This type of training by professional practitioners targeted not only safety staff but all other staff with the trainers also forming part of the Management team. For example, the Senior Safety and Health Manager provided training and spoke about Group's safe work practices standards, while the Safety and Health officer trained other staff on HIRARC procedures. This approach aimed to ensure that all personnel within the Group were made aware of safe practices and were eventually practicing the same safety methods and standards.
- External Training: This training focused on workers or staff who were conducting high-risk jobs. Given the level of risk they were exposed to, this group of workers needed to be made more aware as well as accorded detailed theoretical information and practical on-the-job training.

*Inspections*

A monthly inspections schedule by HQ was scheduled to every site throughout 2020. The schedules guide each site on the relevant KPIs that need to be fulfilled on a monthly basis. The comprehensive schedules also provide an overview of health and safety guidelines that cover all heavy machinery such as tower cranes, mobile cranes, passenger hoists, air compressors, oxy-tanks, forklifts, bob-cats as well as small power tools that were in use such as welding tools, fire extinguishers and even ladders.

*Internal Audit*

During the year, PMHB's Head of Department ("HOD") Senior Safety and Health Manager conducted internal audits on a quarterly basis at each project site. The audits examined each site's safety records, documentation and site practices to ensure that all construction sites were operating in compliance with the Group's safety standards.

To date, PMHB continues to undertake these tested and proven training practices at its HQ and all its work sites.

**Behaviour Based Safety Programme**

Behaviour Based Safety ("BBS") is a coaching programme that promotes the adoption of best safety attitudes and habits among the project teams regardless of their positions and trades. The Group's implementation of the BBS programme is spearheaded by each site's respective Head of Project. The programme aims to inspire frontline supervisors to be more responsible in the respective areas under their care as well as to encourage the development of good teamwork and commitment.

The programme focuses on the following best practices:

- Look for and identify the gaps in the project team's understanding of safety requirements;
- Facilitate comfortable one-on-one intervention sessions on individual task-related safety matters;
- Coach the team/personnel in areas where they are found to be deficient;
- Undertake stringent observation of on-field training on exposed hazards;
- Demonstrate safe operations by safety professionals when required;
- Reward outstanding personnel who comply with good safety practices; and
- Recognise tendencies for error and replace them by encouraging good habits for improvement.

**Safety Reward and Recognition Programme**

To celebrate our employees' efforts in maintaining and improvising site safety, we began a Monthly Safety Reward and Recognition Programme in 2019. By employing a rewards and recognition system, the Group aims to cultivate diligence, stewardship and overall good behaviour at the workplace. Due to the circumstances of the year under review, this programme has been put on hold until further notice.

# SUSTAINABILITY STATEMENT (CONT'D)

## SOCIAL: COMMUNITY/SOCIETY

The Group's commitment to advancing the livelihood of the communities that we operate in is reflected in our corporate social responsibility ("CSR") initiatives. Our CSR activities, which include visits to charitable organisations and the Group's scholarship programme, are part of PMHB's contribution to the development of a better Malaysia.

Our CSR segment is driven by the Group's culture of caring which we continue to nurture by inspiring our employees to engage in philanthropic activities where they are able to serve others. In previous years, visits to charitable homes formed a significant portion of our community-based activities. In 2020, however, the circumstances of the Covid-19 pandemic made these events unsafe and impractical. Furthermore, the closure of schools under the MCO resulted in the temporary disruption of our scholarship programme. Taking stock of the situation, we decided to focus our efforts on helping those who have been severely affected by the pandemic and the Movement Control Order. To this end, the Group contributed a cash donation of RM100 to every worker at our project sites to relieve them of their financial burden during this crisis. The workers also received face masks from our Health & Safety team. A breakdown of the programme's activities can be seen in the following table:

| SITE | NUMBER OF WORKERS |
|---|---|
| ATIVO | 1,014 |
| CONLAY | 583 |
| LOT 15 | 634 |
| RMM | 392 |
| EATON | 945 |
| SEPUTEH | 1,021 |
| TOTAL | 4,589 |

Additionally, our initiatives in the beginning of the year also saw 41 students benefit from our 'Back to School' donation programme.

| Period | CSR Initiative | No. of Staff Participated | Number of Beneficiaries |
|---|---|---|---|
| 1Q 2020 | Back to School Donation Programme | 1 | 41 |
| 2Q 2020 | Helping Workers Through Covid-19 | 50 | 4,589 |

As members of PMHB, our employees and workers are also encouraged to go the extra mile in supporting those in need by organising their own philanthropic initiatives. By cultivating a culture of caring, PMHB aims to develop an inspired and fulfilled workforce that is driven towards excellence for the betterment of themselves and others.


# SUSTAINABILITY STATEMENT (CONT'D)

## SOCIAL: PRODUCT RESPONSIBILITY

Ensuring the quality of our products and services remains integral to the Group's capability to maintain sustainable business growth. To this end, PMHB continues to implement the appropriate measures to certify the quality of our products and services as part of our commitment to deliver value to our stakeholders.

To ensure that the quality of our projects is meeting the requirements set by our clients and the industry, PMHB utilizes the QLASSIC system to assess its projects. The Quality Assessment System in Construction or QLASSIC is an independent method or system to measure and evaluate the quality of workmanship and finishes of building construction works. PMHB's Quality Assurance and Control team has set a QLASSIC score of 73% as the basic score to be achieved in all projects upon their completion. Establishing a minimum score of 73% helps the Group to maintain the same level of excellence comprising high quality results that are delivered on time and within budget among all its projects.

The following roadmap enables the Group to align its projects in terms of quality and standards:

- Internal QLASSIC Induction Training;
- QLASSIC Corner/Museum at every site for awareness and educational purpose;
- Quarterly QLASSIC Audit for ongoing projects to monitor their pace and guide their progress; and
- Final QLASSIC Audit and Post Mortem upon project completion.

There were no QLASSIC scores to report during the year under review as all the Group's projects are currently ongoing. However, the Group still organised internal QLASSIC awareness training sessions for its Eaton, Lot 15 and Ativo project sites.

### Customer Satisfaction

Customer satisfaction serves as another gauge by which PMHB assesses the quality of its offerings. To ensure that we maintain a set standard of excellence, the Group has established a Customer Satisfaction Target of 80%. Based on customer feedback, the evaluation of customer satisfaction comprises the following criteria:

- The overall project and the quality of the result;
- The Group's responsiveness towards the needs and requirements of customers; and
- The Group's expertise and technical know-how.

Aside from our evaluation, the Group has also established a platform for communication with clients and consultant via fortnightly site meetings. The meetings not only provide a platform for the discussion of work progress and the resolving of discrepancies, it also ensures that all instructions and decisions are transcribed accurately.

***Customer Satisfaction Rating***

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Less than 50% | - | - | - | - |
| 50% to less than 80% | Pantai Hospital Carpark project: 77.8% | - | - | - |
| 80% and above | The Mews project: 80%<br><br>KPJ Dato Onn Specialist Hospital project: 86.7% | Gua Musang Seksyen 3E2 project: 98%<br><br>Third Avenue project: 80% | Central Plaza i-City Mall project: 89%<br><br>Residensi Gen, Kuala Lumpur project: 84.4% | - |

The Group did not undertake any customer survey evaluations in 2020 as all our projects are currently ongoing.

# SUSTAINABILITY STATEMENT (CONT'D)

### Sub-Contractor Evaluation

As PMHB's role as a main contractor is complemented by the sub-contractors that we hire, it is crucial that our sub-contractors uphold the same standards of quality that the Group is committed to. As such, the Group requires all of its sub-contractors to undergo an evaluation based on their performance following the completion of a project. During the process, the whole work process is assessed and discussed via dialogue sessions.

Following a letter grading system, the Group's evaluation process requires all sub-contractors to achieve a minimum score of 'B-'. Following the assessment, the Group determines if the sub-contractor needs to participate in induction courses that will help to improve their performance. All Grade C sub-contractors will be given the opportunity to improve themselves through additional training within a span of one year. Furthermore, the Group issues a notice of warning to all sub-contractors who have underperformed for the first time. Sub-contractors who fail to meet the Group's requirements after the first warning will be terminated accordingly.

To achieve a minimum of 75% Grade B-sub contractors in its pool, PMHB will continue to source for and replace those sub-contractors who have been terminated. To this end, the Group is looking to incorporate more stringent procedures in its sub-contractor interview process that will allow for a more thorough inspection of a sub-contractor's skills and experience. The Group will also continue to upskill our sub-contractors through training sessions which include meetings and induction programmes.

***Sub-Contractor Evaluation Results***

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| % of Sub-contractors with B-category and above | 84.8% | 75% | 71% | - |

There were no sub-contractor evaluations undertaken in 2020 as all of PMHB's projects are still ongoing.

### Supplier Evaluation

The Group carries out an annual supplier evaluation to assess the capability of our suppliers' ability to deliver according to the Group's standards of timeliness and product quality. The process helps us to filter out non-performing suppliers and to ensure that the products and services we receive are of a high quality.

Adopting the same format as the sub-contractor's evaluation, the supplier evaluation requires suppliers to achieve a minimum Grade C rating in their evaluations if they wish to remain on the Group's panel. Suppliers who receive a Grade D rating will be dismissed from the panel in the following year.

***Supplier Evaluation Results***

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Grade A** | - | - | - | - | - |
| **Grade B** | 78% | 75% | 100% | 100% | 65% |
| **Grade C** | 22% | 24% | - | - | 35% |
| **Grade D** | - | 1% | - | - | - |

In 2020, 65% of the Group's suppliers received a Grade B rating, while the remaining 35% received a Grade C rating. PMHB remains committed to helping its suppliers to develop and upgrade their standards gradually via a mutually beneficial process.

# SUSTAINABILITY STATEMENT (CONT'D)

**Quality, Environment, and Occupational Health & Safety Management Standards**

Having completely upgraded its ISO 9001 and ISO 14001 standards to 2015 requirements, the Group is currently in the process of upgrading its OHSAS 18001:2007 to the ISO45001:2018 standard. The upgrade is expected to be completed within the allocated three-year timeframe.

## MOVING FORWARD INTO 2021

As we move forward into 2021, the Group will continue to apply the appropriate strategies and measures to achieve its sustainability objectives. While we remain resolute in our aim, PMHB will remain flexible in its approach, re-evaluating processes and targets where necessary.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") is committed towards adhering to the best practices of the Malaysian Code on Corporate Governance 2021 ("Code") as well as the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

This Statement gives an overview as to how the Group has applied the principles and best practices of the Code during the financial year ended 31 December 2020 ("FY 2020") as well as its key focus area and future priorities in relation to the corporate governance practices. The detailed application of each best practice as set out in the Code during the FY 2020 is disclosed in the Corporate Governance Report ("CG Report") which can be viewed on the Company's website at www.pesona.com.my.

The Company has generally complied with all best practices of the Code for the FY 2020 except for the following practices:-

- Practice 7.2 (The board discloses on a named basis the top five senior management's remuneration component in bands of RM50,000).
- Practice 11.2 (Adoption of Integrated Reporting).

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### 1. Board Responsibilities

The Board is responsible for the corporate governance practices of the Group. The Board guides and monitors the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group.

The Board is guided by the Board Charter and Limits of Authority which define matters that are specifically reserved for the Board and day-to-day management of the Group delegated to the Managing Director. This formal structure of delegation is further cascaded by the Managing Director to the Senior Management team within the Group.

The Board delegates certain roles and responsibilities to its Board Committees, namely, the Audit Committee, Nomination Committee and Remuneration Committee which operate within clearly defined terms of reference.

At each Board Meeting, the Chairman of the relevant Board Committees presents reports and minutes of Board Committees meetings to keep the Board informed and updated on the key matters deliberated by the Board Committees. The ultimate responsibility for the final decision on all matters lies with the Board.

The Board provides stewardship to the Group's strategic direction and operations so as to deliver sustainable value to its stakeholders.

### 2. Code of Conduct and Ethics

The Company had established a Directors' Code of Conduct & Ethics which applies to Directors, Management and employees of the Company and its subsidiaries. Directors are expected to act in good faith and in the best interest of the Company and exercise due diligence when discharging their duties as Director. The Directors are also aware that they have to declare their interests in transactions with the Group, and abstain from deliberation and voting in respect of such transactions at Board or general meetings convened to consider the matter. The Audit Committee reviews all related party transactions and conflict of interest situation which arise within the Group that may challenge the Group's integrity. For the Group's employees, the code of conduct is defined in the human resource policies and procedures.

The Directors' Code of Conduct & Ethics is subject to periodically review and is available on the Company's website at www.pesona.com.my.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**3. Whistleblowing Policy**

The Whistleblowing Policy is periodically reviewed by the Board. It was last reviewed on 24 March 2021. It sets out the avenues where legitimate concerns can be objectively investigated and addressed. The Whistleblowing Policy is available on the Company's website at www.pesona.com.my.

**4. Anti-Bribery and Corruption Policy**

In line with the implementation of new corporate liability provision under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 effective 1 June 2020, the Board had reviewed, approved and adopted the Anti-Bribery and Corruption Policy to promote better governance culture and ethical behaviour within the Group and to prevent the occurrence of corrupt practices. The Anti-Bribery and Corruption Policy is available on the Company's website at www.pesona.com.my.

**5. Strategies Promoting Sustainability**

The Board continues to place great emphasis on corporate sustainability through workplace, community and environment. A report on the sustainability activities is set out in the Sustainability Report in this Annual Report.

**6. Access to Information and Advice**

The Board have full and unrestricted access to any information pertaining to the Group. The agenda and reports encompassing qualitative and quantitative information are furnished to the Board members prior to meetings to allow the Directors to have sufficient time to peruse the papers for effective discussion and decision making during meetings. The Board also have direct access to the management and unrestricted access to any information relating to the Group to enable them to discharge their duties.

The Board may seek independent professional advice at the Company's expenses in furtherance of their duties.

**7. Qualified and Competent Company Secretaries**

The Board are supported by competent Company Secretaries who are qualified to act as Company Secretaries under Section 235(2)(a) of the Companies Act 2016. The Company Secretaries are Fellow or Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").

The Company Secretaries provide support to the Board in fulfilling its fiduciary duties and play an advisory role particularly with regards to the Company's Constitution, Board policies and procedures and its compliance with regulatory and statutory requirements, codes, guidance and legislations as well as corporate governance matters. The Company Secretaries attend all Board and Board Committee meetings and ensure the meetings are properly convened and all deliberations and decisions made by the Board and Board Committees are minuted, recorded and kept.

**8. Board Charter**

The Board is guided by the Board Charter which serves to ensure all Board members are fully aware of their roles and responsibilities. The Board Charter clearly sets out the roles and responsibilities of the Board, Chairman, Managing Director, the Executive and Non-Executive Directors, individual Directors and Company Secretaries, including a formal schedule of matters reserved to the Board for consideration and decision.

The Board Charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities. The Board Charter was last reviewed by the Board on 24 March 2021 and is accessible via www.pesona.com.my.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**9. Board Composition**

The Board currently consists of six (6) members, comprising one Non-Independent Executive Director (being the Managing Director), two Non-Independent Non-Executive Directors and three Independent Non-Executive Directors. There is a balance of executive, non-executive and independent Directors. The composition of the Board also fulfils the requirement of Paragraph 15.02(1) of the MMLR. Together, the Directors bring characteristics which allow a mix of qualifications, skills and experience which is necessary for the successful direction of the Group.

A brief profile of each Director is presented on pages 21 to 24 of this Annual Report. The Board members have diverse professional and entrepreneurial background, varied skills and experiences for effective oversight of the Group. The Independent Non-Executive Directors provide the necessary checks and balances on the Board's deliberation and decision making.

The Group practices the division of responsibility between the Chairman and Managing Director. The roles of the Chairman and Managing Director are separated and clearly defined, and are held by two different individuals. The Managing Director is primarily responsible for the effective implementation of the Company's strategic plan and policies established by the Board, managing the daily conduct of business to ensure its smooth operations, supervision and management of the Company whereas the Chairman, who is an Independent Non-Executive Director, provides leadership for the Board so that the Board can perform its responsibilities effectively. The Board has also appointed a Senior Independent Non-Executive Director, who acts as the designated contact to whom shareholders' concerns or queries may be raised.

**10. Appointment and re-election of Directors**

The appointment of a new Director and the criteria used for selection is a matter for consideration and decision by the Board collectively upon appropriate recommendation by the Nomination Committee. New Directors are expected to have such expertise so as to qualify them to make positive contribution to the Board, performance of its duties and to give sufficient commitment, time and attention to the affairs of the Company.

The Company Secretaries have the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed.

In accordance with the Company's Constitution, all newly appointed Directors shall retire from office but shall be eligible for re-election at the next Annual General Meeting ("AGM") subsequent to their appointment. The Constitution further provides that at least one third of the Directors for the time being including the Managing Director shall retire by rotation at each AGM at least once in 3 years but shall be eligible for re-election.

**11. Nomination Committee**

The Nomination Committee comprises of entirely Non-Executive Directors, a majority of whom are independent and is chaired by an Independent Non-Executive Director. The current members are as follows:

- Dato' Sri Lee Tuck Fook – Chairman, Independent Non-Executive Director
- Loh Kong Fatt – Member, Senior Independent Non-Executive Director
- Wie Hock Kiong – Member, Non-Independent Non-Executive Director

The Terms of Reference of the Nomination Committee is available on the Company's website at www.pesona.com.my.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**11. Nomination Committee (cont'd)**

The Nomination Committee is responsible for making recommendations to the Board on the most appropriate Board composition to ensure that it is able to discharge its duties in an informed and conscientious manner. In discharging its duties, the Nomination Committee has developed certain criteria used in the recruitment process. In evaluating the suitable candidates, the Nomination Committee considers the following factors:-

(i) skills, knowledge, expertise and experience, professionalism, character, integrity, reputation and competence;
(ii) commitment (including time commitment);
(iii) boardroom diversity including gender, age, ethnicity, cultural background and skills; and
(iv) in the case of candidates for the position of Independent Directors, the Nomination Committee shall also evaluates the candidates' ability to discharge such responsibilities/functions as are expected from Independent Directors.

In identifying candidates for the Board, the Nomination Committee obtains recommendation of potential candidates from the existing Board members or seek professional advice and/or conduct search by utilising a variety of independent sources.

Meetings of the Nomination Committee are held as and when necessary, and at least once a year. The Nomination Committee met twice during the financial year and all members registered full attendance.

The Nomination Committee undertook the following activities in FY 2020:

- assessed the effectiveness and required mix of skills and experience and other qualities, including core competencies of the Board as a whole, the Committees of the Board and the contribution of each individual Director and thereafter, recommend the findings to the Board;
- reviewed the terms of office and performance of the AC and each of its members;
- reviewed and recommended to the Board the re-election of Directors;
- reviewed the independence of the Independent Directors based on the criteria set out in the MMLR;
- reviewed the trainings attended by the Directors and determined their training needs;
- reviewed the Terms of Reference of NC and Board Diversity Policy; and
- discussed the tenure of the Independent Non-Executive Directors who will attain the nine-year term limit in August 2021.

On 24 March 2021, the Nomination Committee carried out the annual evaluation on the Board and Board Committees in accordance with its Terms of Reference, reported its findings and made recommendations to the Board. This annual exercise involved Directors completing questionnaires covering the assessment of the Board and Board Committee's performance, assessment of individual Directors and assessment on independence of Independent Directors. The Directors' responses were collated by the Company Secretaries and a summary of the findings was presented to the Nomination Committee for deliberation.

The breakdown of the Board by gender, age and ethnicity as at 31 December 2020 are as follows:-

| Gender | | Age | | Ethnicity | |
|---|---|---|---|---|---|
| Male | 5 | 40 - 50 | 2 | Malay | 2 |
| Female | 1 | 50 - 60 | 2 | Chinese | 4 |
| | | Above 60 | 2 | Indian | 0 |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### 11. Nomination Committee (cont'd)

The Company has a Board Diversity Policy with the objective to ensure that the Board has the diversity of perspectives, experience and skills necessary for effective oversight of the Group. Diversity includes, but not limited to gender, age and ethnicity. The Company seeks to maintain a Board comprising talented, experienced and dedicated directors with a diverse mix of expertise, skills and backgrounds which suits the nature of the business environment in which the Group operates. The Nomination Committee is delegated with the overall responsibility for implementation, monitoring and periodic review of the Board Diversity Policy.

The Board, through the Nomination Committee's annual evaluation, concluded that the Board has the right mix of skills, competencies and experiences to discharge its duties effectively.

The Nomination Committee had also on 24 March 2021 reviewed the term of office and performance of the Audit Committee and each of its members to determine whether the Audit Committee and its members have carried out their duties in accordance with its terms of reference with the assistance of the Company Secretaries.

The Nomination Committee was satisfied with the performance of the Board and Board Committees as a whole, as well as the contribution of each Director. The Nomination Committee was satisfied that the Independent Non-Executive Directors had fulfilled the criteria of "independence" under the MMLR and other criteria pursuant to the Code. The Nomination Committee also reviewed the results of the assessment and evaluation of the Directors who are due for retirement at the Tenth AGM, taking into consideration their skill sets, experience, professional qualifications, contribution to the Company and time commitment, and had recommended the Board to table their re-election at the Tenth AGM.

Based on the report of the Nomination Committee, the Board was of the view that the current size and composition is appropriate for its purpose, and is satisfied that the current Board composition fairly reflects the interest of minority shareholders within the Group. In view thereof, the Board will be seeking shareholders' approval to re-elect Wie Hock Beng and Salwa Binti Shamshuddin as Directors at the Tenth AGM. Both of the retiring Directors have expressed their intention to seek for re-election at the forthcoming AGM.

### 12. Independent Directors

Independent Non-Executive Directors play a leading role in Board Committees. In accordance with the Board Charter, an Independent Director whose tenure exceeds a cumulative term of nine (9) years may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. The Board shall justify and seek shareholders' approval in the event it retains a person who has served in that capacity for more than nine (9) years as an Independent Director. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board shall seek annual shareholders' approval through a two-tier voting process.

