



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



PASSION
STRATEGY
GROWTH

ANNUAL REPORT
2019

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



CORE VALUES



Exceptional
Performance



Strong
Value
Creation



Good Ethical
Conduct



Unwavering
Customer
Satisfaction

WHAT'S INSIDE



Overview

Notice of Annual General Meeting	2
Corporate Information	9
Corporate Structure	10
Financial Highlights	11
Board of Directors	12
Profile of Directors	13
Key Senior Management	17
Corporate Milestones	18
Chairman's Statement	24
Management Discussion and Analysis	29
Sustainability Report	41
Corporate Governance Overview Statement	77
Audit Committee Report	87
Statement on Risk Management and Internal Control	90
Directors' Responsibility Statement	93
Additional Information	94
Financial Statements	95
List of Properties	183
Analysis of Shareholdings	185
Form of Proxy	

Operating & Financial Review

Governance

Financial Statements & Others

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting ("9th AGM") of the Company will be held at **The Zenith, Level M1, Connexion Conference & Event Centre at The Vertical (CCEC Vertical), No. 8, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur** on **Friday, 19 June 2020** at **10.30 a.m.** for the following purposes:

- | | |
|---|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon. | <i>(Please refer to the Explanatory Notes to the Agenda)</i> |
| 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 2020 to be paid quarterly in arrears. | <i>(Ordinary Resolution 1)</i> |
| 3. To approve the payment of Directors' benefits of RM35,000.00 from the date of the forthcoming Annual General Meeting ("AGM") until the next AGM of the Company. | <i>(Ordinary Resolution 2)</i> |
| 4. To re-elect the following Directors who are retiring in accordance with Clause 76(3) of the Constitution of the Company:- | |
| (a) Dato' Sri Lee Tuck Fook | <i>(Ordinary Resolution 3)</i> |
| (b) Wie Hock Kiong | <i>(Ordinary Resolution 4)</i> |
| 5. To re-appoint UHY as the Auditors of the Company and to authorise the Directors to fix their remuneration. | <i>(Ordinary Resolution 5)</i> |

AS SPECIAL BUSINESS:

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

- | | |
|--|--------------------------------|
| 6. Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016 | |
| <p>"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act") and subject to the Constitution of the Company, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/regulatory authorities (if any), the Directors of the Company be and are hereby authorised to allot and issue shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued pursuant to this resolution does not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be authorised to do all such things as they may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Securities for the listing of and quotation for the additional shares so issued on Bursa Securities AND THAT such authority shall continue to be in force until 31 December 2021, unless revoked or varied by an ordinary resolution of the Company at a general meeting."</p> | <i>(Ordinary Resolution 6)</i> |

Notice of Annual General Meeting (Cont'd)

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

(Ordinary Resolution 7)

"**THAT** subject to the provisions of the Listing Requirements of Bursa Securities, 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 21 May 2020 ("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 AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); 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."

8. **Proposed Authority for the purchase by the Company of its own Ordinary Shares ("Proposed Share Buy-Back")**

(Ordinary Resolution 8)

"**THAT** subject always to the Act, the Constitution of the Company, the Listing Requirements of Bursa Securities 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 Securities 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 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 Securities 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 AGM 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 AGM 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 Listing Requirements 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 Share Buy-Back 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."

- 9. To transact any other business of which due notice shall have been given in accordance with the Act 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

21 May 2020

Notice of Annual General Meeting

(Cont'd)

NOTES

1. 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 10 June 2020. 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, speak and vote on his/her/its behalf.
2. 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.
3. 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.
4. Where a member of the Company is an authorised nominee as defined in the 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.
5. 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 Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
6. Where a member 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.
7. 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 at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur 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.
 - (ii) By electronic means via Tricor TIH Online website at <https://tiah.online>
Please refer to the Administrative Guide for further information on electronic submission.
8. 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 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 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.

Notice of Annual General Meeting (Cont'd)

9. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
10. Last date and time for lodging the proxy form is Wednesday, 17 June 2020 at 10.30 a.m.
11. Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:
 - a. Identity card (NRIC) (Malaysian), or
 - b. Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
 - c. Passport (Foreigner).
12. For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged with the Company's Share Registrar earlier.
13. Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all resolutions set out in the notice of general meeting will be put to vote by way of poll.

EXPLANATORY NOTES TO THE AGENDA

(i) **Item 1 of the Agenda**
Audited Financial Statements for the financial year ended 31 December 2019

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 AGM. As such, this Agenda item is not a business which requires a motion to be put to vote by shareholders.

(ii) **Ordinary Resolution 1**
Directors' fees for the financial year ending 31 December 2020

The Directors' fees proposed for the financial year ending 31 December 2020 are calculated based on the current board size and assuming that all Non-Executive Directors will hold office until the next AGM. 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 AGM 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 has considered various factors including the current board size and number of scheduled meetings for the Board and Board Committee for the period from the date of the forthcoming AGM until the next AGM. In the event the proposed amount is insufficient (due to more meetings/enlarged board size), approval will be sought at the next AGM for the shortfall.

Notice of Annual General Meeting (Cont'd)

(iv) **Ordinary Resolutions 3 and 4**
Re-election of Directors

Dato' Sri Lee Tuck Fook and Mr Wie Hock Kiong are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 9th AGM.

The Board of Directors has through the Nomination Committee considered the assessment of the Directors and collectively agreed that they meet the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements on character, experience, integrity, competence and time to effectively discharge their roles as Directors.