As of to-date, the Company has two (2) Independent Non-Executive Directors namely, Dato' Sri Lee Tuck Fook and Mr Loh Kong Fatt, who have served as Independent Non-Executive Directors of the Company since 8 August 2012 and will reach the nine-year term limit on 8 August 2021. The Nomination Committee, based on the recent assessment conducted, had recommended to the Board the continuation of the aforesaid Independent Non-Executive Directors to continue acting as Independent Non-Executive Directors of the Company based on the fact that they have continued to demonstrate high level of integrity and are objective in their judgement and decision-making and able to express unbiased views without any influence. The Board agreed to seek shareholders' approval for their continuation as Independent Non-Executive Directors of the Company at the forthcoming Annual General Meeting.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**13. Time Commitment**

The Directors are aware of the time commitment expected of them to attend to matters of the Group. An annual meeting calendar is planned and agreed with the Directors and reviewed on quarterly basis. The Board is satisfied with the time commitment given by the Directors in discharging their duties for FY 2020.

The Company held five (5) Board meetings during FY 2020. The details of the attendance of each Board member are as follows:-

| Name of Director | Designation | Directorship | Attendance of Meetings |
|---|---|---|---|
| Dato' Sri Lee Tuck Fook | Chairman | Independent and Non-Executive | 5/5 |
| Datuk Hj Subhi bin Dziyauddin | Deputy Chairman | Non-Independent and Non-Executive | 4/5 |
| Wie Hock Beng | Managing Director | Non-Independent and Executive | 5/5 |
| Wie Hock Kiong | Director | Non-Independent and Non-Executive | 5/5 |
| Loh Kong Fatt | Director | Senior Independent and Non-Executive | 5/5 |
| Salwa Binti Shamshuddin | Director | Independent and Non-Executive | 5/5 |

**14. Directors' Training**

In addition to the Mandatory Accreditation Program, Board members are also encouraged to attend training programmes conducted by highly competent professionals that are relevant to the Company's operations and business. All Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors will continue to attend other relevant training programmes to keep abreast with developments on a continuous basis in compliance with the MMLR.

During the financial year under review, the Directors had attended the following conference, seminar and/or training programmes:-

- Digital Transformation & Disruptors
- Key features of the New Section 17A MACC Act 2009 on Corporate Liability
- Bursa Malaysia Invest Malaysia KL 2020
- Review of Corporate Governance monitor 2020 and its impact on you

In addition, the Board is also regularly updated on new developments pertaining to the laws and regulations and changing commercial risks which may affect the Group.

**15. Remuneration Committee**

The Board had established a Remuneration Committee consisting the following Directors, a majority of whom are Independent Directors:

- Loh Kong Fatt – Chairman, Senior Independent Non-Executive Director
- Dato' Sri Lee Tuck Fook – Member, Independent Non-Executive Director
- Wie Hock Kiong – Member, Non-Independent Non-Executive Director

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**15. Remuneration Committee (cont'd)**

The Remuneration Committee reviews the remuneration packages, reward structure and fringe benefits applicable to the Managing Director, Executive Director and Senior Management on an annual basis and makes recommendations to the Board. The Board as a whole determines the remuneration of the Managing Director and the Executive Director with each individual Director abstaining from decision in respect of his own remuneration.

In establishing the level of remuneration for the Managing Director, Executive Directors and Senior Management, the Remuneration Committee has regard to packages offered by comparable companies, and may obtain independent advice.

Remuneration of the Managing Director comprises a fixed salary and allowances, and a bonus approved by the Board. The remuneration for Non-Executive Directors comprises annual fees, meeting allowance and reimbursement of expenses for their services in connection with Board and Board Committee meetings.

Meetings of the Remuneration Committee are held as and when necessary, and at least once a year. The Remuneration Committee met once during the financial year and all the members registered full attendance.

The Terms of Reference of the Remuneration Committee is available at www.pesona.com.my

**16. Directors' Remuneration**

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than necessary to achieve this goal. The level of remuneration for the Managing Director is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. A formal review of the Directors' remuneration is undertaken no less frequently than once every three years.

The Board had on 24 March 2021 reviewed the Remuneration Policy and Procedures for Directors and Senior Management which aims to attract, develop and retain high performing and motivated Directors and Senior Management with a competitive remuneration packages.

The Remuneration Policy and Procedures for Directors and Senior Management is subject to periodical review and is available at the Company's website at www.pesona.com.my.

The details of the remuneration of each individual director for the FY 2020 is as follows:

| Name of Director | Salary/ Fees RM'000 | EPF RM'000 | Other benefits RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Executive** | | | | |
| Wie Hock Beng | 600 | 71 | 28 | 699 |
| | | | | |
| **Non-Executive** | | | | |
| Dato' Sri Lee Tuck Fook | 84 | - | 3 | 87 |
| Datuk Hj Subhi bin Dziyauddin | 60 | - | 3 | 63 |
| Wie Hock Kiong | 60 | - | 3 | 63 |
| Loh Kong Fatt | 60 | - | 3 | 63 |
| Salwa Binti Shamshuddin | 60 | - | 3 | 63 |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### 17. Senior Management's Remuneration

Remuneration paid to the Senior Management during the year in bands of RM50,000 is as follows:

| | Senior Management |
|---|---|
| From RM200,001 to RM250,000 | 1 |
| From RM250,001 to RM300,000 | 1 |
| From RM300,001 to RM350,000 | 1 |
| From RM400,001 to RM450,000 | 1 |
| From RM500,001 to RM550,000 | 1 |

Due to confidentiality and privacy issues, the Board is not in favour of disclosing the Senior Management personnel's names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments).

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### 1. Audit Committee

The Company has an Audit Committee comprising four (4) Non-Executive Directors, a majority of whom are Independent Directors. The Audit Committee is tasked by the Board to review matters relating to financial report, internal controls, external and internal audits and related party transactions amongst others.

Further details on the Audit Committee and its activities can be found in the Audit Committee Report.

### 2. Compliance with Applicable Financial Reporting Standards

In presenting the annual financial statements and quarterly results to the shareholders, the Board aims to present a balanced and clear assessment of the Group's financial positions and prospects. Before the financial statements were drawn up, the Directors have taken the necessary steps to ensure all the applicable accounting policies are applied consistently, and that the policies are supported by reasonable and prudent judgement and estimates. All accounting standards, which the Board considers to be applicable, have been followed. The role of the Audit Committee in the review and reporting of the financial information of the Group is outlined in the Audit Committee Report in this Annual Report.

### 3. Assessment of Suitability and Independence of External Auditors

The Audit Committee reviews the appointment, performance and remuneration of the External Auditors before recommending to the Board and shareholders for approval on the re-appointment of the External Auditors of the Company at the AGM.

The Audit Committee also convenes meetings with the External Auditors without the presence of the Executive Director and Management twice a year to allow discussion of any issues arising from the course of audit.

During the financial year, the Audit Committee had assessed the External Auditors and is satisfied with the suitability and independence of UHY as External Auditors of the Company. The External Auditors have also confirmed their independence in accordance with their firm's policies prior to the commencement of audit.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)**

**4. Sound Framework to Manage Risks**

The Company had established a robust framework for the oversight and management of material business risks. As required by the Board, the Management has devised and implemented appropriate risk management systems coupled with internal control and reports to the Board and Senior Management. The Management is charged with monitoring the effectiveness of risk management systems and is required to report to the Audit Committee on any significant risk exposure on a quarterly basis.

The risk management framework is presented in the Statement on Risk Management and Internal Control in this Annual Report.

**5. Internal Control Function**

To maintain total independence in the management of the internal control environment and remain in compliance with the MMLR, the Company has appointed Tricor Axcelasia Sdn. Bhd. to manage the Company's internal audit function on an outsourced basis.

The Internal Auditors report independently and directly to the Audit Committee in respect of the internal audit function. The Audit Committee together with the Internal Auditors agreed on the scope and planned internal audit activity annually and all audit findings arising therefrom are reported to the Audit Committee on a quarterly basis. The Audit Committee met with the Internal Auditors once a year without the presence of the Executive Director and the Management during the FY 2020 to allow discussion of any issues arising from the course of internal audit.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control in this Annual Report.

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS**

**1. Corporate Disclosure Policy**

The Company is fully committed in maintaining a high standard for the dissemination of relevant and material information on the development of the Group. The Company also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders.

The Annual Reports contain comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide investor with financial information. The Group's investor relations activities are aimed at developing and maintaining a positive relationship with all the stakeholders through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the core businesses and operations of the Group, thereby enabling investors to make informed decision in valuing the Company's shares.

The Managing Director and Senior Management meet with analysts, institutional shareholders and investors. At general meetings, the Board encourages shareholders' participation and responds to their questions. Shareholders can also leave written questions for the Board to respond.

The primary contact for investor relations matters is:

**Wie Hock Beng**
Managing Director
Telephone Number : 03-8941 0818
Email : wiehb@pesona.com.my

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS (CONT'D)**

**2. Leverage on Information Technology for Effective Dissemination of Information**

The Company uses a number of formal channels for effective dissemination of information to the shareholders and stakeholders particularly through the annual report, announcements to Bursa Securities, media releases, Company websites and investor relations.

Apart from the mandatory public announcements through Bursa Securities via Bursa LINK, the Company's website at www.pesona.com.my also provides corporate, financial and non-financial information.

**3. Engagement with Shareholders**

The Board recognises that the AGM is an important platform for its engagement with the shareholders of the Company. The Notice of the Tenth AGM ("the Notice") and the Annual Report are sent to shareholders at least twenty eight (28) days before the meeting.

The Company provides sufficient information to the shareholders for the AGM, including the entitlement to vote and the right to appoint a proxy. Every shareholder can vote in person or by appointing a proxy to attend and vote on his/her behalf.

The Notice contains information such as the date, time and venue of the AGM, the shareholders' right to appoint a proxy and details of the resolutions that will be tabled at the AGM. The resolutions set out in the Notice will be voted by poll and an independent scrutineer will be appointed to validate the votes in pursuance to the MMLR of Bursa Securities.

In view of COVID-19 pandemic conditions, the Ninth AGM was convened fully virtually which is in line with the Securities Commission Guidance Note on the Conduct of General Meetings for Listed Issuers to ensure companies can continue to fulfil their obligation under the law and to shareholders during this pandemic.

The Company had on 12 June 2020 notified the shareholders on the change of mode and venue of the Ninth AGM, from physical meeting to a fully virtual meeting via the Remote Participation Voting (RPV) facilities. The said notification together with the Administrative Guide were published through the announcement to Bursa Securities and the Company's corporate website respectively.

All the resolutions set out in the Notice of the Ninth AGM held on 19 June 2020 were put to vote by poll and were duly passed. The outcome of general meeting was announced to Bursa Securities on the same day of the meeting. A summary of the key matters discussed at the AGM was published on the Company's website as soon as practicable upon being reviewed and approved by the Board.

**KEY FOCUS AREAS IN RELATION TO CORPORATE GOVERNANCE PRACTICES**

Corporate governance was clearly imperative for the Group in the year 2020 against the backdrop of a relatively challenging economic environment that is characterised by volatile market conditions and commodity prices. Against the aforementioned setting, during the year under review, the Board directed its focus on the core duties of the Board which is grounded on the creation of long-term value for stakeholders.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## KEY FOCUS AREAS IN RELATION TO CORPORATE GOVERNANCE PRACTICES (CONT'D)

Corporate governance areas which gained heightened attention from the Board during FY 2020 are as follows:-

Anti-Bribery and Anti-Corruption

With the amendment to the Malaysian Anti-Corruption Commission Act 2009, a corporate liability provision under Section 17A has been introduced, which criminalises a company based on illegal actions taken by its employees (without the presence of adequate procedures) for the benefit of the company. This new provision has come into force on 1 June 2020. As such, the Group had reviewed, approved and adopted an Anti-Bribery and Corruption Policy. The Group will continue to strive on implementing the policies and procedures to promote better governance culture and ethical behaviour within the Group and to prevent the occurrence of corrupt practices.

Sustainability

The Board has put in place the sustainability practices in ensuring the Group managing business responsibly and maintaining its quality for long term success while creating enduring value for its stakeholders.

## PRIORITIES FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2021

Going forward, the Company will continue working towards achieving high standards of corporate governance and has identified the following as the priority for year 2021:-

Succession plan

The Board understands that succession planning is important for the continuity of the Group's business operations, hence, formulating a succession planning framework for its Key Senior Management is critical. The Board would ensure that the succession planning aligns with the human resource policies and strategies of the Company and only high calibre personnel with the relevant skills and experience are appointed to the Board and management position of the Company.

# AUDIT COMMITTEE REPORT

The Audit Committee was established by the Board of Directors ("Board") of Pesona Metro Holdings Berhad on 8 August 2012. The Terms of Reference of the Audit Committee was last reviewed by the Audit Committee on 24 March 2021 and is available on the corporate website at www.pesona.com.my.

## MEMBERS OF THE AUDIT COMMITTEE

**The Audit Committee comprises the following members:**

**Chairman**
Loh Kong Fatt (Senior Independent Non-Executive Director)

**Members**
* Dato' Sri Lee Tuck Fook (Independent Non-Executive Director)
Wie Hock Kiong (Non-Independent Non-Executive Director)
Salwa Binti Shamshuddin (Independent Non-Executive Director)

* A member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants which is in compliance with Paragraph 15.09(1)(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## MEETINGS

The Audit Committee held five (5) meetings during the financial year ended 31 December 2020 ("FY 2020") which were attended by all the members as shown below:-

| Audit Committee Members | Attendance |
|---|---|
| Loh Kong Fatt | 5/5 |
| Dato' Sri Lee Tuck Fook | 5/5 |
| Wie Hock Kiong | 5/5 |
| Salwa Binti Shamshuddin | 5/5 |

The Audit Committee meets at least once in every quarter. The Managing Director, Chief Financial Officer and Senior Management were invited to attend the Audit Committee meetings to assist the Audit Committee in its review of the unaudited quarterly financial statements and annual audited accounts, resolving and clarifying matters raised in relation to operations and financial. The representatives of External and Internal Auditors were also invited to attend the meetings to present their audit plans, audit findings and recommendations. The Chairman of the Audit Committee reports to the Board on matters discussed at every Audit Committee meeting.

# AUDIT COMMITTEE REPORT (CONT'D)

## SUMMARY OF WORK OF THE AUDIT COMMITTEE

Summary of the work carried out by the Audit Committee in discharging its duties and responsibilities during FY 2020 included the following:-

(a) Reviewed the unaudited quarterly financial results of each quarter and made recommendations to the Board for approval and release to Bursa Malaysia Securities Berhad. The review includes the assessment on the appropriateness of the accounting policies applied. The Audit Committee sought explanations from the Managing Director and Chief Financial Officer on material changes in financial performance, trade receivables and other key components of financial position;

(b) Reviewed the financial statements for the financial year ended 31 December 2019 and recommended the same to the Board for approval. The Audit Committee communicated with the External Auditors, with particular focus on significant matters highlighted including financial reporting issues, significant judgements made by Management and compliance with the applicable approved accounting standards and other legal and regulatory requirements;

(c) Reviewed the External Auditors' audit plan for the FY 2020, covering the audit engagement team, materiality, independence and objectivity, areas of audit emphasis and audit timeline;

(d) Reviewed the External Auditors' report in relation to Key Audit Matters with regard to the relevant disclosures in the annual audited accounts for FY 2019. The External Auditors also shared with the Audit Committee their observations and areas for improvement;

(e) Reviewed the fees of the External Auditors;

(f) Met privately with the External Auditors at the Audit Committee meetings held on 27 February 2020 and 22 April 2020 to ensure there were no restrictions to the scope of their audit and to discuss material issues that arose during the course of audit. There were no major concerns from the External Auditors and they had been receiving full co-operation from Management during their course of audit;

(g) Reviewed the internal audit reports presented by the Internal Auditors, deliberation of major findings and Management's responses together with Internal Auditors' recommendations;

(h) Reviewed the follow-up reports issued by the Internal Auditors and the status of mitigating measures taken by Management to ensure all key risks and control weaknesses are properly addressed;

(i) Reviewed and approved the risk-based internal audit plan for the FY 2020 tabled by the Internal Auditors;

(j) Met privately with the Internal Auditors at the Audit Committee meeting held on 27 February 2020 to discuss material issues that arose during the course of internal audit;

(k) Reviewed the Statement on Risk Management and Internal Control, Audit Committee Report, Corporate Governance Overview Statement and Corporate Governance Report and recommended the same to the Board for inclusion in the 2019 Annual Report;

(l) Reviewed the Terms of Reference of Audit Committee;

(m) Reviewed the quarterly progress reports on risk management prepared by Management;

(n) Reviewed recurrent related party transactions on quarterly basis to ensure the transactions entered into were at arm's length, on normal commercial terms and within the limit approved by the shareholders during the Ninth Annual General Meeting held on 19 June 2020; and

(o) Reviewed the Circular to Shareholders in respect of recurrent related party transactions prior to recommending for the Board's approval and seek shareholders' mandate at the annual general meeting of the Company.

# AUDIT COMMITTEE REPORT (CONT'D)

**SUMMARY OF WORK OF THE AUDIT COMMITTEE (CONT'D)**

The Audit Committee had on 24 March 2021, conducted an assessment on the performance and independence of the External Auditors based on the following criteria:-

- quality and scope of work of the External Auditors and how the External Auditors maintain or update the audit plan to respond to changing risks and circumstances;
- quality of reports provided to the Audit Committee;
- amount of non-audit fees paid or payable to the External Auditors or a firm affiliated to them;
- competency and resources of the audit firm;
- level of understanding on Group's business; and
- communication to the Audit Committee about new and applicable accounting practices and auditing standards and the impact on the Company's financial statements.

Based on the assessment conducted, the Audit Committee was satisfied that Messrs UHY continued to possess the competency, independence, experience and resources required to fulfil their duties effectively. The Board, based on the recommendation of the Audit Committee, would be tabling their re-appointment at the Tenth Annual General Meeting for shareholders' approval.

Messrs UHY has reported to the Audit Committee that, in their professional judgement, they are independent within the meaning of regulatory and professional requirements, and the objectivity of the audit engagement partner and audit staff is not impaired.

**INTERNAL AUDIT FUNCTION**

The internal audit function, which reports directly to the Audit Committee, is outsourced to Tricor Axcelasia Sdn Bhd. The Internal Auditors have developed an annual audit plan to support and execute internal control reviews.

Activities carried out by the Internal Auditors during the FY 2020 included the following:-

(a) Performed audit work in accordance with the pre-approved internal audit plan, which principally focused on the construction activities of the main subsidiary, Pesona Metro Sdn Bhd;

(b) Carried out reviews on the systems of internal control of the Group to ensure proper safeguarding of assets, maintaining accurate records and transactions, compliance with relevant laws and regulations, adherence to established policies and procedures as well as management efficiency;

(c) Made audit recommendations to Management for improvements to the existing system of internal controls and work processes where necessary; and

(d) Reviewed and commented on the effectiveness and adequacy of the existing internal control policies and procedures.

The Audit Committee had on 24 March 2021 reviewed the adequacy of the scope, functions, competency and resources of the internal audit function to ensure its effectiveness and efficiency. Based on the assessment conducted, the Audit Committee was satisfied that Tricor Axcelasia Sdn Bhd continued to possess the competency, independence, experience and resources required to fulfil their duties effectively.

For more information on the internal audit function, please refer to the Statement on Risk Management and Internal Controls in the 2020 Annual Report.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## 1. INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investment and Group assets.

Paragraph 15.26(b) of the Main Market Listing Requirements requires Directors of listed companies to include a statement in their annual report on the state of their internal controls for the period under review.

The Board of Directors ("Board") of Pesona Metro Holdings Berhad, in recognition of this responsibility, hereby issues the following statement which is prepared in accordance with these requirements.

## 2. BOARD RESPONSIBILITY

The Board acknowledges that it is their overall responsibility to maintain a sound system of internal controls to cover all aspects of the Group's business and to safeguard the interest of its shareholders. This responsibility requires Directors to establish procedures, controls and policies and to seek continuous assurance that the system is operating satisfactorily in respect of the strategic direction, financial, operational, compliance and risk management policies and procedures for the period under review.

The Board is also aware that a sound internal control system provides reasonable and not absolute assurance that the Company will not be hindered in achieving its business objectives in the ordinary course of business. It should also be appreciated that the whole system of internal control is designed to manage and control risks appropriately rather than a definitive system designed for the total avoidance of risks or for eliminating the risk of failure. For the financial year ended 31 December 2020, the Company has undertaken processes to review its risk management framework.

Meanwhile, the Board maintains full control over strategic, financial, organizational and compliance issues and has put in place an organization with formal lines of responsibility.

## 3. CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK

The Group established the Risk Assessment, Monitoring and Reporting Framework to proactively identify, evaluate and manage key risk areas. The framework aims to provide an integrated and organized approach entity-wide. It established a formal database of risk areas and controls information are captured in the format of risk registers. The key risk areas, their exposures, existing controls and the actions taken or mitigation factors are summarized and presented to the Audit Committee on quarterly basis.

The day to day operations is monitored by the Managing Director. This control is exercised through Senior Management in respect of commercial, financial and operational aspects of the Company. The Managing Director and Senior Management meet regularly in respect of such matters during its management meetings.

Risk management is regarded by the Board to be an integral part of managing the Company's business operations. There is an on-going process of identifying the major risks that could potentially and significantly impact on the Group's business objectives and the Company has assigned the respective Heads of Department to manage the risks within their departments. Significant risks identified and the corresponding internal controls implemented are discussed at the management meetings.

The Board and the Management also recognise and acknowledge that the development of an effective internal control system is an ongoing process and to this end maintains a continuous commitment to strengthen the existing internal control environment of the Group.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL(CONT'D)

### 3. CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK (CONT'D)

The Board has assumed the following specific responsibilities in respect of internal control function in the Company with the assistance of the Internal Auditors:-

a) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks through the internal audit review; and

b) Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

### 4. INTERNAL AUDIT FUNCTION

In a desire to maintain total independence in the management of the internal control environment and remain in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company has appointed Tricor Axcelasia Sdn. Bhd. ("Tricor Axcelasia") to manage the Company's internal audit function on an outsourced basis.