(v) **Ordinary Resolution 5**
Re-appointment of Auditors

The Board has 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 9th AGM are disclosed in the Corporate Governance Overview Statement of the 2019 Annual Report.

(vi) **Ordinary Resolution 6**
Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

This proposed resolution, if passed, will empower the Directors to allot up to a maximum of 20% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company.

The Company had, at the last AGM held on 13 June 2019, obtained the mandate from the shareholders to allot up to a maximum of 10% of the total number of issued shares of the Company. Amid the unprecedented uncertainty surrounding the recovery of the COVID-19 outbreak, the Board of Directors is desirous to seek shareholders' mandate to allot up to a maximum of 20% of the total number of issued shares of the Company in order to raise funds quickly and efficiently during this challenging time. This mandate will continue to be in force until 31 December 2021, unless such approval is revoked or varied by the Company at general meeting. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 13 June 2019 and the mandate will lapse at the conclusion of the 9th AGM.

Notice of Annual General Meeting (Cont'd)

(vii) **Ordinary Resolution 7**
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 21 May 2020 in accordance with the Main Market Listing Requirements of Bursa Securities 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 AGM 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 21 May 2020, which was circulated together with the Company's 2019 Annual Report.

(viii) **Ordinary Resolution 8**
Proposed Share Buy-Back

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 AGM of the Company.

Further information relating to this proposed resolution is set out in Part B of the Statement to Shareholders dated 21 May 2020, which is circulated together with the Company's 2019 Annual Report.

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

Wong Wai Foong
(MAICSA 7001358)
(SSM PC NO. 202008001472)

Lim Hooi Mooi
(MAICSA 0799764)
(SSM PC NO. 201908000134)

Te Hock Wee
(MAICSA 7054787)
(SSM PC NO. 202008002124)

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
Wilayah Persekutuan
Malaysia
Tel : +60 3 2279 3088
Fax : +60 3 2279 3099

REGISTRAR

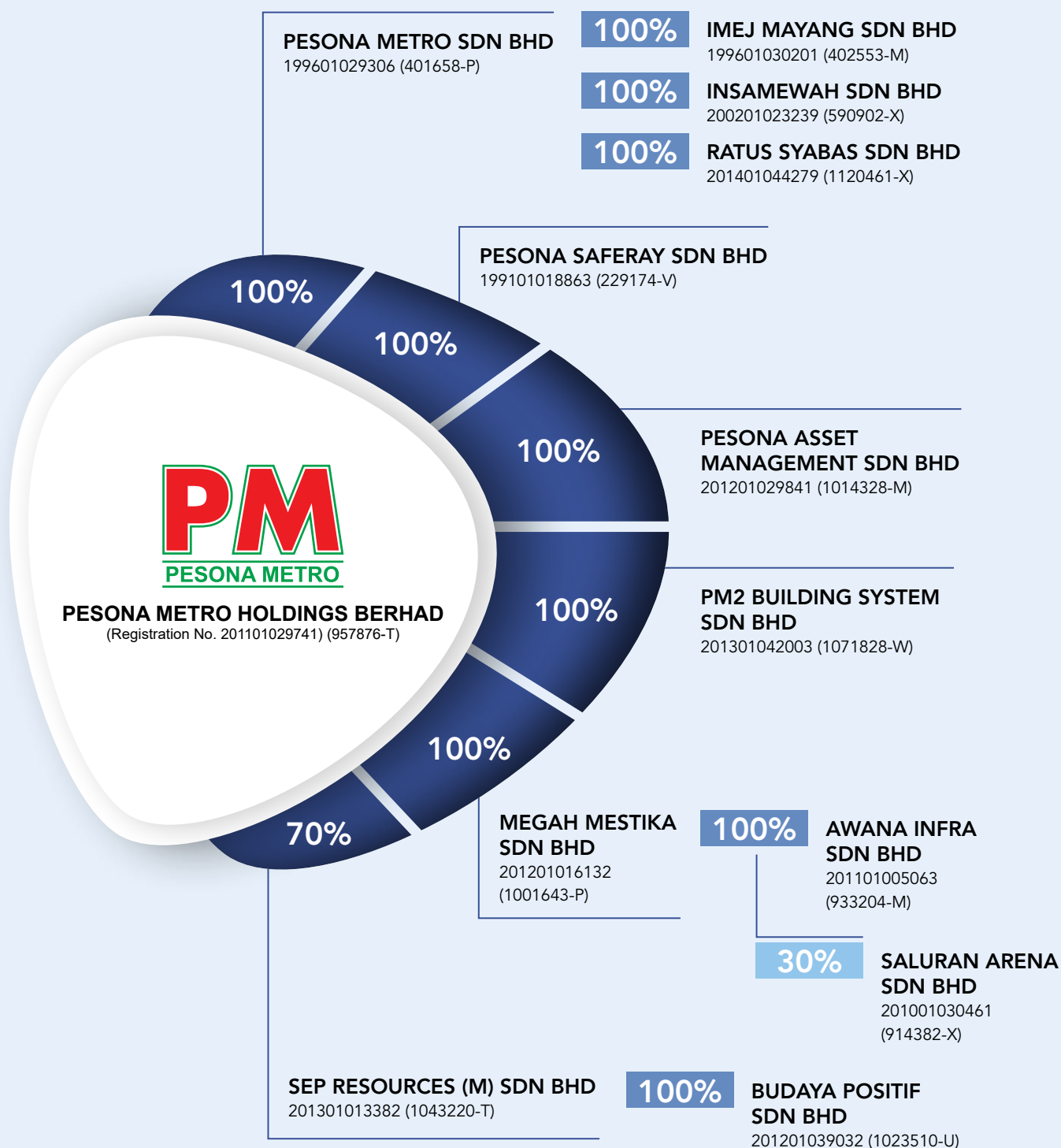
Tricor Investor & Issuing House Services
Sdn Bhd (197101000970) (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia
Tel : +60 3 2783 9299
Fax : +60 3 2783 9222