The internal auditors report independently and directly to the Audit Committee in respect of the Internal Audit function. The Audit Committee together with the internal auditors agree on the scope and planned Internal Audit activity annually and all audit findings arising there from are reported to the Audit Committee on a quarterly basis.

The internal auditors are allowed complete and unrestricted access to all documents and records of the Group deemed necessary in the performance of its function and independently reviews the risk identification procedures and control processes implement by the Management. It also reviews the internal controls in the key activities of the Group's business based on the risk profiles of the business units in the Group. In addition, the internal auditors carry out periodic assignments to ensure the policies and procedures established by the Board are complied with by the Management. All reports and findings arising from these reviews are discussed primarily with the respective process custodians prior to a formal report being presented to the Audit Committee.

As an additional function to the Group, the internal audit also provides business improvement recommendations for the consideration of the Management and the Board to assist in the continuous development of a more efficient and comprehensive internal control environment.

In the year under review and based on the Audit Plan 2020, the following areas are the internal audit compliance reviews undertook by the Internal Auditors:

1) Procurement of Materials and Services;
2) Project Management;
3) Human Resource Management; and
4) Follow up on prior internal audit.

The findings arising from the above reviews have been reported to the Management for their response and subsequently for Audit Committee's review and deliberation.

### 5. OTHER KEY INTERNAL CONTROL ELEMENTS

- Clearly defined terms of reference, authorities and responsibilities of the various committees which include the Audit Committee, Nomination Committee and Remuneration Committee.

- Well defined organizational structure with clear lines for the segregation of duties, accountability and the delegation of responsibilities to Senior Management and the respective division heads including appropriate authority limits to ensure accountability and approval responsibility.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL(CONT'D)

## 5. OTHER KEY INTERNAL CONTROL ELEMENTS (CONT'D)

- Budgets are prepared annually for the business/operating units and approved by the Board. The budgets include operational, financial and capital expenditure requirements and performance monitored on a monthly basis and the business objectives and plans are reviewed in the monthly management meetings attended by division and business unit heads. The Managing Director meet regularly with Senior Management to consider the Group's financial performance, business initiatives and other management and corporate issues.

- There are regular Board meetings and Board papers are distributed in advance to all Board members who are entitled to receive and access all necessary and relevant information. Decisions of the Board are only made after the required information is made available and deliberated on by the Board. The Board maintains complete and effective control over the strategies and direction of the Group.

- The Audit Committee reviews the effectiveness of the Group's system of internal control on behalf of the Board. The Audit Committee comprises non-executive members of the Board, who are independent Directors. The Audit Committee is not restricted in any way in the conduct of its duties and has unrestricted access to the Internal and External Auditors of the Company and to all employees of the Group. The Audit Committee is also entitled to seek other third party independent professional advice deemed necessary in the performance of its responsibility.

- The Audit Committee reviews all the internal control issues identified by the External and Internal Auditors and action taken by the Management in respect of the findings arising therefrom. The internal auditors reports directly to the Audit Committee. Findings are communicated to the Management and the Audit Committee with recommendations for improvement and subsequently follow up to ensure all agreed recommendations are implemented. The internal audit plan is structured on risk based approach and is reviewed and approved by the Audit Committee.

- Review of all proposals for material capital and investment opportunities by the Senior Management and approval for the same by the Board prior to expenditure being committed.

- There are sufficient reports generated in respect of the business and operating units to enable proper review of the operational, financials and regulatory environment. Management Accounts are prepared timely and on a monthly basis and is reviewed by the Managing Director and Senior Management.

- The professionalism and competency of staff are enhanced through a structured training and development programme. A performance appraisal system is in place with established key performance indicators to measure and review staff performance on an annual basis.

- The decision of the Board in appointing Tricor Axcelasia to manage the internal audit functions of the Company on an outsourced basis will ensure greater independence and accountability.

## 6. CONCLUSION

For the financial year ended 31 December 2020, the Board is of the opinion that there is no significant weakness in the system of internal control, contingencies, or uncertainties that could result in material loss and adversely affect the Group. The Group continues to take necessary measures to strengthen its internal control structure and the management of risks.

The total cost incurred in managing the internal audit function was RM68,000.

## 7. REVIEW OF THE INTERNAL CONTROL STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Internal Control Statement for inclusion in the Annual Report for the year ended 31 December 2020 and nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

# DIRECTORS' RESPONSIBILITY STATEMENT

The Companies Act 2016 ("Act") requires the Directors to present the financial statements of the Company and the Group in accordance with the Act and approved accounting standards and that they give a true and fair view of the results of the business and the state of affairs of the Group and the Company at the end of the financial year.

The Directors have placed reliance on the system of internal control within the Company and the Group to form a basis of reasonable grounds that the accounting systems and records maintained by the Company and the Group provide a true and fair view of the current state of affairs of the Company and the Group.

The Directors have further responsibility of ensuring that accounting records are kept with reasonable accuracy which enable the Company to provide a true and fair view of the financial results. In addition, the annual audited financial statements have been prepared based on relevant and appropriate policies and with usage of reasonable and prudent judgement and estimates.

The Director have also a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In compliance with the several responsibilities of the Directors, the Directors present the financial statements of the Company and the Group for the financial year ended 31 December 2020 as set out on pages 86 to 170 of this Annual Report.

# ADDITIONAL INFORMATION

**Audit and Non-Audit Fees**

The amount of audit and non-audit fees charged for services rendered to the Group and the Company by the External Auditors for the financial year ended 31 December 2020 were RM123,000 and RM5,000 and RM35,000 and RM5,000 respectively.

**Recurrent Related Party Transactions ("RRPT")**

Apart from the details of RRPT as disclosed in Note 33 of the financial statements, there were no other transaction with related party during the financial year.

The RRPTs are of revenue or trading in nature and are entered into in the ordinary course of business. The shareholders' mandate was obtained on 19 June 2020.

**Material Contracts involving Directors and Major Shareholders**

The Company and its subsidiary companies have not entered into any material contracts outside the ordinary course of business, involving Directors and major shareholders for the financial year ended 31 December 2020.

# FINANCIAL STATEMENTS



# DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 7 to the financial statements.

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

## FINANCIAL RESULTS

| | Group<br>RM | Company<br>RM |
|---|---|---|
| Net loss for the financial year | (14,019,952) | (4,327,136) |
| Attributable to: | | |
| Owners of the parent | (17,016,175) | (4,327,136) |
| Non-controlling interests | 2,996,223 | - |
| | (14,019,952) | (4,327,136) |

## 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

Since the end of the last financial year, the Company paid:

| | RM |
|---|---|
| An interim single tier dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2019 on 22 May 2020 | 6,949,867 |

The Directors do not recommend any dividend in respect of the financial year ended 31 December 2020.

## ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares or debentures during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

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

# DIRECTORS' REPORT (CONT'D)

**DIRECTORS**

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

Dato' Sri Lee Tuck Fook
Datuk Hj Subhi Bin Dziyauddin*
Wie Hock Beng*
Wie Hock Kiong*
Loh Kong Fatt
Salwa Binti Shamshuddin*

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) since the beginning of the financial year until the date of this report are:

Chong Kien Eng @ Teo Kien Eng
Maszeallan bin Mohamad
Juraimi Azahar Bin Taharim

* *Director of the Company and of its subsidiary companies*

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

**DIRECTORS' INTERESTS IN SHARES**

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | At 1.1.2020 | Acquired | Disposed | At 31.12.2020 |
| **Interests in the Company** | | | | |
| **Direct interests:** | | | | |
| Wie Hock Beng | 8 | - | - | 8 |
| **Indirect interests:** | | | | |
| Wie Hock Beng [1] | 386,879,300 | 19,241,100 | - | 406,120,400 |
| Wie Hock Kiong [1] | 386,879,300 | 19,241,100 | - | 406,120,400 |

[1] *Deemed interest held pursuant to Section 8 of the Companies Act 2016 via their family companies, Sincere Goldyear Sdn. Bhd. and Kombinasi Emas Sdn. Bhd.*

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

# DIRECTORS' REPORT (CONT'D)

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors and shown in Note 33(c) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 33(b) to the financial statements.

Neither during nor at the end of the financial year, was the Company or any of its subsidiaries a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## INDEMNITY AND INSURANCE COSTS

There was no indemnity given to or insurance effected for any Directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act 2016.

## OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

  (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no bad debts to be written off and no allowance for doubtful debts was required; and

  (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

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

  (i) which would render it necessary to write off any bad debts or to make any allowance for doubtful debts in the financial statements of the Group and of the Company; or

  (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

  (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

  (iv) 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.

# DIRECTORS' REPORT (CONT'D)

**OTHER STATUTORY INFORMATION (CONT'D)**

(c) 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 or of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

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

(ii) 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; and

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely 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.

**SUBSIDIARY COMPANIES**

The details of the subsidiary companies are disclosed in Note 7 to the financial statements.

**SIGNIFICANT EVENTS**

Details of significant events are as disclosed in Note 38 to the financial statements.

**AUDITORS**

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

The details of auditors' remuneration are set out in Note 27 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 21 May 2021.

**WIE HOCK BENG** **DATUK HJ SUBHI BIN DZIYAUDDIN**

KUALA LUMPUR

# STATEMENT BY DIRECTORS
## PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 95 to 170 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 2020 and of their financial performance and their 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 21 May 2021.

**WIE HOCK BENG** **DATUK HJ SUBHI BIN DZIYAUDDIN**

KUALA LUMPUR

# STATUTORY DECLARATION
## PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, CHONG KIEN ENG @ TEO KIEN ENG (MIA Membership No: CA 16812), being the Officer primarily responsible for the financial management of PESONA METRO HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 95 to 170 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by )
abovenamed at PETALING JAYA in the )
Selangor on 21 May 2021 )

**CHONG KIEN ENG @ TEO KIEN ENG**

Before me,

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF PESONA METRO HOLDINGS BERHAD
[REGISTRATION NO. : 201101029741 (957876-T)] (INCORPORATED IN MALAYSIA)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

***Opinion***

We have audited the financial statements of PESONA METRO HOLDINGS BERHAD, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 95 to 170.

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 2020, and of their financial performance and their cash flows for the financial 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 opinion.

***Independence and Other Ethical Responsibilities***

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

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Recognition of revenue and costs from construction contract<br><br>Refer to Note 2(c) (Significant accounting judgements, estimates and assumptions), Note 3(s) (Revenue recognition), Note 3(l) (Inventories), Note 11 (Contract assets/liabilities) and Note 25 (Revenue) to the financial statements.<br><br>A significant proportion of the Group's revenues and profits are derived from long-term construction contracts which span more than one accounting period. The Group uses the input method to measure the stage of completion of these long-term contracts. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.<br><br>We focused on this area because management applies significant judgement in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs. | Our audit procedures performed in this area included, amongst others:<br><br>• Understood and reviewed the Group's policies and procedures of reviews and approvals over contract cost allocation, budgets setting and monitoring of actual cost to assess the reliability of budgets;<br>• Read all key contracts to obtain an understanding of the specific terms and conditions;<br>• Reviewed management's workings on the computation of percentage-of-completion and compared the quantity surveyors' reports and sub-contractors' claims and certificates against stage of completion of the contracts to ascertain the reasonableness of the stage of completion recognised in the profit or loss;<br>• Evaluated the reasonableness of the estimated total construction costs in light of supporting evidence such as letters of award, approved purchase orders, quotations, sub-contractors' tender documents and any variation orders;<br>• Agreed a sample of costs incurred to date to invoice and/or progress claim and assessed the adequacy of accruals of costs made; and<br>• Assessed the adequacy and reasonableness of the disclosures in the financial statements. |

# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBERS OF PESONA METRO HOLDINGS BERHAD (CONT'D)

[REGISTRATION NO. : 201101029741 (957876-T)] (INCORPORATED IN MALAYSIA)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

***Key Audit Matters (Cont'd)***

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <u>Impairment of trade receivables</u><br><br>Refer to Note 2(c) (Significant accounting judgements, estimates and assumptions), Note 3(o) (Impairment of assets) and Note 9 (Trade receivables) to the financial statements.<br><br>The Group has material credit exposures in its trade receivables. The management is required to exercise significant judgement in impairment assessment of the trade receivables by determining the probability of default by receivables and adjusted with appropriate forward-looking information. | Our audit procedures performed in this area included, amongst others:<br><br>• Understood the Group's credit risk policy and assumptions in estimating the expected credit losses ("ECL") and assessed the reasonableness of ECL by recalculation of ECL at the reporting date;<br>• Developed our understanding of significant credit exposures which were significantly overdue, deemed to be in default, or were on watch through review of credit reports produced by account department and analysis of aged receivables;<br>• Reviewed the probability of default using historical data and adjustment of forward-looking information applied by the Group;<br>• Reviewed the adequacy of the impairment loss and subsequent collection from overdue trade receivables; and<br>• Assessed the adequacy and reasonableness of the disclosure in the financial statements. |

***Information Other than the Financial Statements and Auditors' Report Thereon***

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 has no realistic alternative but to do so.

# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBERS OF PESONA METRO HOLDINGS BERHAD (CONT'D)
[REGISTRATION NO. : 201101029741 (957876-T)] (INCORPORATED IN MALAYSIA)

## 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 of the Company's internal control.

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

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

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

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

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

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

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

# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBERS OF PESONA METRO HOLDINGS BERHAD (CONT'D)
[REGISTRATION NO. : 201101029741 (957876-T)] (INCORPORATED IN MALAYSIA)

**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.

**UHY**
Firm Number: AF 1411
Chartered Accountants

**LIM WAN YINN**
Approved Number: 03262/04/2023 J
Chartered Accountant

KUALA LUMPUR

21 May 2021

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | RM | RM | RM | RM |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 73,438,885 | 79,986,288 | - | - |
| Investment properties | 5 | 7,652,203 | 3,920,468 | - | - |
| Intangible assets | 6 | 52,036,591 | 55,177,795 | - | - |
| Investments in subsidiary companies | 7 | - | - | 160,198,223 | 118,214,521 |
| Concession receivables | 8 | 131,869,814 | 134,583,186 | - | - |
| Trade receivables | 9 | 55,919,649 | 72,634,028 | - | - |
| **Total non-current assets** | | 320,917,142 | 346,301,765 | 160,198,223 | 118,214,521 |
| **Current assets** | | | | | |
| Inventories | 10 | 547,169 | 599,121 | - | - |
| Contract assets | 11 | 27,856,845 | 37,325,549 | - | - |
| Concession receivables | 8 | 2,713,372 | 2,400,310 | - | - |
| Trade receivables | 9 | 257,340,628 | 196,605,728 | - | - |
| Other receivables | 12 | 27,190,639 | 39,290,938 | 20,900 | 5,000 |
| Amounts due from subsidiary companies | 13 | - | - | 48,949,532 | 102,190,031 |
| Amount due from an associate company | 14 | - | - | - | - |
| Tax recoverable | | 3,323,323 | 333,538 | 699 | 3,500 |
| Fixed deposits with licensed banks | 15 | 40,346,307 | 7,562,081 | - | - |
| Cash and bank balances | 16 | 24,602,675 | 70,135,508 | 51,771 | 119,954 |
| | | 383,920,958 | 354,252,773 | 49,022,902 | 102,318,485 |
| **Total assets** | | 704,838,100 | 700,554,538 | 209,221,125 | 220,533,006 |

# STATEMENTS OF FINANCIAL POSITION (CONT'D)
# AS AT 31 DECEMBER 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| **EQUITY** | | | | | |
| Share capital | 17 | 194,031,751 | 194,020,338 | 194,031,751 | 194,020,338 |
| Reverse acquisition reserve | 18 | (91,000,000) | (91,000,000) | - | - |
| Retained earnings | | 56,114,365 | 80,080,407 | 15,076,374 | 26,353,377 |
| **Equity attributable to owners of the Company** | | 159,146,116 | 183,100,745 | 209,108,125 | 220,373,715 |
| **Non-controlling interests** | | 14,747,218 | 11,750,995 | - | - |
| **Total equity** | | 173,893,334 | 194,851,740 | 209,108,125 | 220,373,715 |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Trade payables | 19 | 25,046,116 | 33,793,660 | - | - |
| Sukuk liabilities | 20 | 130,000,000 | 140,000,000 | - | - |
| Bank borrowings | 21 | 428,082 | - | - | - |
| Leases | 22 | 15,891,473 | 18,869,598 | - | - |
| Deferred tax liabilities | 23 | 12,488,782 | 13,234,381 | - | - |
| **Total non-current liabilities** | | 183,854,453 | 205,897,639 | - | - |
| | | | | | |
| **Current liabilities** | | | | | |
| Contract liabilities | 11 | 53,623,661 | 47,865,754 | - | - |
| Trade payables | 19 | 209,682,097 | 155,678,271 | - | - |
| Other payables | 24 | 18,182,924 | 21,274,792 | 113,000 | 159,291 |
| Sukuk liabilities | 20 | 10,000,000 | 10,000,000 | - | - |
| Bank borrowings | 21 | 45,087,423 | 56,356,305 | - | - |
| Leases | 22 | 10,514,208 | 8,025,193 | - | - |
| Tax payable | | - | 604,844 | - | - |
| | | 347,090,313 | 299,805,159 | 113,000 | 159,291 |
| **Total liabilities** | | 530,944,766 | 505,702,798 | 113,000 | 159,291 |
| **Total equity and liabilities** | | 704,838,100 | 700,554,538 | 209,221,125 | 220,533,006 |

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | RM | RM | RM | RM |
| Revenue from contract with customer | 25 | 655,621,902 | 607,332,829 | - | - |
| Concession finance income | 25 | 17,866,160 | 18,143,102 | - | - |
| Revenue from other sources | 25 | 258,674 | 6,541 | 5,002,484 | 3,008 |
| Construction costs | | (633,134,713) | (551,564,500) | - | - |
| Assets and facilities management and maintenance services | | (2,973,094) | (3,091,029) | - | - |
| Changes in inventories of finished goods and work in progress | | (3,082,763) | (6,110,487) | - | - |
| Raw material and consumable used | | (929,822) | (994,821) | - | - |
| Other income | | 3,335,745 | 3,407,488 | - | - |
| Employee benefit expenses | | (11,390,883) | (12,566,464) | - | - |
| Depreciation and amortisation expenses | | (17,322,665) | (19,962,853) | - | - |
| Other expenses | | (9,436,747) | (7,521,116) | (9,329,069) | (3,197,147) |
| Finance costs | 26 | (11,616,986) | (9,333,612) | - | - |
| **(Loss)/Profit before taxation** | 27 | (12,805,192) | 17,745,078 | (4,326,585) | (3,194,139) |
| Taxation | 28 | (1,214,760) | (4,103,176) | (551) | - |
| **Net (loss)/profit for the financial year, representing total comprehensive (loss)/income for the financial year** | | (14,019,952) | 13,641,902 | (4,327,136) | (3,194,139) |
| **(Loss)/Profit attributable to:** | | | | | |
| Owner of the Company | | (17,016,175) | 11,051,862 | | |
| Non-controlling interest | | 2,996,223 | 2,590,040 | | |
| | | (14,019,952) | 13,641,902 | | |
| **Total comprehensive (loss)/income attributable to:** | | | | | |
| Owner of the Company | | (17,016,175) | 11,051,862 | | |
| Non-controlling interest | | 2,996,223 | 2,590,040 | | |
| | | (14,019,952) | 13,641,902 | | |
| **(Loss)/Earnings per share:** | | | | | |
| - Basic | 29 | (2.45) | 1.59 | | |
| - Diluted | 29 | N/A | 1.39 | | |

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

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | | Attributable to Owners of the Parent | | | | | |
|---|---|---|---|---|---|---|---|
| | | Non-Distributable | | Distributable | | | |
| Group | Note | Share Capital RM | Reverse Acquisition Reserve RM | Retained Earnings RM | Total RM | Non Controlling Interests RM | Total RM |
| **At 1 January 2020** | | 194,020,338 | (91,000,000) | 80,080,407 | 183,100,745 | 11,750,995 | 194,851,740 |
| Net loss for the financial year, representing total comprehensive loss for the financial year | | - | - | (17,016,175) | (17,016,175) | 2,996,223 | (14,019,952) |
| **Transaction with owners:** | | | | | | | |
| Conversion of warrants | 29 | 11,413 | - | - | 11,413 | - | 11,413 |
| Dividend on ordinary shares | 31 | - | - | (6,949,867) | (6,949,867) | - | (6,949,867) |
| **At 31 December 2020** | | 194,031,751 | (91,000,000) | 56,114,365 | 159,146,116 | 14,747,218 | 173,893,334 |
| **At 1 January 2019** | | 194,020,338 | (91,000,000) | 75,977,955 | 178,998,293 | 9,160,955 | 188,159,248 |
| Net profit for the financial year, representing total comprehensive income for the financial year | | - | - | 11,051,862 | 11,051,862 | 2,590,040 | 13,641,902 |
| **Transaction with owners:** | | | | | | | |
| Dividend on ordinary shares | 31 | - | - | (6,949,410) | (6,949,410) | - | (6,949,410) |
| **At 31 December 2019** | | 194,020,338 | (91,000,000) | 80,080,407 | 183,100,745 | 11,750,995 | 194,851,740 |

# STATEMENTS OF CHANGES IN EQUITY (CONT'D)
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | | Non-Distributable | Distributable | |
|---|---|---|---|---|
| **Company** | **Note** | **Share Capital RM** | **Retained Earnings RM** | **Total RM** |
| **At 1 January 2020** | | 194,020,338 | 26,353,377 | 220,373,715 |
| Net loss for the financial year, representing total comprehensive loss for the financial year | | - | (4,327,136) | (4,327,136) |
| **Transaction with owners:** | | | | |
| Conversion of warrants | 29 | 11,413 | - | 11,413 |
| Dividend on ordinary shares | 31 | - | (6,949,867) | (6,949,867) |
| **At 31 December 2020** | | 194,031,751 | 15,076,374 | 209,108,125 |
| **At 1 January 2019** | | 194,020,338 | 36,496,926 | 230,517,264 |
| Net loss for the financial year, representing total comprehensive loss for the financial year | | - | (3,194,139) | (3,194,139) |
| **Transaction with owners:** | | | | |
| Dividend on ordinary shares | 31 | - | (6,949,410) | (6,949,410) |
| **At 31 December 2019** | | 194,020,338 | 26,353,377 | 220,373,715 |