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

BANKERS

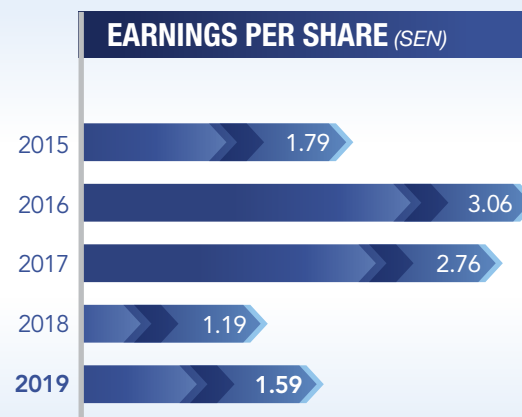
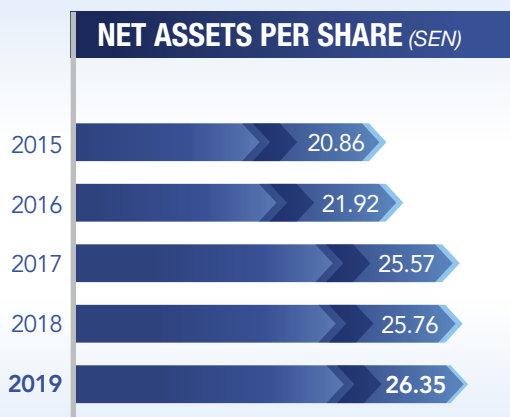
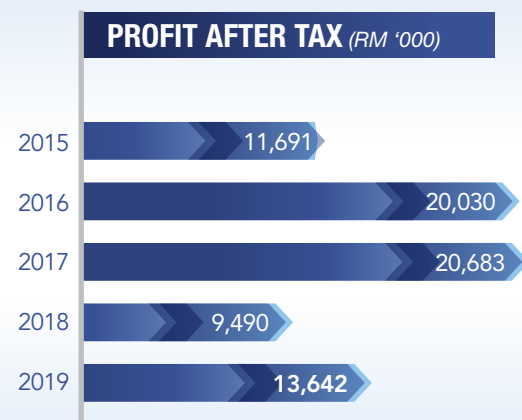
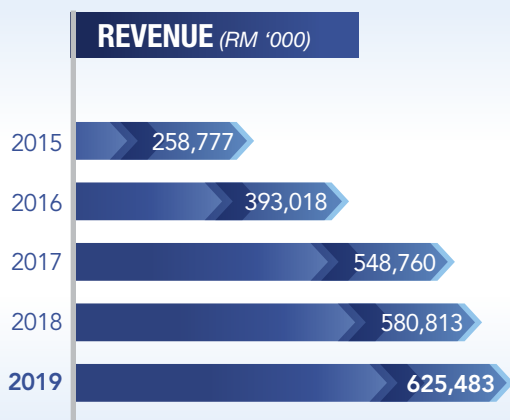
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
CIMB Bank Berhad
Malayan Banking Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad

Corporate Structure



Financial Highlights

In RM '000 (Except otherwise indicated)	2019	2018	2017	2016	2015
Revenue	625,483	580,813	548,760	393,018	258,777
Profit before tax	17,745	14,057	29,235	28,705	16,099
Profit after tax	13,642	9,490	20,683	20,030	11,691
Total assets	700,555	569,128	531,066	348,730	283,511
Share capital	194,020	194,020	194,008	163,684	163,499
Total equity attributable to owners of the parent	183,101	178,998	177,683	143,519	136,391
No. of shares ('000) (Unit)	694,941	694,941	694,891	654,735	653,995
Earnings per share (Sen)	1.59	1.19	2.76	3.06	1.79
Net assets per share (Sen)	26.35	25.76	25.57	21.92	20.86
Dividend (Sen)	1.00	1.00	1.00	2.00	1.00



Board of Directors

DATO' SRI LEE TUCK FOOK

(Chairman)

**DATUK HJ SUBHI
BIN DZIYAUDDIN**

(Deputy Chairman)

LOH KONG FATT

WIE HOCK BENG

(Managing Director)

WIE HOCK KIONG

**SALWA BINTI
SHAMSHUDDIN**



Profile of Directors



DATO' SRI LEE TUCK FOOK

Chairman (Independent Non-Executive Director)
Male, Age 65, 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 Oversea 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 an Independent Non-Executive Director of SAM Engineering & Equipment Berhad, a company listed on Bursa Securities. He was appointed to the Board on July 2008 and is a member of its Audit Committee. He is also the Executive Director of Pavilion REIT Management Sdn Bhd and a Director of Kuala Lumpur Pavilion Sdn Bhd and Makna Muja 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 2019.

Profile of Directors (Cont'd)

Datuk Hj Subhi Bin Dziyauddin 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 out of five (5) Board Meetings of the Company held during the financial year ended 31 December 2019.



**DATUK HJ SUBHI
BIN DZIYAUDDIN**

Deputy Chairman (Non-Independent
Non-Executive Director)
Male, Age 56, Malaysian



WIE HOCK BENG

Managing Director
(Non-Independent Executive Director)
Male, Age 47, Malaysian

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 28 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 2019.