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

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| **Cash Flows From Operating Activities** | | | | | |
| (Loss)/Profit before taxation | | (12,805,192) | 17,745,078 | (4,326,585) | (3,194,139) |
| Adjustments for: | | | | | |
| Amortisation of concession right | | 3,106,661 | 3,106,661 | - | - |
| Depreciation of property, plant and equipment | | 14,952,693 | 18,142,932 | - | - |
| Fair value adjustment on investment properties | | (151,629) | (200,000) | - | - |
| Gain on disposals of property, plant and equipment | | (229,383) | (396,424) | - | - |
| Gain on disposals of investment properties | | (756,290) | - | - | - |
| Impairment loss on: | | | | | |
| - goodwill on consolidation | | 34,543 | - | - | - |
| - amount due from subsidiary companies | | - | - | 5,645,620 | - |
| - investment in a subsidiary company | | - | - | 3,016,298 | 2,500,000 |
| - property, plant and equipment | | 3,863,265 | - | - | - |
| Inventories written down | | 195,718 | 80,076 | - | - |
| Dividend income | | - | - | (5,000,000) | - |
| Interest expenses | | 11,616,986 | 9,333,612 | - | - |
| Interest income | | (1,788,341) | (609,338) | (2,484) | (3,008) |
| Property, plant and equipment written off | | 40,413 | 27,738 | - | - |
| Reversal of inventories written down | | (155,665) | (122,049) | - | - |
| Reversal of impairment loss on amount due from subsidiary company | | - | - | - | (141,000) |
| Unrealised loss/(gain) on foreign exchange | | 450 | (2,151) | - | - |
| Provision for foreseeable loss | | 2,353,778 | 7,269,804 | - | - |
| Operating profit/(loss) before working capital changes | | 20,278,007 | 54,375,939 | (667,151) | (838,147) |
| Changes in working capital: | | | | | |
| Inventories | | 11,899 | 124,051 | - | - |
| Contract assets | | 9,468,704 | (13,747,075) | - | - |
| Concession receivables | | 2,400,310 | 2,123,368 | - | - |
| Trade and other receivables | | (31,920,222) | (55,920,990) | (15,900) | 30,179 |
| Contract liabilities | | 5,757,907 | (1,714,346) | - | - |
| Trade and other payables | | 39,740,226 | 18,332,470 | (46,291) | 61,291 |
| | | 25,458,824 | (50,802,522) | (62,191) | 91,470 |
| Cash from/(used in) operations | | 45,736,831 | 3,573,417 | (729,342) | (746,677) |
| Interest received | | 1,788,341 | 609,338 | 2,484 | 3,008 |
| Interest paid | | (11,814,650) | (8,973,581) | - | - |
| Dividend received | | - | - | 5,000,000 | - |
| Tax refunded | | 358,883 | 2,222,267 | 3,500 | 34,952 |
| Tax paid | | (5,913,871) | (4,486,482) | (1,250) | (3,500) |
| | | (15,581,297) | (10,628,458) | 5,004,734 | 34,460 |
| **Net cash from/(used in) operating activities** | | 30,155,534 | (7,055,041) | 4,275,392 | (712,217) |

# STATEMENTS OF CASH FLOWS (CONT'D)
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Note | Group 2020 RM | Group 2019 RM | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|---|
| **Cash Flows From Investing Activities** | | | | | |
| Purchases of property, plant and equipment | 4(b) | (6,710,600) | (15,718,379) | - | - |
| Purchases of investment properties | | (633,459) | (795,880) | - | - |
| Loans to subsidiary companies (net of repayment) | | - | - | 2,594,879 | 7,556,548 |
| Proceeds from disposals of property, plant and equipment | | 330,803 | 570,900 | - | - |
| Proceeds from disposals of investment properties | | 1,008,014 | - | - | - |
| **Net cash (used in)/from investing activities** | | (6,005,242) | (15,943,359) | 2,594,879 | 7,556,548 |
| **Cash Flows From Financing Activities** | | | | | |
| Repayment of lease liabilities | | (9,387,269) | (5,776,008) | - | - |
| Repayment of Commodity murabahah term financing-i | | - | (96,715,000) | - | - |
| Proceeds from issuance of shares | | 11,413 | - | 11,413 | - |
| Proceeds from issuance of sukuk liabilities | | - | 150,000,000 | - | - |
| Repayment of issuance of sukuk liabilities | | (10,000,000) | - | - | - |
| Changes in invoice financing, bankers' acceptance and trust receipts | | (7,797,549) | 19,531,662 | - | - |
| Changes in fixed deposits pledged with licensed banks | | (11,711,573) | (2,603,836) | - | - |
| Changes in pledged cash and bank balances | | 3,443,467 | (2,102,946) | - | - |
| Changes in restricted cash and bank balances | | (1,459,178) | (3,735,515) | - | - |
| Drawdown of Commodity murabahah term financing-i | | - | 10,000,000 | - | - |
| Dividend paid | | (6,949,867) | (6,949,410) | (6,949,867) | (6,949,410) |
| **Net cash (used in)/from financing activities** | | (43,850,556) | 61,648,947 | (6,938,454) | (6,949,410) |
| **Net changes in cash and cash equivalents** | | (19,700,264) | 38,650,547 | (68,183) | (105,079) |
| **Cash and cash equivalents at the beginning of the financial year** | | 60,146,870 | 21,494,172 | 119,954 | 225,033 |
| Effect of exchange translation difference on cash and cash equivalents | | (450) | 2,151 | - | - |
| **Cash and cash equivalents at the end of the financial year** | | 40,446,156 | 60,146,870 | 51,771 | 119,954 |
| **Cash and cash equivalents at the end of the financial year comprises:** | | | | | |
| Fixed deposits with licensed banks | | 40,346,307 | 7,562,081 | - | - |
| Cash and bank balances | | 24,602,675 | 70,135,508 | 51,771 | 119,954 |
| Bank overdrafts | | - | (2,775,177) | - | - |
| | | 64,948,982 | 74,922,412 | 51,771 | 119,954 |
| Less: Fixed deposits pledged with licensed banks | | (19,273,654) | (7,562,081) | - | - |
| Less: Pledged cash and bank balances | | (34,479) | (3,477,946) | - | - |
| Less: Restricted cash and bank balances | | (5,194,693) | (3,735,515) | - | - |
| | | 40,446,156 | 60,146,870 | 51,771 | 119,954 |

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

# NOTES TO THE FINANCIAL STATEMENTS
## 31 DECEMBER 2020

### 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

The principal place of business and registered office of the Company are located at No. 39, Jalan SB Indah 1/19, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### 2. BASIS OF PREPARATION

**(a) Statement of compliance**

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

**Adoption of new and amended standards**

During the financial year, the Group and the Company have adopted the following amendments to MFRSs and interpretations issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

| | |
|---|---|
| Amendments to References to the Conceptual Framework in MFRS Standards | |
| Amendments to MFRS 3 | Definition of a Business |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 | Interest Rate Benchmark Reform |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material |

The adoption of the above amendments to MFRS's and interpretations did not have any significant impact on the financial statements of the Group and the Company.

**Standards issued but not yet effective**

The Group and the Company have not applied the following amendments to MFRSs that have been issued by MASB but are not yet effective for the Group and the Company:

| | | Effective dates for financial periods beginning on or after |
|---|---|---|
| Amendments to MFRS 16 | Covid-19-Related Rent Concessions | 1 June 2020 |
| Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4, and MFRS 16 | Interest Rate Benchmark Reform - Phase 2 | 1 January 2021 |
| Amendment to MFRS 16 Leases | Covid-19-Related Rent Concessions beyond 30 June 2021 | 1 April 2021 |
| Amendments to MFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to MFRS 116 | Property, Plant and Equipment - Proceeds before Intended Use | 1 January 2022 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (Cont'd)

**Standards issued but not yet effective (Cont'd)**

The Group and the Company have not applied the following amendments to MFRSs that have been issued by MASB but are not yet effective for the Group and the Company: (Cont'd)

| | | Effective dates for financial periods beginning on or after |
|---|---|---|
| Amendments to MFRS 137 | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to MFRSs | Annual Improvements to MFRS Standards 2018 – 2020 | 1 January 2022 |
| MFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to MFRS 101 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to MFRS 108 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to MFRS 10 and MFRS 128 | Sales or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred until further notice |

The Group and the Company plan to apply the abovementioned accounting standards amendments from the annual period beginning on 1 January 2021 for those accounting standards and amendments that are effective for annual periods beginning on or after 1 January 2021.

The Group and the Company do not plan to apply MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts* that is effective for annual periods beginning or after 1 January 2023 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments or interpretations is not expected to have any material financial impacts to the current period's and prior year's financial statements of the Group and the Company.

### (b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency. All financial information is presented in RM and has been rounded to nearest RM, unless otherwise stated.

### (c) Significant accounting judgements, estimates and assumptions

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 2. BASIS OF PREPARATION (CONT'D)

### (c) Significant accounting judgements, estimates and assumptions (Cont'd)

**Judgements**

The following are the judgements made by management in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are significant that a property does not qualify as investment property.

Satisfaction of performance obligation in relation to contracts with customers

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulations:

The Group recognises revenue over time in the following circumstances:

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

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

**Key sources of estimation uncertainty**

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

Useful lives of property, plant and equipment and right-of-use ("ROU") assets

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and ROU assets would increase the recorded depreciation/amortisation and decrease the value of property, plant and equipment and ROU assets. The carrying amount at the reporting date for property, plant and equipment and ROU assets are disclosed in Note 4 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**2. BASIS OF PREPARATION (CONT'D)**

**(c) Significant accounting judgements, estimates and assumptions (Cont'd)**

**Key sources of estimation uncertainty (Cont'd)**

Impairment of property, plant and equipment

The Group assesses whether there is any indication that property, plant and equipment is impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. The recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. Changes to any of these assumptions would affect the amount of impairment. Details of property, plant and equipment is disclosed in Note 4 to the financial statements.

Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the value-in-use is disclosed in Note 6 to the financial statements.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 10 to the financial statements.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods are based on invoiced values. Discounts are not considered as they are not only given in rare circumstances.

Revenue from construction contracts

Construction revenue and costs are recognised over the period of the contract in the profit or loss by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of performance obligation is measured based on the physical proportion of contract work-to-date certified by professional consultants. Significant judgement is required in determining the progress based on the certified work-to-date corroborated by the level of completion of the construction based on actual costs incurred to-date over the total estimated construction costs. The total estimated construction costs are based on approved budgets, which require assessments and judgments to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, the Group evaluates based on past experience, the work of specialists and a continuous monitoring mechanism.

The details of construction contracts are disclosed in Note 11 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 2. BASIS OF PREPARATION (CONT'D)

### (c) Significant accounting judgements, estimates and assumptions (Cont'd)

**Key sources of estimation uncertainty (Cont'd)**

Impairment of investments in subsidiary companies

The Company reviews its investments in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investments in subsidiary companies is disclosed in Note 7 to the financial statements.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group and the Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2020, the Group has tax recoverable of RM3,323,323 (2019: RM333,538) and tax payable of RMNil (2019: RM604,844) respectively. While, the Company has tax recoverable of RM699 (2019: RM3,500).

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 35(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(a) Basis of consolidation (Cont'd)**

**(i) Subsidiary companies (Cont'd)**

Acquisition method

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at fair value at the subsequent acquisition date and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. 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 profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(o)(i) to the financial statements on impairment of non-financial assets.

Reverse acquisition method

In connection with its initial public offering, the Company acquired the entire equity interest in Pesona Metro Sdn. Bhd. via the issuance of ordinary shares and became the legal holding company of the subsidiary company. The Company's continuing operations and executive management are those of the subsidiary company. Accordingly, the substance of the business combination was that the subsidiary company acquired the Company in a reverse acquisition and hence the directors adopted the reverse acquisition accounting as the basis of consolidation in order to give a true and fair view of the business combination. The application of the reverse acquisition method under MFRS 3 *Business Combination* resulted in the subsidiary company being identified as the acquirer of the Group for accounting purposes and accordingly the pre-acquisition reserve of the subsidiary company was accounted for as reverse acquisition reserve.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of consolidation (Cont'd)

#### (ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid or received and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

#### (iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date's fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (i.e. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequently when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(o)(i) to the financial statements on impairment of non-financial assets.

### (b) Investments in associated companies

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D) 31 DECEMBER 2020

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(b) Investments in associated companies (Cont'd)**

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

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

The requirements of MFRS 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associated company. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 as a single asset, by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group and the Company measure and recognise 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 stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(o)(i) to the financial statements on impairment of non-financial assets.

**(c) Foreign currency transactions and balances**

Transactions in foreign currency are recorded in the functional currency of the respective group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's and the Company's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's and the Company's net investment in foreign operation are recognised in profit or loss in the Group's and the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(o)(i) to the financial statements.

#### (i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

#### (iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

| | |
|---|---:|
| Building | 50 years |
| Motor vehicles | 5 years |
| Office equipment | 5 years |
| Furniture and fittings | 5 - 10 years |
| Plant and machineries | 7 - 10 years |
| Computers | 3⅓ - 10 years |
| Moulds | 10 years |
| Renovation | 5 - 10 years |

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(e) Leases**

**(i) As lessee**

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU 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 site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(o)(i) to the financial statements.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

| | |
|---|---|
| Leasehold land and building | Over the remaining lease period |
| Motor vehicles | 5 years |
| Plant and machineries | 4 - 10 years |

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

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 rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

The Group applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value.

**(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. Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group applies 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group recognises assets held under a finance lease in its statements of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Leases (Cont'd)

#### (ii) As lessor (Cont'd)

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". 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. Contingent rents are recognised as revenue in the period in which they are earned.

### (f) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are valued by independent professionally qualified valuers, having appropriate recognised professional qualifications and recent experience in the locations and segments of the investment properties valued. The management team reviewed and discussed the valuations, including valuation processes, performed by the independent valuers for financial reporting purposes.

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

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(g) Intangible assets**

**(i) Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**(ii) Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(o)(i) to the financial statements on impairment of non-financial assets for intangible assets.

**(h) Financial assets**

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include other receiviables.

(a) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

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

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirely, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) Financial liabilities

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

### (j) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as financial liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

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

### (k) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Group and the Company currently have 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.

### (l) Inventories

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

Cost of raw material comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on weighted average basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

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

### (m) Contract assets and contract liabilities

Contract assets is the right to consideration for goods or services transferred to the customers. The Group's contract asset is the excess of revenue recognised over the billings to date and deposits or advances received from customers.

Where there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(m) Contract assets and contract liabilities (Cont'd)**

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. The Group's contract liability is the excess of the billings to-date over the revenue recognised. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

**(n) Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, deposits with banks and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

**(o) Impairment of assets**

**(i) Non-financial assets**

The carrying amounts of non-financial assets (except for inventories, contract assets, amount due from contract customers and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the 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 or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (o) Impairment of assets (Cont'd)

#### (ii) Financial assets

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

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

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

### (p) Share capital

#### (i) Ordinary shares

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.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

#### (ii) Distribution of non-cash assets to owners of the Company

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the assets to be distributed. At the end of the reporting period and on the settlement date, the Company reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Company settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

### (q) Provisions

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

Provisions are reviewed at each end of the reporting period 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(q) Provisions (Cont'd)**

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

**(i) Warranties**

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation. The Group does not provide such service-type warranties on products.

**(ii) Onerous Contract**

Provision for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

**(r) Employee benefits**

**(i) Short term employee benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

**(ii) Defined contribution plans**

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

**(s) Revenue recognition**

*Revenue from contracts with customers*

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

**(i) Sale of goods**

The Group manufacture and trading of polyurethane products and construction materials. Revenue from sale of goods is recognised at the point in time upon control of the products has transferred, being the products are delivered to the customer.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (s) Revenue recognition (Cont'd)

*Revenue from contracts with customers (Cont'd)*

#### (i) Sale of goods (Cont'd)

Following delivery of the goods to the customers, the customers have full discretion over the goods, and bears the risks of obsolescence and loss in relation to the goods.

Revenue is recognised based on the price specified in the contract net of the rebates, discounts and taxes. Under the standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue are recognised for those product expected to be returned. At the same time, it has a right to recover the product when customers exercise their right of return, so consequently recognises a right to returned goods asset and a corresponding adjustment to the cost of inventories recognised in profit or loss. The Group does not have such contract terms with its customers on right of return.

A receivable is recognised by the Group when the goods are delivered as this represents the point in time at which the right to consideration is unconditional, because only the passage of time is required before payment is due. No element of financing is deemed present as the revenue recognised with a credit term of 30 to 120 days which is consistent with market practice.

#### (ii) Construction contracts

A construction contract is a contract specifically negotiated for the construction of an assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use. Hence, it is accounted for as a single performance obligation.

Revenue and profit for construction contracts are recognised over time arising from the fulfillment of the following criteria:

(i) The customer of the construction contracts simultaneously receives and consumes the benefits provided as the construction service progress.

(ii) The construction service relates to the creation or enhancement of an asset or a combination of assets which the customer controls.

(iii) The construction service does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. The state of completion of a construction contract is determined based on the proportion that the contract cost incurred for work performed to-date bear to the estimated total cost for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(s) Revenue recognition (Cont'd)**

*Revenue from contracts with customers (Cont'd)*

**(ii) Construction contracts (Cont'd)**

Contract revenue comprises the initial amount of revenue agree in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is only included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Variation claim gives rise to variable consideration which is estimated at either the expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not be reversed. No element of financing is deemed present as the payment schedule and credit term as disclosed as it to the financial statements are consistent with the market practice.

The customer pay according to the progress claim submitted to them based on the progress of the construction measured over time. If the construction services rendered by the Group exceed the payments, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised. Further details on the accounting policy of contract assets and contract liability are disclosed in Note 3(m) to the financial statements.

**(iii) Maintenance and management services income**

Revenue from maintenance and management services in relation to the concession is recognised based on monthly fixed fee (at point in time) during the period of concession.

Revenue from other sources

**(i) Dividend income**

Dividend income is recognised when the Company's and the subsidiary company's right to receive payment is established.

**(ii) Interest income**

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

**(iii) Rental income**

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

Significant financing component

The Group receives short-term advances from its customers. Using the practical expedient in MFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that goods or service will be one year or less.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (u) Income taxes

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

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

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(v) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

**(w) Contingencies**

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

**(x) Service concession arrangements**

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy set out in Note 3(h) to the financial statements.

When the Group has contractual obligations that it must fulfill under the agreement:

(i) to maintain the infrastructure to a specified standard; or

(ii) to restore the infrastructure when the infrastructure has deteriorated below a specified condition.

The Group recognises and measures these contractual obligations in accordance with the accounting policy for provisions in Note 3(q) to the financial statements. Repairs and maintenance and other expenses that are routine in nature are expensed and recognised in profit or loss as incurred.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020



## 4. PROPERTY, PLANT AND EQUIPMENT

| | At 1 January 2020 | Additions | Disposals | Written off | Reclassification | Transfer to investment property | At 31 December 2020 | Accumulated Impairment losses | At 31 December 2020 |
|---|---|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| **Group** | | | | | | | | | |
| **2020** | | | | | | | | | |
| **Cost** | | | | | | | | | |
| Freehold land | 3,370,986 | - | - | - | - | (12,594) | 3,358,392 | - | 3,358,392 |
| Building | 3,470,850 | - | - | - | - | (3,319,042) | 151,808 | - | 151,808 |
| Long term leasehold land and building | | | | | | | | | |
| - ROU | 9,105,967 | - | - | - | - | - | 9,105,967 | - | 9,105,967 |
| Motor vehicles | | | | | | | | | |
| - Owned | 11,950,890 | - | (1,115,355) | - | 320,000 | - | 11,155,535 | - | 11,155,535 |
| - ROU | 936,700 | - | - | - | (320,000) | - | 616,700 | - | 616,700 |
| Office equipment | 3,497,853 | 418,758 | - | (69,139) | - | - | 3,847,472 | - | 3,847,472 |
| Furniture and fittings | 2,255,595 | 1,125 | - | (8,816) | - | - | 2,247,904 | - | 2,247,904 |
| Plant and machineries | | | | | | | | | |
| - Owned | 73,205,660 | 3,342,587 | (193,834) | (43,956) | 6,483,000 | - | 82,793,457 | 486,334 | 82,307,123 |
| - ROU | 48,636,881 | 11,683,407 | - | - | (6,483,000) | - | 53,837,288 | - | 53,837,288 |
| Computers | 3,125,653 | 34,701 | - | (160,626) | - | - | 2,999,728 | - | 2,999,728 |
| Moulds | 8,278,780 | 128,181 | - | (3,541) | - | - | 8,403,420 | - | 8,403,420 |
| Renovation | 2,139,510 | - | - | - | - | - | 2,139,510 | - | 2,139,510 |
| | 169,975,325 | 15,608,759 | (1,309,189) | (286,078) | - | (3,331,636) | 180,657,181 | 486,334 | 180,170,847 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

| | Accumulated depreciation | | | | | | | | Carrying Amount |
|---|---|---|---|---|---|---|---|---|---|
| | At 1 January 2020 | Charges for the year | Disposals | Written off | Reclassification | Transfer to investment property | At 31 December 2020 | Impairment losses for the year | At 31 December 2020 |
| | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| **Group** | | | | | | | | | |
| **2020** | | | | | | | | | |
| **Depreciation and impairment losses** | | | | | | | | | |
| Freehold land | - | - | - | - | - | - | - | - | 3,358,392 |
| Building | 166,155 | 3,036 | - | - | - | (133,265) | 35,926 | - | 115,882 |
| Long term leasehold land and building | | | | | | | | | |
| - ROU | 667,776 | 109,178 | - | - | - | - | 776,954 | - | 8,329,013 |
| Motor vehicles | | | | | | | | | |
| - Owned | 9,997,206 | 1,025,274 | (1,107,923) | - | 320,000 | - | 10,234,557 | - | 920,978 |
| - ROU | 428,783 | 123,340 | - | - | (320,000) | - | 232,123 | - | 384,577 |
| Office equipment | 2,075,610 | 568,503 | - | (44,668) | - | - | 2,599,445 | - | 1,248,027 |
| Furniture and fittings | 2,023,899 | 40,200 | - | (8,816) | - | - | 2,055,283 | 132,366 | 60,255 |
| Plant and machineries | | | | | | | | | |
| - Owned | 49,043,971 | 6,586,609 | (99,846) | (28,401) | 3,609,000 | - | 59,111,333 | 3,641,669 | 19,554,121 |
| - ROU | 13,256,803 | 5,763,537 | - | - | (3,609,000) | - | 15,411,340 | - | 38,425,948 |
| Computers | 2,723,155 | 259,047 | - | (160,239) | - | - | 2,821,963 | 10,908 | 166,857 |
| Moulds | 7,749,501 | 130,082 | - | (3,541) | - | - | 7,876,042 | - | 527,378 |
| Renovation | 1,369,844 | 343,887 | - | - | - | - | 1,713,731 | 78,322 | 347,457 |
| | 89,502,703 | 14,952,693 | (1,207,769) | (245,665) | - | (133,265) | 102,868,697 | 3,863,265 | 73,438,885 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | At 1 January 2019, as previously stated | Effect of adoption of MFRS 16 | At 1 January 2019, restated | Additions | Disposals | Written off | At 31 December 2019 |
|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM |
| **Group** | | | | | | | |
| **2019** | | | | | | | |
| **Cost** | | | | | | | |
| Freehold land | 3,370,986 | - | 3,370,986 | - | - | - | 3,370,986 |
| Building | 3,470,850 | - | 3,470,850 | - | - | - | 3,470,850 |
| Long term leasehold land and building | | | | | | | |
| - Owned | 9,105,967 | (9,105,967) | - | - | - | - | - |
| - ROU | - | - | 9,105,967 | - | - | - | 9,105,967 |
| Motor vehicles | | | | | | | |
| - Owned | 13,171,827 | (320,000) | 12,851,827 | 51,341 | (793,608) | (158,670) | 11,950,890 |
| - ROU | - | 320,000 | 320,000 | 616,700 | - | - | 936,700 |
| Office equipment | 2,776,489 | - | 2,776,489 | 795,209 | (41,710) | (32,135) | 3,497,853 |
| Furniture and fittings | 2,251,938 | - | 2,251,938 | 3,927 | (270) | - | 2,255,595 |
| Plant and machineries | | | | | | | |
| - Owned | 87,585,146 | (22,349,886) | 65,235,260 | 8,556,890 | (552,326) | (34,164) | 73,205,660 |
| - ROU | - | 22,349,886 | 22,349,886 | 26,287,774 | (779) | - | 48,636,881 |
| Computers | 2,987,837 | - | 2,987,837 | 137,816 | - | - | 3,125,653 |
| Moulds | 8,163,974 | - | 8,163,974 | 114,806 | - | - | 8,278,780 |
| Renovation | 2,139,510 | - | 2,139,510 | - | - | - | 2,139,510 |
| | 135,024,524 | (9,105,967) | 135,024,524 | 36,564,463 | (1,388,693) | (224,969) | 169,975,325 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Accumulated depreciation | | | | | | | | Carrying Amount |
|---|---|---|---|---|---|---|---|---|---|
| | At 1 January 2019, as previously stated | Effect of adoption of MFRS 16 | At 1 January 2019, restated 2019 | Charges for the year | Disposals | Written off | At 31 December 2019 | Accumulated impairment losses | At 31 December 2019 |
| | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| **Group** | | | | | | | | | |
| **2019** | | | | | | | | | |
| **Depreciation and impairment losses** | | | | | | | | | |
| Freehold land | - | - | - | - | - | - | - | - | 3,370,986 |
| Building | 96,486 | - | 96,486 | 69,669 | - | - | 166,155 | - | 3,304,695 |
| Long term leasehold land and building | | | | | | | | | |
| - Owned | 558,598 | (558,598) | - | - | - | - | - | - | - |
| - ROU | - | 558,598 | 558,598 | 109,178 | - | - | 667,776 | - | 8,438,191 |
| Motor vehicles | | | | | | | | | |
| - Owned | 9,949,517 | (288,000) | 9,661,517 | 1,279,291 | (793,608) | (149,994) | 9,997,206 | - | 1,953,684 |
| - ROU | - | 288,000 | 288,000 | 140,783 | - | - | 428,783 | - | 507,917 |
| Office equipment | 1,661,673 | - | 1,661,673 | 472,700 | (30,678) | (28,085) | 2,075,610 | - | 1,422,243 |
| Furniture and fittings | 1,967,030 | - | 1,967,030 | 57,139 | (270) | - | 2,023,899 | - | 231,696 |
| Plant and machineries | | | | | | | | | |
| - Owned | 47,530,541 | (7,948,462) | 39,582,079 | 9,870,315 | (389,271) | (19,152) | 49,043,971 | 486,334 | 23,675,355 |
| - ROU | - | 7,948,462 | 7,948,462 | 5,308,731 | (390) | - | 13,256,803 | - | 35,380,078 |
| Computers | 2,368,536 | - | 2,368,536 | 354,619 | - | - | 2,723,155 | - | 402,498 |
| Moulds | 7,623,387 | - | 7,623,387 | 126,114 | - | - | 7,749,501 | - | 529,279 |
| Renovation | 1,015,451 | - | 1,015,451 | 354,393 | - | - | 1,369,844 | - | 769,666 |
| | 72,771,219 | - | 72,771,219 | 18,142,932 | (1,214,217) | (197,231) | 89,502,703 | 486,334 | 79,986,288 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The long term leasehold land and building's remaining period of lease term is 71 (2019: 72) years.

(b) Purchase of property, plant and equipment

The aggregate cost for the property, plant and equipment of the Group during the financial year acquired under leases and cash payments are as follows:

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Aggregate costs | 15,608,759 | 36,564,463 |
| Less: Lease financing | (8,898,159) | (20,846,084) |
| Cash payments | 6,710,600 | 15,718,379 |

(c) Assets held under leases

Included in the property, plant and equipment of the Group under leases arrangement with carrying amount are as follows:

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Plant and machineries | 38,425,948 | 35,380,078 |
| Motor vehicles | 384,577 | 507,917 |
| | 38,810,525 | 35,887,995 |

The leased assets are pledged for the related financing facilities as disclosed in Note 22 to the financial statements.

(d) Transferred to investment properties

During the financial year, one lot of freehold land and buildings was transferred to investment properties because it was no longer used by the Group and it was leased to a third party.

(e) Impairment loss

During the financial year, the property, plant and equipment of a subsidiary company were tested for impairment due to impairment indicators noted. The impairment testing gave rise to an impairment loss of RM3,863,265 (2019: RMNil).

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 5. INVESTMENT PROPERTIES

| | Freehold land and buildings RM | Leasehold land and buildings RM | Capital work-in progress RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **2020** | | | | |
| At 1 January | 2,400,000 | 582,566 | 937,902 | 3,920,468 |
| Transfer from property, plant and equipment | 3,198,371 | - | - | 3,198,371 |
| Additions | - | - | 633,459 | 633,459 |
| Change in fair value recognised in profit | 151,629 | - | - | 151,629 |
| Disposals | - | - | (251,724) | (251,724) |
| At 31 December | 5,750,000 | 582,566 | 1,319,637 | 7,652,203 |
| **2019** | | | | |
| At 1 January | 2,200,000 | 582,566 | 142,022 | 2,924,588 |
| Additions | - | - | 795,880 | 795,880 |
| Change in fair value recognised in profit | 200,000 | - | - | 200,000 |
| At 31 December | 2,400,000 | 582,566 | 937,902 | 3,920,468 |

(a) Investment properties under leases

Investment properties of a subsidiary company refer to three lots of freehold land and buildings and one lots of leasehold land and buildings that are leased to third parties. Each of the leases are subsequently be renewed are negotiated with the lessee on an average renewal period of 2 years. No contingent rents are charged.

During the financial year, one lot of freehold land and building of a subsidiary company transferred from property, plant and equipment to investment properties, since the freehold land and buildings were no longer used by the Group and leased to a third party.

(b) Fair value basis of investment properties

The investment properties are re-measured annually at fair value based on market values determined by independent qualified valuers amounting to RM6,332,566 (2019: RM2,982,566). The independent professional qualified valuers hold recognised relevant professional qualifications and have recent experience in the locations and segment of the investment properties valued. The fair value measurement of the investment properties are based on the highest and best use.

| | Level 2 RM | Level 3 RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| **2020** | | | |
| Commercial properties | 2,982,566 | 3,350,000 | 6,332,566 |
| **2019** | | | |
| Commercial properties | 2,982,566 | - | 2,982,566 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 5. INVESTMENT PROPERTIES (CONT'D)

(b) Fair value basis of investment properties (Cont'd)

**Level 2 fair value**

The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location and property size. The most significant input into this valuation approach is price per square foot of comparable properties.

**Level 3 fair value**

Description of valuation techniques used and key inputs to valuation on investment properties measured at Level 3:

| Valuation technique | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|
| Income approach | Estimated average rental rate per square feet per month RM 2.83 - RM 4.42 | The higher (lower) the estimated average rental rate per square feet per month, the higher (lower) the fair value |

There was no transfer between levels during current and previous financial year.

The increase in the fair values of RM151,629 (2019: RM200,000) has been recognised in the profit or loss during the financial year.

(c) Income and expenses recognised in profit or loss

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

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Rental income | 448,033 | 176,376 |
| Direct operating expenses: | | |
| - income generating investment properties | 24,935 | 16,082 |

(d) Investment properties under construction

Investment properties under construction which is stated at cost comprises service apartment under construction in Malaysia. Management concludes that due to the nature and amount of remaining projects risks, its fair value cannot be reliably determined.

(e) Investment property of the Group amounting to RM1,149,401 (2019: RM Nil) has been charged to secure banking facilities granted as disclosed in Note 21 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 6. INTANGIBLE ASSETS

| | Goodwill on Consolidation RM | Concession Right RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| **2020** | | | |
| **Costs** | | | |
| At 1 January/31 December | 3,034,543 | 62,133,241 | 65,167,784 |
| **Accumulated amortisation and impairment losses** | | | |
| At 1 January | 3,000,000 | 6,989,989 | 9,989,989 |
| Amortisation for the financial year | - | 3,106,661 | 3,106,661 |
| Impairment loss | 34,543 | - | 34,543 |
| At 31 December | 3,034,543 | 10,096,650 | 13,131,193 |
| **Carrying Amount** | | | |
| At 31 December | - | 52,036,591 | 52,036,591 |
| **2019** | | | |
| **Costs** | | | |
| At 1 January/31 December | 3,034,543 | 62,133,241 | 65,167,784 |
| **Accumulated amortisation and impairment losses** | | | |
| At 1 January | 3,000,000 | 3,883,328 | 6,883,328 |
| Charge for the financial year | - | 3,106,661 | 3,106,661 |
| At 31 December | 3,000,000 | 6,989,989 | 9,989,989 |
| **Carrying Amount** | | | |
| At 31 December | 34,543 | 55,143,252 | 55,177,795 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D) 31 DECEMBER 2020

## 6. INTANGIBLE ASSETS (CONT'D)

(a) Goodwill on consolidation

Goodwill on consolidation has been allocated to Group's cash-generating units ("CGUs") identified according to business segments as construction.

Impairment testing for goodwill on consolidation

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The key assumption used for value-in-use calculations is based on future projections of the Group in Malaysia as follows:

| | |
|---|---|
| Pre-tax discount rate | 6% per annum |

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources.

The impairment of goodwill is recognised when the recoverable amount is estimated at lower than the cost of investment. During the financial year, the impairment loss on goodwill of RM34,543 was recognised in the profit of loss and resulting all goodwill on consolidation are fully impaired.

(b) Concession right

This is a 20-year concession (expected to expire in 2037) granted by the Government of Malaysia to Budaya Positif Sdn. Bhd., a wholly-owned subsidiary company of SEP Resources (M) Sdn. Bhd. in which 70% owned subsidiary company of the Company, for design, development and maintenance of the Student's Residential Building Blocks ("Student Hostel") of Universiti Malaysia Perlis ("UNIMAP") in Padang Siding, Perlis Indera Kayangan, as disclosed in Notes 6 and 7 to the financial statements.

The concession right shall be amortised over the concession period and of an average remaining amortisation period of 16 years (2019: 17 years).

Impairment testing for concession right

The concession right of the Group was tested for impairment, the recoverable amount of CGU in respect of the concession rights was determined based on VIU calculation with the following assumptions:

(i) Pre-tax cash flow projections based on most recent financial budgets covering the remaining concession period of 16 years (2019: 17 years).

(ii) Pre-tax discount rates of 10.63% (2019: 10.63%) has been applied in determining the recoverable amount of the CGU. The discount rate was estimated based on the Group's weighted average cost of capital.

Based on the impairment test, no impairment is required for the concession rights.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 7. INVESTMENTS IN SUBSIDIARY COMPANIES

| | Company | |
|---|---|---|
| | 2020 RM | 2019 RM |
| **In Malaysia** | | |
| Unquoted shares, at cost | 120,714,521 | 120,714,521 |
| Add: Issuance of Ordinary shares | 45,000,000 | - |
| Less: Impairment loss | (5,516,298) | (2,500,000) |
| | 160,198,223 | 118,214,521 |

During the financial year, a subsidiary company has increased its issued and paid-up share capital by way of issuance of 45,000,000 units of Ordinary Shares at an issue price of RM1 each, for a total consideration of RM45,000,000 by way of conversion of amount due to the holding company.

The impairment loss was recognised due to impairment indicators noted, where the subsidiary companies reported continuous losses. The impairment loss was recognised in expenses in the statements of profit or loss and other comprehensive income.

Details of the subsidiary companies are as follows:

| Name of company | Place of business/country of incorporation | Effective interest 2020 % | Effective interest 2019 % | Principal activities |
|---|---|---|---|---|
| Pesona Metro Sdn. Bhd. | Malaysia | 100 | 100 | Engage in construction work |
| Pesona Saferay Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturing and trading of polyurethane products |
| Pesona Asset Management Sdn. Bhd. | Malaysia | 100 | 100 | Building maintenance services |
| PM2 Building System Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturing and trading of construction panel |
| Megah Mestika Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| SEP Resources (M) Sdn. Bhd. | Malaysia | 70 | 70 | Investment holding |
| ***Held through Pesona Metro Sdn. Bhd.:*** | | | | |
| Imej Mayang Sdn. Bhd. | Malaysia | 100 | 100 | Trading and supply of ready-mixed concrete |
| Insamewah Sdn. Bhd. | Malaysia | 100 | 100 | Trading in construction materials |
| Ratus Syabas Sdn. Bhd. | Malaysia | 100 | 100 | Property investment holding and construction works |
| ***Held through Megah Mestika Sdn. Bhd.:*** | | | | |
| Awana Infra Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| ***Held through SEP Resources (M) Sdn. Bhd.:*** | | | | |
| Budaya Positif Sdn. Bhd. | Malaysia | 70 | 70 | Development of facilities through private finance initiatives |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 7. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

On 16 April 2021, the Group had incorporated a wholly-owned subsidiary known as Lumayan Metro Sdn. Bhd. with a total issued share capital of RM100 comprising 100 ordinary shares and its intended principal activities are construction work and provision of transportation services.

(a) Material partly-owned subsidiary companies

Set out below are the Group's subsidiary companies that have material non-controlling interests:

| Name of company | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|
| | 2020<br>% | 2019<br>% | 2020<br>RM | 2019<br>RM | 2020<br>RM | 2019<br>RM |
| SEP Resources (M) Sdn. Bhd. and its subsidiary company ("SEP"Group") | 30 | 30 | 2,996,223 | 2,590,040 | 14,747,218 | 11,750,995 |

Summarised financial information for each subsidiary company that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company elimination.

(i) Summarised statements of financial position

| | SEP Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Non-current assets | 131,873,848 | 134,588,250 |
| Current assets | 30,526,474 | 28,965,105 |
| Non-current liabilities | (130,000,000) | (140,000,000) |
| Current liabilities | (15,501,511) | (26,292,235) |
| Net assets/(liabilities) | 16,898,811 | (2,738,880) |

(ii) Summarised statements of profit or loss and other comprehensive income

| | SEP Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Revenue | 30,575,060 | 23,983,378 |
| Profit for the financial year, representing total comprehensive income for financial year | 12,348,472 | 10,994,530 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 7. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(a) Material partly-owned subsidiary companies (Cont'd)

(iii) Summarised statements of cash flows

| | SEP Group | |
|---|---|---|
| | **2020 RM** | **2019 RM** |
| Net cash from/(used in) operating activities | 15,585,016 | (52,604,605) |
| Net cash used in investing activities | - | (5,150) |
| Net cash (used in)/from financing activities | (23,410,979) | 59,222,369 |
| Net changes in cash and cash equivalents | (7,825,963) | 6,612,614 |

## 8. CONCESSION RECEIVABLES

| | Group | |
|---|---|---|
| | **2020 RM** | **2019 RM** |
| Concession receivables: | | |
| - Non-current | 131,869,814 | 134,583,186 |
| - Current | 2,713,372 | 2,400,310 |
| | 134,583,186 | 136,983,496 |

A subsidiary company had entered into a Concession Agreement ("CA") with the Government of Malaysia and UNIMAP for the design, development and maintenance of Student Hostel for UNIMAP in Padang Siding, Perlis Indera Kayangan through Public Private Partnership ("the Project"). The construction period of the Project is 2.5 years, thereafter, followed by maintenance of the Project for a period of 20 years ("Concession Period").

In consideration of the subsidiary company completed and making available the Student Hostel, and subject to the terms and conditions of the CA, UNIMAP shall pay a sublease rental and asset management service charges on a monthly basis until the end of the Concession Period, at rates which are stipulated in the CA.

The movement of the concession receivables during the financial year are as follows:

| | Group | |
|---|---|---|
| | **2020 RM** | **2019 RM** |
| Concession receivables: | | |
| At 1 January | 136,983,496 | 139,106,864 |
| Transferred to trade receivable | (20,266,470) | (20,266,470) |
| Finance income | 17,866,160 | 18,143,102 |
| At 31 December | 134,583,186 | 136,983,496 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 9. TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | **2020** **RM** | **2019** **RM** |
| **Non-current** | | |
| Retention sums | | |
| - third parties | 40,563,766 | 58,067,962 |
| - related parties | 15,355,883 | 14,566,066 |
| | 55,919,649 | 72,634,028 |
| **Current** | | |
| Trade receivables | | |
| - third parties | 177,126,779 | 138,587,980 |
| - related parties | 20,913,636 | 36,560,175 |
| | 198,040,415 | 175,148,155 |
| Retention sums | | |
| - third parties | 55,292,713 | 19,191,323 |
| - related parties | 4,007,500 | 2,266,250 |
| | 59,300,213 | 21,457,573 |
| | 257,340,628 | 196,605,728 |
| | 313,260,277 | 269,239,756 |

(a) Trade receivables

Trade receivables are recognised at amount stated on their original certificate of claim which represent their fair value on initial recognition.

The Group's normal trade credit terms are from 30 days to 90 days (2019: 30 days to 90 days). Other credit terms are assessed and approved on a case by case basis.

(b) The retention sum of the Group relating to construction work-in-progress is unsecured, interest-free and are expected to be collected as follows:

| | Group | |
|---|---|---|
| | **2020** **RM** | **2019** **RM** |
| Within one year | 59,300,213 | 21,457,573 |
| After one year | 55,919,649 | 72,634,028 |
| | 115,219,862 | 94,091,601 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 10. INVENTORIES

| | Group | |
|---|---|---|
| | **2020** **RM** | **2019** **RM** |
| Raw materials | 296,882 | 309,589 |
| Work-in-progress | 200,102 | 160,693 |
| Finished goods | 50,185 | 128,839 |
| | 547,169 | 599,121 |
| **Recognised in profit or loss:** | | |
| Inventories recognised as cost of sales | 1,826,540 | 1,265,841 |
| Inventories written down | 195,718 | 80,076 |
| Reversal of inventories written down | (155,665) | (122,049) |

The Group has written down slow moving obsolete inventories amounting to RM195,718 (2019: RM80,076) respectively during the financial year. The amount written down has been included in cost of sales. The reversal of inventories written down amounting to RM155,665 (2019: RM122,049) was made during the financial year when the related inventories were sold above their carrying amounts.

## 11. CONTRACT ASSETS/(LIABILITIES)

| | Group | |
|---|---|---|
| | **2020** **RM** | **2019** **RM** |
| Contract assets | 27,856,845 | 37,325,549 |
| Contract liabilities | (53,623,661) | (47,865,754) |

The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. Typically, the amount generally will be billed within 90 days and payment is expected within 60 days.

The contract liabilities primarily relate to the advance consideration received from a customer for a construction contract, which revenue is recognised over time during the construction. The contract liabilities as expected to be recognised as revenue over a period of 90 days.

| | Group | |
|---|---|---|
| | **2020** **RM** | **2019** **RM** |
| Contract costs incurred to date | 1,244,985,050 | 619,327,176 |
| Add: Attributable profits | 15,553,510 | 5,746,244 |
| | 1,260,538,560 | 625,073,420 |
| Less: Progress billings | (1,295,928,958) | (642,883,429) |
| Add: Provision for foreseeable losses | 9,623,582 | 7,269,804 |
| | (25,766,816) | (10,540,205) |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D) 31 DECEMBER 2020

## 11. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

The transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as at 31 December 2020 is RM908,432,523 (2019: RM1,557,411,140) where the Group expects to recognise it as revenue over the next 3 (2019: 3) years.