Profile of Directors (Cont'd)

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 ("PPB") 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 four (4) Board Meetings out of five (5) Board Meetings of the Company held during the financial year ended 31 December 2019.



WIE HOCK KIONG
(Non-Independent
Non-Executive Director)
Male, Age 59, Malaysian



LOH KONG FATT
(Senior Independent
Non-Executive Director)
Male, Age 66, 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 2019.

Profile of Directors (Cont'd)

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 Advisor of Golden Hook Mining Sdn Bhd and Chairman of Epad Kinetic Asia 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 2019.



SALWA BINTI SHAMSHUDDIN

(Independent Non-Executive Director)
Female, Age 43, Malaysian

Key Senior Management

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

CHONG KIEN ENG

Male, Age 48, Malaysian
Chief Financial Officer

Mr. Chong Kien Eng brings with him 16 years of expertise in Accounting and Finance before joining PMHB as the Chief Financial Officer on 1 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.

IR. NG WENG WOH

Male, Age 63, Malaysian
Chief Operating Officer
(Infrastructure Division)

Ir. Ng Weng Woh, MSc in Civil Engineering from Heriot-Watt University, United Kingdom and a Registered Professional Engineer, brings with him more than 30 years of civil engineering experience in the construction industry to PMHB in 2011 and had since been leading the Infrastructure Division of the Group.

His vast experience in the infrastructure segment such as highway and bridge construction, beautification of rivers, flood mitigation of water bodies such as dams as well as railways has greatly added value to the Group. His achievements under PMHB includes the flood mitigation work at Timah Tasoh Dam in Perlis, rehabilitation and beautification of Sungai Melaka, construction of the Central Spine Road Expressway at Gua Musang and Port Klang Bridge.

On 1 January 2015, he assumed the position of COO for the Group, managing the operational work of the Infrastructure Division.

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

Male, Age 52, Malaysian
Chief Operating Officer
(Building Division)

Mr. Soh Choon Guan, a Bachelor Degreeholder 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.

He specialises 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.

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.



2006

FIRST HIGH-RISE

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



2005

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



Corporate Milestones (Cont'd)

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 Lalan 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.



2010

- PMSB received a Letter of Appreciation from the Melaka State Government for the Sg. Melaka project.
- PMSB received a Letter of Appreciation from Jata Asia Properties and CapitalLand (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.

Corporate Milestones (Cont'd)



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)

2014

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.

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)

2016

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



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.



Corporate Milestones (Cont'd)

2018

- The KPJ Bandar Dato' Onn Specialist Hospital project achieved a score of 79% in the QCLASSIC 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.



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.



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.

Chairman's Statement



Dear Shareholders,

On behalf of your 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 2019.



A COMMENDABLE PERFORMANCE

I am pleased to announce that PMHB delivered another commendable performance in 2019 despite difficult market conditions.

The year in review saw us registering record revenue of RM625.5 million, an 8% increase from revenue of RM580.8 million generated in 2018. The Group's profit before tax ("PBT"), similarly, rose by 26% to RM17.7 million from RM14.1 million in the preceding year on the back of the higher revenue.

As in previous years, PMHB's 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 was mainly due to the contributions from the nine ongoing projects, including the two new projects awarded in 2019, and the two completed projects delivered in the same year.

An in-depth review of our operational and financial performance is detailed in the Management Discussion and Analysis section of this Annual Report.



Chairman's Statement (Cont'd)

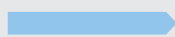
SHAREHOLDER VALUE CREATION

In respect of the financial year ended 31 December 2018, a single tier final dividend of 1.0 sen per ordinary share amounting to RM6.9 million was paid on 12 July 2019.

For the financial year ended 31 December 2019, your Board recommended a single tier final dividend of 1.0 sen per ordinary share amounting to RM6.9 million, which will be subject to shareholders' approval at the forthcoming Ninth Annual General Meeting. However, in light of the Covid-19 pandemic and the Movement Control Order imposed by the Malaysian government as well as the subsequent directive by the Malaysian government to refrain from holding a gathering of large numbers, the Board had on 22 April 2020 resolved to reclassify the proposed single tier final dividend to single tier interim dividend, to be paid on 22 May 2020 in order to facilitate a timely dividend payment to the shareholders.

As a testimony of the Group's commitment to excellence, our primary subsidiary, PMSB was conferred several honours over the course of 2019. PMSB received the Gold Award at the 15th MOSHPA OSH Excellent National Award 2019 ceremony from the Malaysian Occupational Safety & Health Practitioner's Association for its excellent OSH practices at the TRIA Seputeh project. PMSB also bagged a Gold Class 2 Award from the Malaysian Society for Occupational Safety and Health for its 2018 OSH Performance at the Lot 15 SJCC project. The year also saw the Central Spine Road Package 3E2 project emerging as the Champion of Jabatan Kerja Raya Malaysia's Excellent Contractor Award in the Infrastructure category.

REVENUE

FY2018  RM580.8m
FY2019  RM625.5m

RM 625.5
million

A COMMENDABLE PERFORMANCE

PROFIT BEFORE TAX

FY2018  RM14.1m
FY2019  RM17.7m

RM 17.7
million



PMSB received the Gold Award at the 15th MOSHPA OSH Excellent National Award 2019 ceremony from the Malaysian Occupational Safety & Health Practitioner's Association for its excellent OSH practices at the TRIA Seputeh project.

Chairman's Statement (Cont'd)



PMSB received 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% for its Lot 15 SJCC project.