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

| | | Group | |
|---|---|---|---|
| | Note | 2020 RM | 2019 RM |
| Short-term leases: | | | |
| - Plant and machineries | | 2,700,498 | 4,278,467 |
| - Premises | | 687,740 | 937,710 |
| Secondment of staff | 30 | 6,706,773 | 6,620,376 |
| Staff costs: | | | |
| - Salaries and other emoluments | 30 | 29,825,915 | 29,136,570 |
| - EPF contribution | 30 | 1,667,532 | 1,659,322 |

## 12. OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Other receivables | 22,178,423 | 19,560,798 | 15,900 | - |
| Less: Accumulated impairment loss | (75,333) | (75,333) | - | - |
| | 22,103,090 | 19,485,465 | 15,900 | - |
| Deposits | 3,511,825 | 16,986,033 | 5,000 | 5,000 |
| Prepayments | 1,567,044 | 1,869,215 | - | - |
| GST recoverable | 8,680 | 950,225 | - | - |
| | 27,190,639 | 39,290,938 | 20,900 | 5,000 |

Included in the Group's other receivables are advances to sub-contractors amounting to RM15,840,065 (2019: RM10,573,798) and advance payment made to acquire property, plant and equipment amounting to RM379,956 (2019: RM2,372,246).

## 13. AMOUNT DUE FROM SUBSIDIARY COMPANIES

These represent unsecured, interest-free advances and are repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 14. AMOUNT DUE FROM AN ASSOCIATED COMPANY

| | Group and Company | |
|---|---|---|
| | 2020 RM | 2019 RM |
| Amount due from an associated company | 2,300,000 | 2,300,000 |
| Less: Accumulated impairment loss | (2,300,000) | (2,300,000) |
| | - | - |

This represents unsecured, interest-free advances and is repayable on demand.

## 15. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits of the Group amounting to RM19,273,654 (2019: RM7,562,081) is pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 21 to the financial statements.

The interest rates of the deposits of the Group range from 1.81% to 3.80% (2019: 2.95% to 3.80%) per annum and mature with range from 1 month to 12 months (2019: 1 month to 12 months).

## 16. CASH AND BANK BALANCES

Included in cash and bank balances is an amount of RM34,479 (RM3,477,946) pledged to Sukuk liabilities issued by a subsidiary company as disclosed in Note 20 to the financial statement and an amount of RM5,194,693 (2019: RM3,735,515) is cash restricted for payment of concession project.

## 17. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Number of shares | Amount RM | Number of shares | Amount RM |
| **Issued and fully paid** | | | | |
| At 1 January | 694,941,009 | 194,020,338 | 694,941,009 | 194,020,338 |
| Conversion of warrants | 45,651 | 11,413 | - | - |
| At 31 December | 694,986,660 | 194,031,751 | 694,941,009 | 194,020,338 |

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 18. REVERSE ACQUISITION RESERVE

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Issued and paid up share capital of the Company (legal holding) after reverse acquisition of Pesona Metro Sdn. Bhd. | 96,000,000 | 96,000,000 |
| Reversal of PMSB's share capital pursuant to reverse acquisition exercise | (5,000,000) | (5,000,000) |
| Reverse acquisition reserve | 91,000,000 | 91,000,000 |

## 19. TRADE PAYABLES

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| **Non-current** | | |
| Retention sum on contracts | 25,046,116 | 33,793,660 |
| **Current** | | |
| Trade payables | 169,072,732 | 141,234,359 |
| Retention sum on contracts | 40,609,365 | 14,443,912 |
| | 209,682,097 | 155,678,271 |
| | 234,728,213 | 189,471,931 |

The normal trade credit terms granted to the Group range from 30 to 60 days (2019: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.

## 20. SUKUK LIABILITIES

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Sukuk Wakalah | | |
| - Non-current | 130,000,000 | 140,000,000 |
| - Current | 10,000,000 | 10,000,000 |
| | 140,000,000 | 150,000,000 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 20. SUKUK LIABILITIES (CONT'D)

On 20 December 2019, a subsidiary company ("Issuer") entered into Subscription Agreement ("SA") with MIDF Amanah Investment Bank Berhad and Public Investment Bank Berhad ("Subscribers") in relation to the issuance of up to RM150,000,000 in nominal value of Sukuk Wakalah for a tenure of up to 11 years.

The Sukuk Wakalah comprises eleven (11) Tranches of the Sukuk Wakalah amounting to RM140,000,000 (2019: RM150,000,000) issued by subsidiary company.

On 27 December 2019, a subsidiary company issued the following:

a. the first tranche of RM10,000,000 in nominal value of Sukuk Wakalah which is due in financial year ending 31 December 2020. The Sukuk Wakalah bears a profit rate of 4.30% per annum payable semi-annually in arrears;
b. the second tranche of RM10,000,000 in nominal value of Sukuk Wakalah which is due in financial year ending 31 December 2021. The Sukuk Wakalah bears a profit rate of 4.35% per annum payable semi-annually in arrears;
c. the third tranche of RM10,000,000 in nominal value of Sukuk Wakalah which is due in financial year ending 31 December 2022. The Sukuk Wakalah bears a profit rate of 4.40% per annum payable semi-annually in arrears;
d. the fourth tranche of RM15,000,000 in nominal value of Sukuk Wakalah which is due in financial year ending 31 December 2023. The Sukuk Wakalah bears a profit rate of 4.45% per annum payable semi-annually in arrears;
e. the fifth tranche of RM15,000,000 in nominal value of Sukuk Wakalah which is due in financial year ending 31 December 2024. The Sukuk Wakalah bears a profit rate of 4.50% per annum payable semi-annually in arrears;
f. the sixth tranche of RM15,000,000 in nominal value of Sukuk Wakalah which is due in financial year ending 31 December 2025. The Sukuk Wakalah bears a profit rate of 4.55% per annum payable semi-annually in arrears;
g. the seventh tranche of RM15,000,000 in nominal value of Sukuk Wakalah which is due in financial year ending 31 December 2026. The Sukuk Wakalah bears a profit rate of 4.60% per annum payable semi-annually in arrears;
h. the eighth tranche of RM15,000,000 in nominal value of Sukuk Wakalah which is due in financial year ending 31 December 2027. The Sukuk Wakalah bears a profit rate of 4.65% per annum payable semi-annually in arrears;
i. the nineth tranche of RM15,000,000 in nominal value of Sukuk Wakalah which is due in financial year ending 31 December 2028. The Sukuk Wakalah bears a profit rate of 4.70% per annum payable semi-annually in arrears;
j. the tenth tranche of RM15,000,000 in nominal value of Sukuk Wakalah which is due in financial year ending 31 December 2029. The Sukuk Wakalah bears a profit rate of 4.75% per annum payable semi-annually in arrears; and
k. the eleventh tranche of RM15,000,000 in nominal value of Sukuk Wakalah which is due in financial year ending 31 December 2030. The Sukuk Wakalah bears a profit rate of 4.80% per annum payable semi-annually in arrears.

The Sukuk Wakalah is issued under the Shariah principle of Wakalah Bi Al-Istithmar, which is a Shariah Principle and concept approved by the Shariah Advisory Council of the Securities Commission Malaysia.

The Sukuk Wakalah is secured by the followings:

(i) Charge by SEP Resources (M) Sdn. Bhd. ("SEP") over its shareholding in Budaya Positif Sdn. Bhd. ("Budaya Positif");
(ii) Charge by Pesona Metro Holdings Berhad ("Pesona Metro"), director and shareholder over their shareholdings in SEP;
(iii) An assignment and charge by SEP over dividends and distributions from Budaya Positif (Dividends Assignment);
(iv) An assignment and charge by SEP over receivables from Budaya Positif including Murabahah Stocks;
(v) A charge over the Murabahah Stocks (secured by a charge over Budaya Positif's Designated Accounts and a debenture over its assets;
(vi) A first-ranking assignment and charge over the SEP's Designated Accounts;
(vii) A debenture by SEP creating first fixed and floating charges over all its present and future assets; and
(viii) Corporate guarantee by the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 21. BANK BORROWINGS

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| **Secured** | | |
| Invoice financing | 36,654,088 | 50,642,979 |
| Bankers' acceptance | 964,738 | 2,938,149 |
| Trust receipts | 7,403,077 | - |
| Term loan | 493,602 | - |
| Bank overdrafts | - | 2,775,177 |
| | 45,515,505 | 56,356,305 |
| **Analysed as:** | | |
| **Non-current** | | |
| Term loan | 428,082 | - |
| **Current** | | |
| Invoice financing | 36,654,088 | 50,642,979 |
| Bankers' acceptance | 964,738 | 2,938,149 |
| Trust receipts | 7,403,077 | - |
| Term loan | 65,520 | - |
| Bank overdrafts | - | 2,775,177 |
| | 45,087,423 | 56,356,305 |
| | 45,515,505 | 56,356,305 |

(a) Term loans

The term loans are secured by the followings:

(i) first party charged over the investment property of the Group as disclosed in Note 5 to the financial statements;
(ii) corporate guarantee by the Company.

(b) Invoice financing, bankers' acceptance, trust receipts and bank overdrafts

The invoice financing, bankers' acceptance, trust receipts and bank overdrafts are secured by the followings:

(i) pledge over the Group's fixed deposits with licensed banks as disclosed in Note 15 to the financial statements; and
(ii) corporate guarantee by the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 21. BANK BORROWINGS (CONT'D)

The Group's interest rates per annum are as follows:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **%** | **%** |
| Invoice financing | BLR + 0.00% and COF + 1.50% | BLR + 0.00% and COF + 1.50% |
| Bankers' acceptance | COF + 1.50% | COF + 1.50% |
| Trust receipts | BFR - 0.05% | - |
| Term loan | ECOF + 2.00% | - |
| Bank overdrafts | - | BFR + 0.00% |

## 22. LEASES

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| Lease liabilities | 26,405,681 | 26,894,791 |

(a) Lease liabilities

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| At 1 January, as previously stated | 26,894,791 | - |
| Effect of adoption of MFRS 16 | - | 11,824,715 |
| At 1 January, restated | 26,894,791 | 11,824,715 |
| Additions | 8,898,159 | 20,846,084 |
| Payments | (9,387,269) | (5,776,008) |
| At 31 December | 26,405,681 | 26,894,791 |
| **Presented as:** | | |
| Non-current | 15,891,473 | 18,869,598 |
| Current | 10,514,208 | 8,025,193 |
| | 26,405,681 | 26,894,791 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 22. LEASES (CONT'D)

(a) Lease liabilities (Cont'd)

The maturity analysis of lease liabilities of the Group at the end of reporting period:

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Within one year | 11,751,013 | 9,591,115 |
| Between one to two years | 9,856,288 | 8,922,463 |
| Between two to five years | 6,927,824 | 11,164,327 |
| | 28,535,125 | 29,677,905 |
| Less: Future finance charges | (2,129,444) | (2,783,114) |
| Present value of minimum lease payments | 26,405,681 | 26,894,791 |

Lease obligations

The finance lease payables are secured by a charge over the leased assets as disclosed in Note 4(c) to the financial statements. The interest rates for the leases are ranging from 2.24% to 3.25% (2019: 2.24% to 3.25%) per annum.

## 23. DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| At 1 January | 13,234,381 | 13,979,980 |
| Recognised in profit or loss (Note 28) | (745,599) | (745,599) |
| At 31 December | 12,488,782 | 13,234,381 |

The net deferred tax liabilities and assets shown on the statements of financial position after appropriate offsetting are as follows:

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Deferred tax liabilities | 13,092,480 | 13,742,205 |
| Deferred tax assets | (603,698) | (507,824) |
| | 12,488,782 | 13,234,381 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 23. DEFERRED TAX LIABILITIES (CONT'D)

The components and movements of deferred tax liabilities and assets are as follows:

**Deferred tax liabilities of the Group**

| | Property, plant and equipment RM | Concession right RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| At 1 January 2020 | 507,824 | 13,234,381 | 13,742,205 |
| Recognised in profit or loss | 95,874 | (745,599) | (649,725) |
| At 31 December 2020 | 603,698 | 12,488,782 | 13,092,480 |
| At 1 January 2019 | 426,404 | 13,979,980 | 14,406,384 |
| Recognised in profit or loss | 81,420 | (745,599) | (664,179) |
| At 31 December 2019 | 507,824 | 13,234,381 | 13,742,205 |

**Deferred tax assets of the Group**

| | Unutised tax losses RM |
|---|---|
| **Group** | |
| At 1 January 2020 | (507,824) |
| Recognised in profit or loss | (95,874) |
| At 31 December 2020 | (603,698) |
| At 1 January 2019 | (426,404) |
| Recognised in profit or loss | (81,420) |
| At 31 December 2019 | (507,824) |

Deferred tax assets have not been recognised in respect of the following temporary differences:

| | Group 2020 RM | Group 2019 RM |
|---|---|---|
| Unutilised tax losses | 55,785,330 | 36,711,059 |
| Unabsorbed capital allowances | 9,654,856 | 17,532,787 |
| Differences between property, plant and equipment and its tax base | 78,368,848 | 86,172,350 |
| | 143,809,034 | 140,416,196 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 23. DEFERRED TAX LIABILITIES (CONT'D)

With effect from year of assessment 2019, unutilised tax losses are allowed to be carried forward up to a maximum of seven consecutive years of assessment under the current tax legislation. Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses, as follows:

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| **Utilisation period** | | |
| Indefinite | 88,023,704 | 103,705,137 |
| Within 5 years from recognition | 34,167,572 | - |
| Within 6 years from recognition | 2,543,487 | 34,167,572 |
| Within 7 years from recognition | 19,074,271 | 2,543,487 |
| | 143,809,034 | 140,416,196 |

## 24. OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020<br>RM | 2019<br>RM | 2020<br>RM | 2019<br>RM |
| Other payables | 7,027,892 | 8,958,309 | - | 46,291 |
| Accruals | 1,376,268 | 4,889,406 | 113,000 | 113,000 |
| Deposits received | 155,182 | 157,273 | - | - |
| Provision for foreseeable losses | 9,623,582 | 7,269,804 | - | - |
| | 18,182,924 | 21,274,792 | 113,000 | 159,291 |

Included in the other payables of the Group are advances from customers amounting to RMNil (2019: RM1,947,461).

Provision for foreseeable losses

The provision for foreseeable losses represents the present obligation for construction of the UNISZA project.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 25. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2020<br>RM | 2019<br>RM | 2020<br>RM | 2019<br>RM |
| **Revenue from contracts with customers** | | | | |
| Construction contracts | 645,710,043 | 595,069,988 | - | - |
| Concession finance income | 17,866,160 | 18,143,102 | - | - |
| Sale of goods | 4,075,116 | 6,426,098 | - | - |
| Maintenance and management services | 5,836,743 | 5,836,743 | - | - |
| | 673,488,062 | 625,475,931 | - | - |
| **Revenue from other sources** | | | | |
| Interest income | 258,674 | 6,541 | 2,484 | 3,008 |
| Dividend income | - | - | 5,000,000 | - |
| | 258,674 | 6,541 | 5,002,484 | 3,008 |
| | 673,746,736 | 625,482,472 | 5,002,484 | 3,008 |
| **Timing of revenue recognition** | | | | |
| At a point in time | 9,911,859 | 12,262,841 | - | - |
| Over time | 663,576,203 | 613,213,090 | - | - |
| | 673,488,062 | 625,475,931 | - | - |

Revenue from contracts with customers recognised for the Group in the current financial year included RM47,865,754 (2019: RM49,580,100) that was included in the contract liabilities at the beginning of the financial year.

Breakdown of the Group's revenue from contract with customers:

| | Construction<br>RM | Manufacturing and trading<br>RM | Concession<br>RM | Total<br>RM |
|---|---|---|---|---|
| **2020** | | | | |
| **Group** | | | | |
| Construction contracts | 645,710,043 | - | - | 645,710,043 |
| Concession finance income | - | - | 17,866,160 | 17,866,160 |
| Sale of goods | 1,056,150 | 3,018,966 | - | 4,075,116 |
| Maintenance and management service | - | - | 5,836,743 | 5,836,743 |
| | 646,766,193 | 3,018,966 | 23,702,903 | 673,488,062 |
| **2019** | | | | |
| **Group** | | | | |
| Construction contracts | 595,069,988 | - | - | 595,069,988 |
| Concession finance income | - | - | 18,143,102 | 18,143,102 |
| Sale of goods | 3,323,681 | 3,102,417 | - | 6,426,098 |
| Maintenance and management service | - | - | 5,836,743 | 5,836,743 |
| | 598,393,669 | 3,102,417 | 23,979,845 | 625,475,931 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 26. FINANCE COSTS

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| **Interest expenses on:** | | |
| Trust receipts | 118,695 | 45,063 |
| Commodity murabahah term financing-i and structure commodity financing | - | 5,378,533 |
| Invoice financing and bankers' acceptance | 2,941,004 | 2,712,201 |
| Bank overdrafts | 66,309 | 29,992 |
| Sukuk liabilities | 6,958,260 | - |
| Lease liabilities | 1,532,718 | 1,040,024 |
| Project financing | - | 127,799 |
| | 11,616,986 | 9,333,612 |

## 27. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation is derived at after at charging/(crediting):

| | Group | | Company | |
|---|---|---|---|---|
| | 2020<br>RM | 2019<br>RM | 2020<br>RM | 2019<br>RM |
| Auditors' remuneration | | | | |
| - statutory audit | | | | |
| - current year | 118,000 | 118,000 | 30,000 | 30,000 |
| - under/(over) provision in prior year | 2,520 | (3,180) | 12,400 | - |
| - non-statutory audit | 87,280 | 82,780 | - | 7,100 |
| Amortisation of concession right | 3,106,661 | 3,106,661 | - | - |
| Depreciation of property, plant and equipment | 14,952,693 | 18,142,932 | - | - |
| Directors' remuneration | | | | |
| - Fees | 324,000 | 339,000 | 324,000 | 339,000 |
| - Salary and other emoluments | 605,329 | 793,329 | 14,500 | 14,500 |
| - EPF contribution | 70,800 | 138,000 | - | - |
| Fair value adjustment of investment properties | (151,629) | (200,000) | - | - |
| Gain on disposals of property, plant and equipment | (229,383) | (396,424) | - | - |
| Gain on disposals of investment properties | (756,290) | - | - | - |
| (Gain)/Loss on foreign exchange | | | | |
| - realised | (14,834) | (24,347) | - | - |
| - unrealised | 450 | (2,151) | - | - |
| Impairment loss on goodwill on consolidation | 34,543 | - | - | - |
| Impairment loss on investment in a subsidiary company | - | - | 3,016,298 | 2,500,000 |
| Impairment loss on property, plant and equipment | 3,863,265 | - | - | - |
| Interest income | (1,788,341) | (609,338) | (2,484) | (3,008) |
| Inventories written down | 195,718 | 80,076 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 27. (LOSS)/PROFIT BEFORE TAXATION (CONT'D)

(Loss)/Profit before taxation is derived at after at charging/(crediting): (Cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2020<br>RM | 2019<br>RM | 2020<br>RM | 2019<br>RM |
| Net impairment loss/(gain) on financial instruments: | | | | |
| Impairment loss on amount due from subsidiary companies | - | - | 5,645,620 | - |
| Reversal of impairment loss on amount due from subsidiary companies | - | - | - | (141,000) |
| | - | - | 5,645,620 | (141,000) |
| Property, plant and equipment written off | 40,413 | 27,738 | - | - |
| Short term lease expenses | 541,140 | 664,884 | - | - |
| Rental income | (564,273) | (293,976) | - | - |
| Reversal of inventories written down | (155,665) | (122,049) | - | - |

## 28. TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2020<br>RM | 2019<br>RM | 2020<br>RM | 2019<br>RM |
| **Tax expenses for the financial year:** | | | | |
| Current tax provision | 82,417 | 4,727,783 | 551 | - |
| Under provision in prior years | 1,877,942 | 120,992 | - | - |
| | 1,960,359 | 4,848,775 | 551 | - |
| **Deferred tax: (Note 23)** | | | | |
| Relating to origination and reversal of temporary differences | (810,807) | (748,704) | - | - |
| Under provision in prior years | 65,208 | 3,105 | - | - |
| | (745,599) | (745,599) | - | - |
| | 1,214,760 | 4,103,176 | 551 | - |

Income tax is calculated at the statutory tax rate of 24% (2019: 24%) of chargeable income of the estimated assessable profit for the financial year.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 28. TAXATION (CONT'D)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2020<br>RM | 2019<br>RM | 2020<br>RM | 2019<br>RM |
| (Loss)/Profit before taxation | (12,805,192) | 17,745,078 | (4,326,585) | (3,194,139) |
| Taxation at statutory tax rate of 24% (2019: 24%) | (3,073,247) | 4,258,819 | (1,038,381) | (766,593) |
| Income not subject to tax | (263,252) | (95,875) | (1,200,000) | (722) |
| Expenses not deductible for tax purposes | 1,217,753 | 2,053,454 | 2,238,932 | 767,315 |
| Taxable income not included in profit or loss | 576,074 | 509,608 | - | - |
| Deferred tax assets not recognised | 4,479,016 | 763,395 | - | - |
| Utilisation of previously unrecognised deferred tax | (3,664,734) | (3,510,322) | - | - |
| Under provision of income tax expense in prior years | 1,877,942 | 120,992 | - | - |
| Under provision of deferred tax expense in prior years | 65,208 | 3,105 | - | - |
| Tax expense for the financial year | 1,214,760 | 4,103,176 | 551 | - |

## 29. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The basic (loss)/earnings per share are calculated based on the consolidated (loss)/profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year is disclosed in next page.

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| **Basic (Loss)/Earnings Per Share** | | |
| Net (loss)/profit for the financial year (RM) | (17,016,175) | 11,051,862 |
| Weighted average number of ordinary shares in issue | 694,986,660 | 694,941,009 |
| Basic (loss)/earnings per share (sen) | (2.45) | 1.59 |

The weighted average number of ordinary shares in issue is computed as follow:

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| As at 1 January | 694,941,009 | 694,941,009 |
| Share issue pursuant to: | | |
| - conversion of warrants | 45,651 | - |
| As at 31 December | 694,986,660 | 694,941,009 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 29. (LOSS)/EARNINGS PER SHARE (CONT'D)

### (b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share has been calculated by dividing the consolidated (loss)/profit for the financial year attributable to the owners of the parent by the adjusted weighted average number of ordinary shares issued and issuable during the financial year as follows:

| | Group | |
|---|---|---|
| | **2020 RM** | **2019 RM** |
| Net (loss)/profit for the financial year attributable to owners of the Parent (RM) | (17,016,175) | 11,051,862 |
| Weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share | 694,986,660 | 694,941,009 |
| Adjusted for: | | |
| Assumed conversion of warrants | - | 98,012,663 |
| Weighted average number of ordinary shares as at 31 December | 694,986,660 | 792,953,672 |
| Diluted (loss)/earnings per share (sen) | (2.45) | 1.39 |

## 30. STAFF COSTS

| | | Group | |
|---|---|---|---|
| | **Note** | **2020 RM** | **2019 RM** |
| Staff costs (excluding Directors) | | 43,176,284 | 49,996,500 |
| Add: | | | |
| Secondment of staff from third party | | 7,077,721 | 7,874,790 |
| | | 50,254,005 | 57,871,290 |
| Less: | | | |
| Capitalised in construction costs | 11 | (38,200,220) | (37,416,268) |
| | | 12,053,785 | 20,455,022 |

Included in the staff costs are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM962,420 (2019: RM1,391,229).

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 31. DIVIDENDS

| | Group and Company | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| An interim single tier dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2018 paid on 3 July 2019 | - | 6,949,410 |
| An interim single tier dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2019 paid on 22 May 2020 | 6,949,867 | - |
| | 6,949,867 | 6,949,410 |

On 22 April 2020, the Directors declared the interim single tier dividend in respect of the financial year ended 31 December 2019 of RM0.01 per ordinary share to be paid on 22 May 2020 to every member who is entitled to receive the dividend as at 5:00 pm on 12 May 2020.

The Directors do not recommend any dividend in respect of the financial year ended 31 December 2020.

## 32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

| | At 1 January RM | Drawdown RM | New finance lease payable (Note 4(b)) RM | Repayment RM | Financing cash flows RM | At 31 December RM |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| **Group** | | | | | | |
| Lease liabilities (Note 22) | 26,894,791 | - | 8,898,159 | (9,387,269) | - | 26,405,681 |
| Trust receipts (Note 21) | - | 12,927,181 | - | (5,524,104) | - | 7,403,077 |
| Invoice financing (Note 21) | 50,642,979 | 208,105,714 | - | (222,094,605) | - | 36,654,088 |
| Banker's acceptance (Note 21) | 2,938,149 | 25,495,167 | - | (27,468,578) | - | 964,738 |
| Sukuk liabilities (Note 20) | 150,000,000 | - | - | (10,000,000) | - | 140,000,000 |
| Bank overdrafts (Note 21) | 2,775,177 | - | - | (2,775,177) | - | - |
| Dividend payable | - | 6,949,867 | - | - | (6,949,867) | - |
| | 233,251,096 | 253,477,929 | 8,898,159 | (277,249,733) | (6,949,867) | 211,427,584 |
| **Company** | | | | | | |
| Dividend payable | - | 6,949,867 | - | - | (6,949,867) | - |
| | - | 6,949,867 | - | - | (6,949,867) | - |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes: (Cont'd)

| | At 1 January RM | Drawdown RM | New finance lease payable (Note 4(b)) RM | Repayment RM | Financing cash flows RM | At 31 December RM |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| **Group** | | | | | | |
| Lease liabilities (Note 22) | 11,824,715 | - | 20,846,084 | (5,776,008) | - | 26,894,791 |
| Commodity murabahah term financing-I (Note 21) | 86,715,000 | 10,000,000 | - | (96,715,000) | - | - |
| Invoice financing (Note 21) | 26,479,466 | - | - | - | 24,163,513 | 50,642,979 |
| Banker's acceptance (Note 21) | 7,570,000 | - | - | - | (4,631,851) | 2,938,149 |
| Sukuk liabilities (Note 20) | - | 150,000,000 | - | - | - | 150,000,000 |
| Bank overdrafts (Note 21) | - | - | - | - | 2,775,177 | 2,775,177 |
| Dividend payable | - | 6,949,410 | - | - | (6,949,410) | - |
| | 132,589,181 | 166,949,410 | 20,846,084 | (102,491,008) | 15,357,429 | 233,251,096 |
| **Company** | | | | | | |
| Dividend payable | - | 6,949,410 | - | - | (6,949,410) | - |
| | - | 6,949,410 | - | - | (6,949,410) | - |

*The cash flows from bank borrowings make up the net amount of proceed from or repayments of bank borrowings in the statements of cash flows.*

## 33. RELATED PARTY DISCLOSURES

(a) Identified related parties

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

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

The Group and the Company have related party relationships with its subsidiary companies, others related parties and key management personnel.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 33. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. In addition to related party balances disclosed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| **Related party transactions** | | |
| **Group** | | |
| **Other Related Parties*:** | | |
| Progress billing received/receivable | 27,919,420 | 68,873,412 |
| **Company** | | |
| **Subsidiary companies:** | | |
| Dividend income | 5,000,000 | - |
| Issuance of Ordinary Shares | 45,000,000 | - |
| **Year end balances** | | |
| **Company** | | |
| Receivable from related parties: | | |
| - Subsidiary companies | 48,949,532 | 102,190,031 |

* The nature and relationship between the Group and the related parties are those companies in which a Director of the Company has financial interest.

(c) Compensation of key management personnel

Information regarding compensation of key management personnel is as follows:

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| **Short-term employee benefits** | | |
| - Salaries and other emoluments | 3,685,494 | 5,176,871 |

Key management personnel include personnel having authority and responsibilities for planning, directing and controlling the activities of the entity, including any Directors of the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 34. SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable segments as follows:

| | |
|---|---|
| Construction works | Construct building, infrastructure and project planning cum implementation contractor |
| Manufacturing and trading of polyurethane | Manufacturing and trading of polyurethane and building system |
| Concession | Maintenance service of Student Hostel |
| Investment holding | Investment holding |

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Information about segment liabilities is neither included in the internal management reports nor provided regularly to the management. Hence, no disclosure is made on segment liabilities.

No geographical segment reporting was made as the Group's activities were carried out within Malaysia.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

| | Construction RM | Manufacturing and trading RM | Concession RM | Investment holding RM | Adjustments and eliminations * RM | Per consolidated financial statements RM |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| **Revenue** | | | | | | |
| External sales | 646,766,193 | 3,018,966 | 23,959,093 | 2,484 | - | 673,746,736 |
| Inter-segment | 7,186,079 | - | 9,919,485 | 5,000,000 | (22,105,564) | - |
| Total revenue | 653,952,272 | 3,018,966 | 33,878,578 | 5,002,484 | (22,105,564) | 673,746,736 |
| **Results** | | | | | | |
| Segment results | (564,476) | (97,575) | 19,333,397 | 4,317,848 | (5,064,965) | 17,924,229 |
| Interest income | 1,529,500 | 221 | 6,807,135 | 2,485 | (6,551,000) | 1,788,341 |
| Finance costs | (4,658,725) | - | (13,574,226) | - | 6,615,965 | (11,616,986) |
| Depreciation of property, plant and equipment | (14,165,282) | (747,561) | (39,850) | - | - | (14,952,693) |
| Other non-cash items | 1,096,889 | (3,903,768) | - | (8,661,918) | 5,520,714 | (5,948,083) |
| Profit before taxation | (16,762,094) | (4,748,683) | 12,526,456 | (4,341,585) | 520,714 | (12,805,192) |
| Taxation | (1,913,604) | (23) | (46,181) | (551) | 745,599 | (1,214,760) |
| Net profit for the financial year | (18,675,698) | (4,748,706) | 12,480,275 | (4,342,136) | 1,266,313 | (14,019,952) |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 34. SEGMENTAL INFORMATION (CONT'D)

| | Construction RM | Manufacturing and trading RM | Concession RM | Investment holding RM | Adjustments and eliminations * RM | Per consolidated financial statements RM |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| **Assets** | | | | | | |
| Additions to non-current assets | 36,437,008 | 122,306 | 5,150 | - | - | 36,564,464 |
| Segment assets | 417,444,733 | 1,522,118 | 303,808,855 | 209,168,655 | (331,943,031) | 600,001,330 |
| Unallocated assets | 42,697,806 | 340,893 | 25,181,138 | 52,469 | - | 68,272,306 |
| Total assets | 496,579,547 | 1,985,317 | 328,995,143 | 209,221,124 | (331,943,031) | 704,838,100 |
| **Non-cash expenses/ (income)** | | | | | | |
| Inventories written down | - | 195,718 | - | - | - | 195,718 |
| Property, plant and equipment written off | 40,413 | - | - | - | - | 40,413 |
| Impairment loss on amount due from subsidiary companies | - | - | - | 3,016,298 | (3,016,298) | - |
| Impairment loss on investment in a subsidiary company | - | - | - | 5,630,620 | (5,630,620) | - |
| Impairment loss on property, plant and equipment | - | 3,863,265 | - | - | - | 3,863,265 |
| Impairment loss on goodwill on consolidation | - | - | - | - | 34,543 | 34,543 |
| Amortisation of concession right | - | - | - | - | 3,106,661 | 3,106,661 |
| Fair value gain on investment properties | (151,629) | - | - | - | - | (151,629) |
| Loss on foreign exchange - Unrealised | - | 450 | - | - | - | 450 |
| Gain on disposal of property, plant and equipment | (229,383) | - | - | - | - | (229,383) |
| Gain on disposals of investment property | (756,290) | - | - | - | - | (756,290) |
| Reversal of inventories written down | - | (155,665) | - | - | - | (155,665) |
| Reversal of impairment loss on a subsidiary company | - | - | - | 15,000 | (15,000) | - |
| | (1,096,889) | 3,903,768 | - | 8,661,918 | (5,520,714) | 5,948,083 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 34. SEGMENTAL INFORMATION (CONT'D)

| | Construction RM | Manufacturing and trading RM | Concession RM | Investment holding RM | Adjustments and eliminations * RM | Per consolidated financial statements RM |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| **Revenue** | | | | | | |
| External sales | 598,393,669 | 3,102,417 | 23,983,378 | 3,008 | - | 625,482,472 |
| Inter-segment | 6,271,377 | - | 3,300,550 | - | (9,571,927) | - |
| Total revenue | 604,665,046 | 3,102,417 | 27,283,928 | 3,008 | (9,571,927) | 625,482,472 |
| **Results** | | | | | | |
| Segment results | 28,436,227 | (199,151) | 19,569,243 | (694,140) | 496 | 47,112,675 |
| Interest income | 3,586,603 | 95 | 165,664 | - | (3,149,563) | 602,799 |
| Finance costs | (3,825,215) | (2,065) | (8,655,895) | - | 3,149,563 | (9,333,612) |
| Depreciation of property, plant and equipment | (16,802,894) | (1,301,132) | (38,906) | - | - | (18,142,932) |
| Other non-cash items | 568,685 | 44,124 | - | (2,359,000) | (747,661) | (2,493,852) |
| Profit before taxation | 11,963,406 | (1,458,129) | 11,040,106 | (3,053,140) | (747,165) | 17,745,078 |
| Taxation | (4,811,277) | 34,235 | (38,050) | - | 711,916 | (4,103,176) |
| Net profit for the financial year | 7,152,129 | (1,423,894) | 11,002,056 | (3,053,140) | (35,249) | 13,641,902 |
| **Assets** | | | | | | |
| Additions to non-current assets | 36,437,007 | 122,306 | 5,150 | - | - | 36,564,463 |
| Segment assets | 392,311,885 | 6,158,908 | 306,395,557 | 220,409,552 | (339,316,954) | 585,958,948 |
| Unallocated assets | 57,904,458 | 465,739 | 19,537,476 | 123,454 | - | 78,031,127 |
| Total assets | 486,653,350 | 6,746,953 | 325,938,183 | 220,533,006 | (339,316,954) | 700,554,538 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 34. SEGMENTAL INFORMATION (CONT'D)

| | Construction RM | Manufacturing and trading RM | Concession RM | Investment holding RM | Adjustments and eliminations * RM | Per consolidated financial statements RM |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| **Non-cash expenses/ (income)** | | | | | | |
| Inventories written down | - | 80,076 | - | - | - | 80,076 |
| Property, plant and equipment written off | 27,739 | - | - | - | - | 27,739 |
| Impairment loss on investment in a subsidiary company | - | - | - | 2,500,000 | (2,500,000) | - |
| Amortisation of concession right | - | - | - | - | 3,106,661 | 3,106,661 |
| Fair value gain on investment properties | (200,000) | - | - | - | - | (200,000) |
| Gain on foreign exchange - Unrealised | - | (2,151) | - | - | - | (2,151) |
| Gain on disposal of property, plant and equipment | (396,424) | - | - | - | - | (396,424) |
| Reversal of inventories written down | - | (122,049) | - | - | - | (122,049) |
| Reversal of impairment loss on a subsidiary company | - | - | - | (141,000) | 141,000 | - |
| | (568,685) | (44,124) | - | 2,359,000 | 747,661 | 2,493,852 |

* Inter-segment revenue, profit and transactions are adjusted and eliminated.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 35. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020<br>RM | 2019<br>RM | 2020<br>RM | 2019<br>RM |
| **At amortised cost** | | | | |
| **Financial assets** | | | | |
| Concession receivables | 134,583,186 | 136,983,496 | - | - |
| Trade receivables | 313,260,277 | 269,239,756 | - | - |
| Other receivables | 25,614,915 | 36,471,498 | 20,900 | 5,000 |
| Amount due from subsidiary companies | - | - | 48,949,532 | 102,190,031 |
| Fixed deposits with licensed banks | 40,346,307 | 7,562,081 | - | - |
| Cash and bank balances | 24,602,675 | 70,135,508 | 51,771 | 119,954 |
| **Total financial assets** | 538,407,360 | 520,392,339 | 49,022,203 | 102,314,985 |
| **Financial liabilities** | | | | |
| Trade payables | 234,728,213 | 189,471,931 | - | - |
| Other payables | 18,182,924 | 21,274,792 | 113,000 | 159,291 |
| Sukuk liabilities | 140,000,000 | 150,000,000 | - | - |
| Lease liabilities | 26,405,681 | 26,894,791 | - | - |
| Bank borrowings | 45,515,505 | 56,356,305 | - | - |
| **Total financial liabilities** | 464,832,323 | 443,997,819 | 113,000 | 159,291 |

### (b) Financial risk management

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and of the Company's operations whilst managing their credit, liquidity, interest rate risks. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions

#### (i) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from the individual characteristics of each customer, loans and advances to subsidiary companies and financial guarantee given to banks for credit facilities granted to related companies and third parties. There are no significant changes as compared to prior periods.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (i) Credit risk (Cont'd)

**Contract assets**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis via Group's management reporting procedures and action will be taken for stagnant contract assets.

At each reporting date, Group assesses whether any of the contract assets are credit impaired.

The gross amounts of credit impaired contract assets are written off (either partially or full) when 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. Nevertheless, contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

*Exposure to credit risk, credit quality and collateral*

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.

*Concentration of credit risk*

As at the end of the financial year, the Group has 2 (2019: 3) major contract customers accounted for approximately 100% (2019: 100%) of the total contract assets.

*Recognition and measurement of impairment loss*

As there are only a few contract customers, the Group assessed the risk of loss of each customer individually based on their financial information and past trend of payments, where applicable. All these customers have low risk of default because there is no history of default from these customers. The Group is of the view that loss allowance is not material and hence, it is not provided for.

The aged analysis of contract assets as at the end of the reporting period:

| | Gross amount RM | Allowance for impairment RM | Net balance RM |
|---|---|---|---|
| **Group** | | | |
| **2020** | | | |
| - Less than 30 days | 2,254,441 | - | 2,254,441 |
| - 31 to 60 days | 4,831,807 | - | 4,831,807 |
| - More than 60 days | 20,770,597 | - | 20,770,597 |
| | 27,856,845 | - | 27,856,845 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**35. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Financial risk management (Cont'd)**

**(i) Credit risk (Cont'd)**

**Contract assets (Cont'd)**

*Recognition and measurement of impairment loss (Cont'd)*

The aged analysis of contract assets as at the end of the reporting period: (Cont'd)

| | Gross amount RM | Allowance for mpairment RM | Net balance RM |
|---|---|---|---|
| **Group** | | | |
| **2019** | | | |
| - Less than 30 days | 7,394,768 | - | 7,394,768 |
| - 31 to 60 days | 5,593,289 | - | 5,593,289 |
| - More than 60 days | 24,337,492 | - | 24,337,492 |
| | 37,325,549 | - | 37,325,549 |

**Trade receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis via the Group's management reporting procedures and action will be taken for long overdue debts. Majority of the trade receivables are from construction, manufacturing and trading activities and concession receivables.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the 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. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

The Group receives collaterals in the form of properties from certain trade receivables in which the Group is permitted to sell the collateral in the absence of default. There are no specific terms and conditions to use the collaterals.

*Concentration of credit risk*

As at the end of the financial year, the Group has 6 (2019: 3) major customers and accounted for approximately 79% (2019: 51%) of the trade receivables outstanding.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**35. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Financial risk management (Cont'd)**

**(i) Credit risk (Cont'd)**

**Trade receivables (Cont'd)**

*Recognition and measurement of impairment loss*

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 30 days. The Group's debt recovery process is that when invoices which are exceeded credit terms, the Company will start to initiate a structured debt recovery process which is monitored by sales team.

The Group uses an allowance matrix to measure ECLs for trade receivables for all segments except for construction segment. Consistent with the debt recovery process, invoices which are exceeded credit terms will be considered as credit impaired.

Loss rates are based on actual credit loss experience over the past three years. Nevertheless, the Group believes that the forward-looking factors are immaterial for the purpose of calculation impairment for the year.

For construction contracts, as there are only a few contract customers, the Group assessed the risk of loss of each customer individually based on their financial information and past trend of payments, where applicable. All these customers have low risk of default because there is no history of default from these customers. The Group is of the view that loss allowance is not material and hence, it is not provided for.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at reporting period.

| | Gross amount RM | Allowance for impairment RM | Net balance RM |
|---|---|---|---|
| **Group** | | | |
| **2020** | | | |
| Current | 142,378,542 | - | 142,378,542 |
| *Past due not impaired* | | | |
| - Less than 30 days | 44,345,768 | - | 44,345,768 |
| - 31 to 60 days | 19,744,202 | - | 19,744,202 |
| - More than 60 days | 106,791,765 | - | 106,791,765 |
| | 313,260,277 | - | 313,260,277 |
| **2019** | | | |
| Current | 135,572,223 | - | 135,572,223 |
| *Past due not impaired* | | | |
| - Less than 30 days | 36,798,621 | - | 36,798,621 |
| - 31 to 60 days | 7,003,773 | - | 7,003,773 |
| - More than 60 days | 89,865,139 | - | 89,865,139 |
| | 269,239,756 | - | 269,239,756 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**35. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Financial risk management (Cont'd)**

**(i) Credit risk (Cont'd)**

**Cash and cash equivalents**

*Risk management objectives, policies and processes for managing the risk*

The cash and cash equivalents are held in hand and banks and financial institutions. The Group and the Company have a credit policy in place to control credit risk by deposit with banks and financial institutions with good credit rating.

*Exposure to credit risk, credit quality and collateral*

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.

*Recognition and measurement of impairment loss*

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

**Other receivables**

*Risk management objectives, policies and processes for managing the risk*

Credit risks on other receivables are mainly arising from advances to sub-contractors and deposits paid for tendering projects. These deposits will be refunded upon unsuccessful in tendering the projects. The Group and the Company manage the credit risk on an ongoing basis via Group and the Company's management reporting procedures and action will be taken for long outstanding debts.

*Exposure to credit risk, credit quality and collateral*

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.

*Recognition and measurement of impairment loss*

These other receivables have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

**Inter-company loans and advances**

*Risk management objectives, policies and processes for managing the risk*

The Group provides secured loans and advances to subsidiary companies. The Group monitors the ability of the subsidiary companies to repay the loans and advances on an individual basis.

*Exposure to credit risk, credit quality and collateral*

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (i) Credit risk (Cont'd)

**Inter-company loans and advances(Cont'd)**

*Recognition and measurement of impairment loss*

Generally, the Company considers loans and advances to subsidiary companies has low credit risk because there is no indicates that any going concern from subsidiary companies. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

**Financial guarantees**

*Risk management objectives, policies and processes for managing the risk*

The Group provides bank guarantees to the third parties in respect of contracts entered into by a subsidiary company. The Company provides corporate guarantees to banks in respect of banking facilities granted to certain subsidiary companies.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk of the Group and of the Company amounting to RM156,352,864 (2019: RM197,050,864) and RM156,352,864 (2019: RM203,581,128) respectively, representing the guarantee amount to the third parties and outstanding banking facilities of the subsidiaries as at the end of the reporting period respectively.

*Recognition and measurement of impairment loss*

There is no history of default from subsidiary companies, and there are no indicates that any going concern from these subsidiary companies. The Company is of the view that loss allowance is not material and hence, it is not provided for.

#### (ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**35. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Financial risk management (Cont'd)**

**(ii) Liquidity risk (Cont'd)**

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

| | On demand or within 1 year RM | 1 - 2 years RM | 2 - 5 years RM | After 5 years RM | Total Contractual Cash Outflow RM | Total Carrying Amount RM |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2020** | | | | | | |
| Trade payables | 209,682,097 | 553,279 | 24,492,837 | - | 234,728,213 | 234,728,213 |
| Other payables | 18,182,924 | - | - | - | 18,182,924 | 18,182,924 |
| Lease liabilities | 11,751,013 | 9,856,288 | 6,927,824 | - | 28,535,125 | 26,405,681 |
| Sukuk Liabilities | 16,419,041 | 15,983,973 | 59,623,767 | 85,601,897 | 177,628,678 | 140,000,000 |
| Bank borrowings | 45,103,393 | 143,545 | 306,958 | - | 45,553,896 | 45,515,505 |
| Total undiscounted financial liabilities | 301,138,468 | 26,537,085 | 91,351,386 | 85,601,897 | 504,628,836 | 464,832,323 |
| **2019** | | | | | | |
| Trade payables | 155,678,271 | 20,821,851 | 12,971,869 | - | 189,471,991 | 189,471,931 |
| Other payables | 21,274,792 | - | - | - | 21,274,792 | 21,274,792 |
| Lease liabilities | 9,591,115 | 8,922,463 | 11,164,327 | - | 29,677,905 | 26,894,791 |
| Sukuk liabilities | 16,855,000 | 16,425,000 | 56,422,500 | 104,857,500 | 194,560,000 | 150,000,000 |
| Bank borrowings | 56,356,305 | - | - | - | 56,356,305 | 56,356,305 |
| Total undiscounted financial liabilities | 259,755,483 | 46,169,314 | 80,558,696 | 104,857,500 | 491,340,993 | 443,997,819 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (ii) Liquidity risk (Cont'd)

| | On demand or within 1 year RM | Total Contractual Cash Outflow RM | Total Carrying Amount RM |
|---|---|---|---|
| **Group** | | | |
| **2020** | | | |
| Other payables | 113,000 | 113,000 | 113,000 |
| Financial guarantee liabilities* | 156,352,864 | 156,352,864 | 156,352,864 |
| Total undiscounted financial liabilities | 156,465,864 | 156,465,864 | 156,465,864 |
| **2019** | | | |
| Other payables | 159,291 | 159,291 | 159,291 |
| Financial guarantee liabilities* | 203,581,128 | 203,581,128 | 203,581,128 |
| Total undiscounted financial liabilities | 203,740,419 | 203,740,419 | 203,740,419 |

* Based on the maximum amount that can be called for under the financial guarantee contract.