PMSB also bagged a Gold Class 2 Award from the Malaysian Society for Occupational Safety and Health for its 2018 OSH Performance at the Lot 15 SJCC project.

**“ PMSB,
successfully
secured two
new projects
valued at
RM408.8 million
and
RM238.5 million
in 2019.**

On 25 February 2020, PMSB received 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.

These honours all underscore the market's continued confidence in our capabilities and track record as a reputable construction player.

KEY DEVELOPMENTS

On 28 November 2019, PMHB announced that its subsidiary SEP Resources (M) Sdn Bhd ("SEP") had lodged the required information and relevant documents to the Securities Commission Malaysia in relation to the issuance of the Islamic Medium Term Notes Issuance of up to RM150.0 million in nominal value under the Shariah Principle of *Wakalah Bi Al-Istithmar* ("Sukuk"). Led and managed by MIDF Amanah Investment Bank Bhd and Public Investment Bank Bhd, the Sukuk will be valid for 11 years from the date of issuance. The proceeds from the Sukuk issuance will be utilised for the subscription of *Murabahah* stocks to be issued by Budaya Positif Sdn Bhd, a wholly-owned subsidiary of SEP. The Sukuk will then be channelled into repaying bank borrowings and utilised as working capital for the Group. The Sukuk was subsequently issued on 27 December 2019.

On the construction front, PMSB, successfully secured two new projects in 2019. Comprising of works for MRCB Builders Sdn Bhd's TRIA Seputeh mixed project in Kuala Lumpur and a project for MCT Berhad's subsidiary Lakefront Residences Sdn Bhd in Cyberjaya, both projects commenced in the first quarter of 2019. Valued at RM408.8 million and RM238.5 million respectively, these two projects added a total of RM647.3 million to the Group's 2019 order book.

Chairman's Statement (Cont'd)



The Residensi Gen project that was completed and handed over on 15 October 2019.

RESPONSIBLE CORPORATE PRACTICES

The Group is wholly committed to creating value in a sustainable and ethical manner. We remain steadfast in upholding the highest standards of corporate governance in order to ensure that we execute all our dealings with transparency and maintain our standing as a reputable industry player. We continue to observe robust risk management and implement internal control measures across the Group even as we endeavour to grow our businesses sustainably and profitably. The details of our Board Charter, the Terms of Reference for the Audit Committee, Remuneration Committee and Nomination Committee, as well as our Whistleblowing Policy can be accessed on our website at www.pesona.com.my.

In 2019, PMHB began to incorporate its new Anti-Corruption Anti-Bribery Policy and Procedures into its Code of Conduct in accordance with Bursa Malaysia's MMLR and in compliance with the Malaysian Anti-Corruption Commission's ("MACC") Anti-Corruption Act 2009 Section 17A which is due to be implemented by June 2020. In line with this, training sessions for the Board and Senior Management were carried out on 28 November 2019, while the same was cascaded down company-wide to ensure every employee fully understands and adheres to the policy and procedures.

FUTURE OUTLOOK

Moving forward, the Group anticipates a more modest pace of growth in 2020 with forecasts predicting minimal increases in the rate of growth on both the local and global fronts. While the building segment is expected to be slower due to the sluggish property development side of the industry, the infrastructure sector looks like it may pick up pace once again. With this in mind, the Group is looking to place an emphasis on our infrastructure portfolio which used to be the mainstay of PMSB's business during the early years. The Group will also explore the opportunity to venture into the property development sector, especially by way of mid-range products.

Given the various challenges that have already presented themselves in the first quarter of 2020 – including the impact of the Covid-19 pandemic and the dramatic fall in oil prices – your Management and Board will work hard to ensure that PMHB continues to be sustainable and profitable amidst all the economic and geopolitical uncertainties.

Chairman's Statement (Cont'd)



The Central Plaza i-City Mall project which was completed and handed over on 23 March 2019.



“The Group is looking to place an emphasis once again on its infrastructure portfolio which used to be the mainstay of PMSB’s business.”

ACKNOWLEDGEMENTS

One of the main reasons we have been able to navigate our way smoothly through this season is because of the people that have continued to lend us their unwavering support and kind cooperation. On behalf of the Board of Directors, I would like to sincerely thank all our valued shareholders, customers and clients, bankers, government departments and agencies, vendors, suppliers and all other parties who have helped us on our journey to success.

I would like to convey my utmost appreciation to our dedicated and efficient management team and employees of our subsidiaries and associate companies. The Board appreciates all your input and worthy efforts even as we look forward to charting the next phase of this journey together.

To my esteemed colleagues on the Board, please accept my sincere gratitude for your guidance and wisdom that have helped the Group to successfully weather the challenges during these turbulent times.

As PMHB ventures forth, I call upon all of our stakeholders to lend us their unstinting support as we work together to attain new heights of success. Thank you.

DATO’ SRI LEE TUCK FOOK
Chairman

Management Discussion and Analysis

“The Group’s Construction Division is the main contributor to PMHB’s overall performance which generated 96% or some RM598.4 million of the Group’s revenue in 2019.”

OVERVIEW OF THE GROUP

Pesona Metro Holdings Berhad (“PMHB” or “the Group”) is an investment holding company that is primarily involved in the construction of residential and commercial buildings as well as infrastructure works. The Group’s Construction Division is helmed by Pesona Metro Sdn Bhd (“PMSB”) which is also the main contributor to PMHB’s overall performance. In 2019, PMSB generated 96% or some RM598.4 million of the Group’s revenue. Today, PMSB’s project portfolio comprises the construction of high-rise luxury residential buildings, commercial buildings for offices and malls, hospitals, infrastructure works for the construction of highways, irrigation projects, as well as the rehabilitation and beautification of rivers.

The Group also has a concessionaire arm by virtue of it owning a 70% equity stake in SEP Resources (M) Sdn Bhd (“SEP”). In 2019, the Concessionaire Division contributed RM11.0 million towards the Group’s net profit. This positive contribution by SEP underscores that the Group’s strategy to diversify its business and alleviate the Group’s overreliance on its construction business is proving fruitful. The concessionaire business will continue providing steady recurring income to PMHB for the long-term.

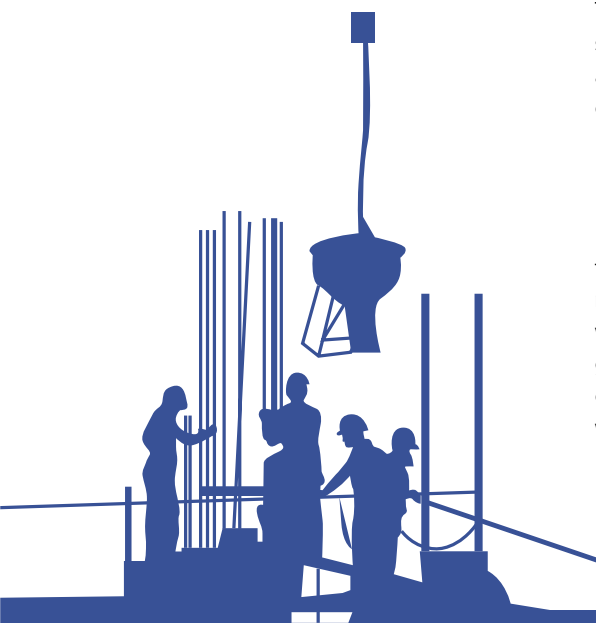
PMHB’s Manufacturing Division plays a supporting role to the Construction Division. Given the lacklustre performance of this division, the Group is keen on divesting itself of this loss-making outfit.

STRATEGIC OBJECTIVES

The Group is committed to ensuring sustainable operations so that it can reward stakeholders with value added returns that include high quality products and a consistent dividend pay-out. In line with this, PMHB continues to focus its efforts on the implementation of near-term and long-term strategies.

Near-Term Strategies

For the near-term, the Group will set its sights on improving its profit margins through an enhanced cost control management programme that will involve more effective waste reduction measures and less instances of rework. There will also be a focus on improving efficiency through better supervision at the ground level through buddy and hand-holding initiatives. The Group will also endeavour to strengthen employee morale through a better work-life balance which will also involve close monitoring of overtime.



Management Discussion and Analysis (Cont'd)

Today, the Group continues to strengthen the technical skills and expertise of its workforce through the rollout of effective in-house and external training sessions. This is providing PMHB's workforce solid insights into good work processes and well-aligned workflows that are being effectively implemented at the Group's project sites and its Headquarters. In terms of project delivery, PMHB will continue to focus its efforts on ensuring its core construction business implements and delivers on existing projects with excellent quality (i.e. in line with the Group's minimum internal quality rating of a 73% QCLASSIQ score for all projects), and within the agreed schedule.

Long-term Strategies

The Group's long-term strategy involves four phases, most of which are already in play. The first phase entails placing the right systems and human resources in place, while the second calls for the Group to strengthen its people as well as fortify its assets and machinery. The third phase involves the implementation of a strategy that sees the Group aggressively bidding and winning projects at the targeted price without entering into intense price wars with its peers. Even as the Group has successfully brought all the first three stages into play, it is now on the verge of achieving the fourth phase, which calls for the Group to deliver sustainable profits for the long-term.



Located at the highest point at the highly populated Kuchai Lama neighbourhood, Residensi Gen built by PMSB provides an elevated life style living in its unique combination of villas, condominiums and dual key residences surrounding.

The Group's overall business plan is to continue doing business in Malaysia. As such, PMSB will continue to market itself as a reliable builder with strong capital backing and the appropriate equipment for large developers including overseas clients who place an emphasis on high quality products and services. To date, the Group has a good track record of fulfilling the exacting requirements of clients from both Singapore and Thailand and will continue to explore such opportunities.

OPERATING ENVIRONMENT

In 2019, the value of construction work in Malaysia was valued at approximately RM146.4 billion, reflecting marginal growth over the RM145.5 billion registered in the preceding year. The slower pace of growth in comparison to 5.1% growth in 2018 was primarily due to the (then) new ruling Pakatan Harapan administration suspending construction projects in a bid to decrease the nation's debt.

Upon coming into power in 2018, the new government administration had undertaken reviews of several mega infrastructure projects and rationalised the development expenditure ceiling for the overall 11th Malaysian Plan to RM220.0 billion from the original RM260.0 billion allocation. This saw many government projects, especially infrastructure projects, being put on hold in 2018 which proved to be highly challenging for the domestic construction industry. As a result, the Malaysian construction sector, a key harbinger of economic growth, bore the brunt of weak business sentiment and lack of building jobs in the market.

Management Discussion and Analysis (Cont'd)



Construction work in progress at TRIA Seputeh in Kuala Lumpur.