The Group and the Company provides unsecured financial guarantee to banks in respect of credit facilities granted to certain subsidiary companies and monitors on an ongoing basis the performance of the subsidiary companies. At end of the financial year, there was no indication that the subsidiary companies would default on repayment.

Financial guarantee has not been recognised since the fair value on initial recognition was deemed not material and the probability of the subsidiary companies defaulting on their credit facilities is remote.

The maximum amount of the financial guarantees issued to the banks for subsidiary companies' borrowings is limited to the amount utilised by the subsidiary companies, amounting to RM156,352,864 as at 31 December 2020 (2019: RM203,581,128). The earliest period any of the financial guarantees can be called upon by the financial institutions is within the next 12 months. At end of the financial year, there was no indication that the subsidiary companies would default on repayment.

#### (iii) Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

##### (a) Currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currencies of the Group entities. The currencies giving rise to this risk are primarily United Stated Dollar ("USD").

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

**35. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Financial risk management (Cont'd)**

**(iii) Market risks (Cont'd)**

**(a) Currency risk (Cont'd)**

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

| | Group | |
|---|---|---|
| | **2020** **RM** | **2019** **RM** |
| **Financial Assets** | | |
| Cash and bank balances | 215,620 | 177,469 |
| Trade receivables | 76,124 | 169,112 |
| | 291,744 | 346,581 |

*Currency risk sensitivity analysis*

The following table demonstrates the sensitivity of the Group's profit net of tax to be reasonably possible change in the key foreign currency against the functional currency of the Group, with all other variables held constant.

| | Group | |
|---|---|---|
| | **2020** **RM** | **2019** **RM** |
| **Effect on (loss)/profit before taxation** | | |
| USD/RM | | |
| -Strengthened 5% | 14,587 | 17,329 |
| -Weakened 5% | (14,587) | (17,329) |

**(b) Interest rate risk**

The Group's investments in fixed rate deposits with licensed banks and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (iii) Market risks (Cont'd)

##### (b) Interest rate risk (Cont'd)

*Exposure to interest rate risk*

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| **Group** | | |
| **Fixed rate instruments** | | |
| **Financial asset** | | |
| Fixed deposits with licensed banks | 40,346,307 | 7,562,081 |
| **Financial liabilities** | | |
| Sukuk liabilities | 140,000,000 | 150,000,000 |
| Lease liabilities | 26,405,681 | 26,894,791 |
| **Floating rate instrument** | | |
| **Financial liability** | | |
| Bank borrowings | 45,515,505 | 56,356,305 |

<u>Fair value sensitivity analysis for fixed rate instruments</u>

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

<u>Cash flow sensitivity analysis for floating rate instruments</u>

A change of 1% interest rate at the end of the reporting period would have increased/(decreased) the Group's (loss)/profit before taxation by RM455,155 (2019: RM563,563), arising mainly as a result of lower/higher interest expenses on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (c) Fair value information

The carrying amounts of receivables and payables, cash and cash equivalents and borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

| | Fair value of financial instruments carried at fair value | | Fair value of financial instruments not carried at fair value | | | |
|---|---|---|---|---|---|---|
| | Level 3<br>RM | Total<br>RM | Level 2<br>RM | Total<br>RM | Total fair value<br>RM | Carrying amount<br>RM |
| **2020** | | | | | | |
| **Group** | | | | | | |
| **Financial assets** | | | | | | |
| Concession receivables | 131,869,814 | 131,869,814 | - | - | 131,869,814 | 131,869,814 |
| Trade receivables | - | - | - | # | # | 55,919,649 |
| | 131,869,814 | 131,869,814 | - | - | 131,869,814 | 187,789,463 |
| **Financial liabilities** | | | | | | |
| Trade payables | - | - | - | # | # | 25,046,116 |
| Sukuk liabilities | - | - | 130,000,000 | 130,000,000 | 130,000,000 | 130,000,000 |
| | - | - | 130,000,000 | 130,000,000 | 130,000,000 | 155,046,116 |

\# *The fair value cannot be reliably measured using valuation techniques*

| | Fair value of financial instruments carried at fair value | | Fair value of financial instruments not carried at fair value | | | |
|---|---|---|---|---|---|---|
| | Level 3<br>RM | Total<br>RM | Level 2<br>RM | Total<br>RM | Total fair value<br>RM | Carrying amount<br>RM |
| **2019** | | | | | | |
| **Group** | | | | | | |
| **Financial assets** | | | | | | |
| Concession receivables | 134,583,186 | 134,583,186 | - | - | 134,583,186 | 134,583,186 |
| Trade receivables | - | - | - | # | # | 72,634,028 |
| | 134,583,186 | 134,583,186 | - | - | 134,583,186 | 207,217,214 |
| **Financial liabilities** | | | | | | |
| Trade payables | - | - | - | # | # | 33,793,660 |
| Sukuk liabilities | - | - | 140,000,000 | 140,000,000 | 140,000,000 | 140,000,000 |
| | - | - | 140,000,000 | 140,000,000 | 140,000,000 | 173,793,660 |

\# *The fair value cannot be reliably measured using valuation techniques*

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (c) Fair value information (Cont'd)

(i) Policy on transfer between levels

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

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

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.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

## 36. CAPITAL MANAGEMENT

The Group's management manages its capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholders value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 36. CAPITAL MANAGEMENT (CONT'D)

Total capital managed at Group level, which comprises shareholders' funds, cash and cash equivalents and bank borrowings.

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Total loans and borrowings | 211,921,186 | 233,251,096 |
| Less: Cash and cash equivalents | (40,446,156) | (60,146,870) |
| Net debt | 171,475,030 | 173,104,226 |
| Total equity | 159,146,116 | 183,100,745 |
| Gearing ratio | 1.08 | 0.95 |

## 37. CAPITAL COMMITMENTS

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Approved and contracted for: | | |
| - Acquisition of property, plant and equipment | 1,425,128 | 11,423,917 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
# 31 DECEMBER 2020

## 38. SIGNIFICANT EVENTS

Outbreak of coronavirus pandemic

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 outbreak also resulted in travel and movement restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Company operates.

As a result of the MCO, the Group construction segment on the progress of the ongoing projects was halted during MCO imposed by the Malaysian Government and thus the revenue recognition of these projects was impeded. The Group had obtained several approved Extension of Time ("EOT") which relives the Group from being imposed of liquidated ascertained damages for the failure to complete the construction project on time.

The Group has submitted to MITI for its application to continue operation during the MCO period and on 3 May 2020 obtained operating notification and agreement of standard compliance with operating procedures during the MCO. This has allowed the Group other segment to conditionally operate at varying capacities.

The latest imposition of the CMCO in October 2020 and 14-day MCO effective 13 January 2021 has not had any adverse impact on the Group's operations as the Group is permitted to continue with normal operations without any major form of restrictions or interruptions in daily activities, implementation of the required SOPs and conditions remain in place. At the reporting date, the Group is financially strong with a net current asset and positive shareholders' fund amounted to RM36,830,645 and RM159,146,116 respectively. Besides that, the Group's holding cash and cash equivalents of RM40,446,156 as at 31 December 2020, and has no issue in its ability to continue as going concern in the foreseeable future.

The Group performed an assessment on the overall impact of the situation on the Group's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there is no material adverse effect on the financial statements for the financial year ended 31 December 2020, other than impairment loss on property, plant and equipment and goodwill as disclosed in Note 4 and Note 6 respectively. As the situation is still evolving and the uncertainty of the outcome of the current events, the Group will continuously monitor the impact of COVID-19 on its operations and its financial performance. The Group will also be taking appropriate and timely measures in minimising the impact of the pandemic on the Group's operations and financial performance.

## 39. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 May 2021.

# LIST OF PROPERTIES

| Existing Use | Land Area (as per Land Title) (Square Feet) | Build Up Area (Square Feet) | Tenure / Date of Expiry of Lease | Address | Date of acquisition (S&P Date) | Approximate age of Building | NBV @ 31/12/2020 RM |
|---|---|---|---|---|---|---|---|
| Shop Office (3 Floors) | 2,131.25 | 5,717.57 | Leasehold 99 years expiring on 05.01.2091 (Balance 71 years) | No.19,19A & 19B , Jalan SB Indah 1/18, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan. | 20/8/2003 | 22 years | 1,198,009 |
| Investment Property (1 ½ Floor ) | 1,668.40 | 2,142.02 | Freehold | No.9 - PT 9078, Jalan Industri Putra 1, Precinct 14, 62050 Putrajaya. | 28/8/2007 | 10 years | 1,200,000 |
| Investment Property (1 ½ floor) | 1,668.40 | 2,142.02 | Freehold | No.11- PT 9077, Jalan Industri Putra 1, Precinct 14, 62050 Putrajaya. | 28/8/2007 | 10 years | 1,200,000 |
| Store | 216,171.61 | - | Freehold | Lot 4627 , Jalan Broga Besar, 71750 Broga, Negeri Sembilan. | 3/8/2009 | - | 1,083,539 |
| Store | 215,891.75 | - | Freehold | Lot 4628 , Jalan Broga Besar, 71750 Broga, Negeri Sembilan. | 23/10/2012 | - | 2,390,735 |
| Investment Property (Shop Office) | 1,173.27 | 2,922.40 | Leasehold 99 years expiring on 08.07.2098 (Balance 78 years) | No.7, Jalan MU Empat, Medan Universiti, 02600 Arau, Perlis | 26/3/2015 | 5 years | 580,000 |
| Investment Property (Shop Office) | 1,173.27 | 2,922.40 | Leasehold 99 years expiring on 08.07.2098 (Balance 78 years) | No.5, Jalan MU Empat, Medan Universiti, 02600 Arau, Perlis | 26/3/2015 | 5 years | 580,000 |
| Head Office (3 1/2 Floors) | 1,530.94 | 5,900.52 | Leasehold 99 years expiring on 05.01.2091 (Balance 71 years) | No.39, Jalan Sungai Besi Indah 1/19, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan. | 12/7/2016 | 17 years | 3,276,785 |
| Head Office (3 1/2 Floors) | 1,530.94 | 5,965.14 | Leasehold 99 years expiring on 05.01.2091 (Balance 71 years) | No.41, Jalan Sungai Besi Indah 1/19, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan. | 12/7/2016 | 17 years | 3,276,785 |
| Shop Lot | 1,407.00 | 2,347.00 | Freehold | G-01, Third Avenue, Jalan Teknokrat 3, Cyberjaya 4, 63000 Cyberjaya, Selangor. | 15/1/2016 | 3 years | 3,350,000 |

# LIST OF PROPERTIES (CONT'D)

| Existing Use | Land Area (as per Land Title) (Square Feet) | Build Up Area (Square Feet) | Tenure / Date of Expiry of Lease | Address | Date of acquisition (S&P Date) | Approximate age of Building | NBV @ 31/12/2020 RM |
|---|---|---|---|---|---|---|---|
| Investment Property (Serviced Apartment) | - | 635 | Leasehold land 99 years expiring on 31.12.2114 (Balance 94 years) | Parcel No.20-03 (Type A1), Residensi Eaton H.S.(D) 119912, PT78, Seksyen 63, Bandar KL, Daerah KL, Negeri WP KL | 06-03-17 | - | 733,465 |
| Investment Property (Serviced Apartment) | - | 80 Sq.Meters | Freehold | Parcel No.A-22-6 (Type B-M), Tower A, Lot 15, Geran No.56741, Lot No.15, in the Town Subang Jaya, District of Petaling , State of Selangor. | 18-02-19 | - | 415,935 |
| Investment Property (Condominium) | - | 764 | Leasehold land 99 years expiring on 11.05.2113 (Balance 93 years) | Parcel No.C-22-03A (Type X5), Residensi Tria Seputeh H.S.(D) 52985, Lot 20032, Seksyen 98, Bandar KL, Daerah KL, State of WP KL. | 24-07-19 | - | 85,448 |

# ANALYSIS OF SHAREHOLDINGS

**As at 30 April 2021**

| | |
|---|---|
| Number of Shares Issued | : comprising 694,986,660 ordinary shares |
| Class of Shares | : Ordinary shares |
| Voting Right | : One vote per ordinary share |
| Number of Shareholders | : 11,809 |

**DISTRIBUTION OF SHAREHOLDINGS**

| Size of Shareholdings | No. of Shareholders | Total Shareholdings | % |
|---|---|---|---|
| Less than 100 shares | 5,858 | 50,442 | 0.007 |
| 100 – 1,000 shares | 2,838 | 1,000,737 | 0.143 |
| 1,001 – 10,000 shares | 1,696 | 8,689,079 | 1.250 |
| 10,001 – 100,000 shares | 1,183 | 41,902,553 | 6.029 |
| 100,001 to less than 5% of issued shares | 231 | 237,223,449 | 34.133 |
| 5% and above of issued shares | 3 | 406,120,400 | 58.435 |
| Total | 11,809 | 694,986,660 | 100.00 |

**SUBSTANTIAL SHAREHOLDERS**

According to the Register of Substantial Shareholders under Section 144 of the Companies Act 2016, the following are the substantial shareholders of the Company:

| | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| Shareholders | No. of Shares | % | No. of Shares | % |
| Wie Hock Beng | 8 | * | 406,120,400# | 58.436 |
| Wie Hock Kiong | - | - | 406,120,400# | 58.436 |
| Sincere Goldyear Sdn Bhd | 117,419,900 | 16.896 | - | - |
| Kombinasi Emas Sdn Bhd | 288,700,500 | 41.540 | - | - |

Notes:
* *negligible*
\# Deemed interested by virtue of his interest in Sincere Goldyear Sdn Bhd and Kombinasi Emas Sdn Bhd pursuant to Section 8 of the Companies Act 2016

**DIRECTORS' SHAREHOLDINGS**

| | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| Directors | No. of Shares | % | No. of Shares | % |
| Dato' Sri Lee Tuck Fook | - | - | - | - |
| Datuk Hj Subhi Bin Dziyauddin | - | - | - | - |
| Wie Hock Beng | 8 | * | 406,120,400# | 58.436 |
| Wie Hock Kiong | - | - | 406,120,400# | 58.436 |
| Loh Kong Fatt | - | - | - | - |
| Salwa Binti Shamshuddin | - | - | - | - |

Notes:
* *negligible*
\# Deemed interested by virtue of his interest in Sincere Goldyear Sdn Bhd and Kombinasi Emas Sdn Bhd pursuant to Section 8 of the Companies Act 2016

# ANALYSIS OF SHAREHOLDINGS (CONT'D)

## THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 APRIL 2021

| No. | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 1. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Kombinasi Emas Sdn Bhd* | 185,700,500 | 26.720 |
| 2. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Sincere Goldyear Sdn Bhd* | 117,419,900 | 16.895 |
| 3. | AMSEC Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account - AmBank (M) Berhad for Kombinasi Emas Sdn Bhd (SMART)* | 103,000,000 | 14.820 |
| 4. | Advance Harvest Sdn Bhd | 23,391,000 | 3.366 |
| 5. | Chin Guek Hong | 23,191,000 | 3.337 |
| 6. | Chong Mei Yien | 20,397,900 | 2.935 |
| 7. | Country Dairy Sdn Bhd | 18,432,000 | 2.652 |
| 8. | Constant Uptrend Holdings Sdn Bhd | 15,776,500 | 2.270 |
| 9. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Mohamad Bolhair Bin Reduan* | 8,950,000 | 1.288 |
| 10. | Kan Fui Man | 8,389,000 | 1.207 |
| 11. | Tegas Setuju Sdn Bhd | 8,325,200 | 1.198 |
| 12. | Wie Hock Kow | 8,000,000 | 1.151 |
| 13. | Interjuta Raya Sdn Bhd | 6,624,000 | 0.953 |
| 14. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Kwan Aik Kiat* | 5,430,300 | 0.781 |
| 15. | RHB Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Mohamed Faroz Bin Mohamed Jakel* | 5,100,000 | 0.734 |
| 16. | Ikatan Generasi Sdn Bhd | 4,870,000 | 0.701 |
| 17. | Intrasegi Sdn Bhd | 4,163,800 | 0.599 |
| 18. | Yeoh Chooi Phin | 3,162,000 | 0.455 |
| 19. | Chang Yock Chai | 2,595,000 | 0.374 |
| 20. | Lew Ming Kiet | 2,047,100 | 0.294 |
| 21. | Ang Mui Lan | 2,000,000 | 0.288 |
| 22. | Chang Yock Chai | 1,870,000 | 0.269 |
| 23. | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Chin Kwan Yew (MY3849)* | 1,795,700 | 0.258 |
| 24. | Su Ming Yaw | 1,604,100 | 0.231 |
| 25. | Lam Kaw Chai @ Lam Yit Loon | 1,575,000 | 0.227 |
| 26. | Kok Fatt Kong | 1,492,800 | 0.215 |
| 27. | Lau Kien Hung | 1,010,000 | 0.145 |
| 28. | Maybank Investment Bank Berhad<br>Exempt An CLR (IE) for Etiqa Life Insurance Berhad (ELIB) (DMA) | 1,002,100 | 0.144 |
| 29. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Si Tho Yoke Meng (6000156) | 1,000,000 | 0.144 |
| 30. | Ang Lian Pang | 1,000,000 | 0.144 |
| | **Total** | **589,314,900** | **84.795** |

# PROXY FORM

PESONA METRO

**PESONA METRO HOLDINGS BERHAD**
(Registration No. 201101029741) (957876-T)

| CDS Account No. |
|---|
| |

| No. of shares held |
|---|
| |

**I/We**________________________________________________________ **Tel:**____________________

*[Full name in block, NRIC/Passport/Company No.]*

**of**____________________________________________________________________________

*[Full address]*

______________________________________________________________________________

**being member(s) of PESONA METRO HOLDINGS BERHAD, hereby appoint:**

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

or failing him/her, the Chairperson of the Meeting, as my/our proxy/proxies to vote for me/us and on my/our behalf at the Tenth Annual General Meeting of the Company which will be conducted entirely through live streaming from the Broadcast Venue at **Tricor Business Centre, Manuka 2&3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia** on **Monday, 28 June 2021** at **10.30 a.m.** or any adjournment thereof, and to vote as indicated below:

| Description of Resolution | Resolution | For | Against |
|---|---|---|---|
| To approve the payment of Directors' fees for the financial year ending 31 December 2021. | Ordinary Resolution 1 | | |
| To approve the payment of Directors' benefits from the date of the forthcoming Annual General Meeting until the next Annual General Meeting. | Ordinary Resolution 2 | | |
| To re-elect Mr Wie Hock Beng as Director. | Ordinary Resolution 3 | | |
| To re-elect Puan Salwa Binti Shamshuddin as Director. | Ordinary Resolution 4 | | |
| To re-appoint UHY as the Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 | | |
| Proposed continuation in office of Dato' Sri Lee Tuck Fook as Independent Non-Executive Director. | Ordinary Resolution 6 | | |
| Proposed continuation in office of Mr Loh Kong Fatt as Independent Non-Executive Director. | Ordinary Resolution 7 | | |
| Authority to Issue and Allot Shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016. | Ordinary Resolution 8 | | |
| Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature. | Ordinary Resolution 9 | | |
| Proposed Renewal of Share Buy-Back Authority. | Ordinary Resolution 10 | | |

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this ______________ day of _____________________, 2020

____________________________________

Signature*
**Member**

* Manner of execution:
(a) If you are an individual member, please sign where indicated.
(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
  (i) at least two (2) authorised officers, of whom one shall be a director; or
  (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

***NOTES:***

1. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting.*
   *Shareholders will not be allowed to attend the 10th Annual General Meeting in person at the Broadcast Venue on the day of the meeting.*
   *Shareholders are to attend, speak (including posing question to the Board via real time submission of typed texts) and vote remotely at the 10th Annual General Meeting via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at http://tiih.online.*
   *For further information, kindly refer to the Administrative Guide for the 10th Annual General Meeting.*
2. *For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 21 June 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, participate, speak and vote on his/her/its behalf.*
3. *A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*
4. *A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.*
5. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
7. *Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.*

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AFFIX
STAMP

The Share Registrar

**Tricor Investor & Issuing House Services Sdn Bhd**
Registration No. 197101000970 (11324-H)

Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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8. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:*
   (i) *In hard copy form*
   *Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.*
   (ii) *By electronic means via Tricor TIIH Online website at https://tiih.online*
   *Please follow the procedure as set out in the Administrative Guide of the 10th Annual General Meeting for the electronic submission of proxy form via TIIH Online.*
9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
10. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*
11. *Last date and time for lodging the proxy form is* ***Saturday, 26 June 2021 at 10.30 a.m.***
12. *For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please deposit the* ***ORIGINAL*** *certificate of appointment executed in the manner as stated in this proxy form with the Share Registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia if this has not been lodged with the Company's Share Registrar earlier.*
13. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 10th Annual General Meeting will be put to vote by way of poll.*

**PESONA METRO HOLDINGS BERHAD**
(Registration No. 201101029741) (957876-T)

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