In 2019, the government went on to announce the revival of several mega infrastructure projects that it had postponed. These projects included the RM44.0 billion East Coast Rail Link ("ECRL"), RM140.0 billion Bandar Malaysia as well as the Kuala Lumpur-Singapore High-Speed Rail ("HSR") projects. Following this optimistic news, the construction industry registered a recovery in sentiment which was signified by a rise in the Construction Index on Bursa Malaysia Securities Berhad ("Bursa Securities"). The Construction Index rose from 155.79 points at the start of 2019 to a high of 227.46 points on 3 July 2019, before floating above the 200 mark towards the end of 2019, indicating that the market has already priced in the upcoming contracts. All in all, the index registered a 34% advance in 2019 as compared to a 6% decline in the benchmark FBM KLCI over the course of 2019.

Notwithstanding the announcements, contract awards slowed down in the second half of 2019, dragging down the total value of contracts awarded for the first 11 months of 2019 to RM10.7 billion, some 17% lower than the RM12.9 billion recorded in the same period in 2018. As infrastructure and civil works for Malaysia picked up again in 2019, construction industry players, including PMHB, once again began actively tendering for infrastructure-related jobs.

Meanwhile on the property development front, competition continues to intensify year-on-year due to oversaturation in the property development industry. The sluggish property market has also dragged down the market momentum in the construction industry and made the playing field highly competitive. The arrival of foreign players has also made a challenging scenario all the more complex. On a positive note, as Malaysia opens its doors to foreign investors including foreign property developers, the Group is ideally placed to work with players from abroad as their preferred partner given our solid track record and proven expertise in dealing with several foreign clients.

FINANCIAL PERFORMANCE

Statement of Comprehensive Income

	2019	2018	Variance	
	RM'000	RM'000	RM'000	%
Revenue	625,483	580,813	44,670	7.7
Gross Profit	63,722	66,375	-2,653	-4.07
Other Operating Income	3,408	2,491	918	36.9
Administrative Expenses	40,050	43,918	-3,867	-8.8
Finance Costs	9,334	10,890	-1,556	-14.3
Profit Before Tax	17,745	14,058	3,688	26.2

Management Discussion and Analysis (Cont'd)

For the financial year ended 31 December 2019, the Group registered total revenue of RM625.5 million, an 8% increment in comparison to revenue of RM580.8 million in 2018. The bulk of the Group's revenue came in primarily from the Construction Division where higher construction progress was recognised from ongoing projects, particularly the UniSZA, Eaton Residences and Conlay 301 projects; as well as the Central Plaza i-City Mall and Residensi Gen projects, both of which were completed in 2019. The Group's profit before tax ("PBT") rose to RM17.7 million some 26% higher than PBT of RM14.1 million in 2018, in tandem with the rise in Group revenue.

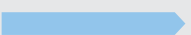


Statement of Financial Position

	2019 RM'000	2018 RM'000	Variance	
			RM'000	%
Non-current Assets	346,302	314,157	32,145	10.23
Current Assets	354,253	254,971	99,282	38.94
Equity	194,852	188,159	6,693	3.56
Non-current Liabilities	205,898	117,074	88,824	75.87
Current Liabilities	299,805	263,894	35,911	13.61

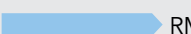
For the financial year in review, the Group's non-current assets rose by RM32.0 million or 10.2% in comparison to the previous year mainly due to the purchase of construction equipment. The Group's current assets too increased by 38.9% mainly due to the increase in cash and cash equivalent resulting from the issuance of Sukuk. At the same time, the Group's non-current liabilities rose by 75.9% which was attributable to the issuance of RM150.0 million of Sukuk.

GROUP NON-CURRENT ASSETS

FY2018  RM314.2m
FY2019  RM346.3m

RM 346.3
million
▲ 10.2%

GROUP CURRENT ASSETS

FY2018  RM255.0m
FY2019  RM354.2m

RM 354.2
million
▲ 38.9%



Construction work in progress at UniSZA Teaching Hospital in Terengganu.

Management Discussion and Analysis (Cont'd)



Construction work in progress at Ativo Suites, Damansara Avenue, Selangor.

PERFORMANCE OF THE BUSINESS SEGMENTS

CONSTRUCTION DIVISION

Financial Overview

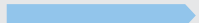
In 2019, PMHB's construction arm under PMSB continued to be the main contributor to the Group's revenue, accounting for 96% of overall revenue. The Construction Division recorded revenue of RM598.4 million for the year in review, a 8% rise over revenue of RM554.5 million in 2018. The higher revenue was contributed by 11 projects over the span of 2019. Two of these were brought to completion while nine are ongoing. The Construction Division turned in a PBT of RM12.0 million, a 21% decline over the preceding year's PBT of RM15.2 million. This was due to higher construction costs and depreciation charges incurred.

Performance Highlights

For the year in review, the Construction Division successfully brought two projects to a close. These were the Central Plaza i-City Mall project which was completed and handed over on 23 March 2019, and the Residensi Gen project which was completed and handed over on 15 October 2019.

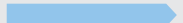
Over the course of 2019, PMSB secured two contracts amounting to RM647.3 million. The first was for a RM408.8 million contract from MRCB Builders Sdn Bhd ("MRCB") for works on the TRIA Seputeh mixed project in Kuala Lumpur. This, the second phase of MRCB's upmarket 9 Seputeh development, encompasses superstructure works on three blocks of luxury apartments comprising 734 units, together with 10 floors of parking (including a basement) and six units of retail space in a matured neighbourhood. This project, which will run for a duration of 30.5 months, commenced on 18 February 2019.

CONSTRUCTION DIVISION REVENUE

FY2018  RM554.4m
FY2019  RM598.4m

RM 598.4
million
▲ 7.9%

CONSTRUCTION DIVISION ORDER BOOK

FY2018  RM1.5b
FY2019  RM1.6b

RM 1.6
billion
▲ 6.7%

Management Discussion and Analysis (Cont'd)

The second contract for MCT Berhad's subsidiary, Lakefront Residence Sdn Bhd, centres on the construction of the main building as well as mechanical and engineering works for a guarded and gated housing project in Cyberjaya. The RM238.5 million contract which calls for the development of three apartment blocks and a four-storey car park over 27 months, commenced on 15 March 2019.

Both projects are being funded by internal funds and are expected to contribute positively towards the Group's earnings while strengthening its net asset base over the course of the projects.

As at 31 December 2019, the Group had an outstanding order book of RM1.6 billion (2018: RM1.5 billion) worth of projects, comprising nine projects which will contribute positively to the Group's revenue stream over the next two years.



Construction work in progress at LakeFront Homes, Cyberjaya.

Project Status as at 31 December 2019

	Project Description	Percentage Completed as at 31 December 2019 (%)	Target Completion Date
1	UniSZA Teaching Hospital, Terengganu	63.7	May 2021
2	Eaton Residences, Kuala Lumpur	59.7	July 2020
3	Lot 15 SJCC, Selangor	45.3	April 2021
4	Infrastructure works for Tzu Chi International School, Kuala Lumpur	92.2	May 2020
5	Affordable Homes at Bukit Jalil, Kuala Lumpur	5.5	February 2021
6	Office Building at Jalan Conlay, Kuala Lumpur	36.5	November 2020
7	Ativo Suites @ Damansara Avenue, Kuala Lumpur	23.1	April 2021
8	TRIA Seputeh, Kuala Lumpur	6.8	October 2021
9	LakeFront Homes, Cyberjaya	10.8	June 2021

The Group's expertise also encompasses the construction of buildings that are Green Building Index or GBI-certified. To date, PMSB has completed three GBI-certified building, namely Menara Technip in Kuala Lumpur (GBI Gold Rating), KPJ's Bandar Dato' Onn Specialist Hospital in Johor (GBI Silver Rating – Provisional) and Third Avenue in Cyberjaya (GBI Certified Rating – Provisional). Another two green building projects, namely Conlay 301 (GBI Gold Rating – Provisional) and TRIA Seputeh (GBI Certified Rating – Provisional) are ongoing.

Management Discussion and Analysis (Cont'd)



Building Information Modelling of Lot 15, SJCC and the actual construction work in progress at site.

The Group is also deeply committed to upholding the safety and health of all stakeholders at its project sites. For its continuous efforts in maintaining the highest health and safety standards at its work sites, the Group was accorded a Gold Award in the OSH Management Construction Category at the 15th MOSHPA OSH Excellence Award 2019 event for the TRIA Seputeh project, while the Lot 15 SJCC project was named the Winning Project in the Gold Class 2 Category at the MSOSH OSH 2018 awards event.

On 25 February 2020, PMSB received the Safety and Health Assessment System in Construction ("SHASSIC") Achiever recognition from the Construction Industry Development Board or CIDB for achieving a SHASSIC score of 95% for its Lot 15 SJCC project at Ara Damansara, Selangor.

Moving Forward

As PMHB moves forward, it is bringing innovative technology into play to give it an edge over other industry players. The Group continues to embed Building Information Modelling or BIM technology within its building construction management activities. Not only is this technology helping the Group to optimise project efficiencies and bring about significant cost and time savings, it is also helping to alleviate clashes in design coordination, thereby reducing rework and wastage as a whole.

BIM has set a different tone altogether for construction players who have had to quickly adapt to marketplace changes by keeping abreast of the latest technological trends and catering to the more rigorous demands from their clients. To date, the Group has three projects which are fully BIM-compliant. These include Eaton Residences, and Conlay 301 in Kuala Lumpur as well as Lot 15 SJCC in Subang Jaya.

The Group also continues to utilise the Industrialised Building System ("IBS") or pre-fabrication methodology in its projects. IBS refers to a technique of construction whereby components are manufactured in a controlled environment – either onsite or offsite – and placed and assembled into construction works. The IBS methodology has been employed in some of Malaysia's most iconic structures to date. IBS was deployed at the UniMAP project which was completed in 2016 and it is currently being applied in the construction of the UniSZA project. The UniMAP's EPS panels were manufactured by Group subsidiary, PM2.

Today, the Group is both BIM-ready and IBS-ready even as these two applications are gaining momentum in the industry due to their many benefits, especially in the manner in which they promote sustainable development. The Group will continue to tap BIM technology and the IBS methodology to ensure a competitive advantage over other players while remaining relevant to the market.

Management Discussion and Analysis (Cont'd)

“The Concessionaire Division is expected to continue providing a stable revenue and profit to the Group for the next 18 years which augurs well for PMHB.”



SEP's UniMAP project (completed in 2016) was built using IBS technology.

CONCESSIONAIRE DIVISION REVENUE

FY2018 RM23.4m
FY2019 RM24.0m

RM 24.0million

▲ 2.6%

CONCESSIONAIRE DIVISION PROFIT BEFORE TAX

FY2018 RM9.7m
FY2019 RM11.0m

RM 11.0million

▲ 14.1%

As the infrastructure segment regains its momentum following the government's resuscitation of key infrastructure projects such as the ECRL, the Group's construction arm continues to actively participate in tenders for infrastructure works reopened by government bodies. We are confident of securing some of these tenders given our strong civil works track record over the years.

In terms of the building sector, while the sentiment for commercial and luxury residential buildings in the Klang Valley region is still very mixed, the Group will continue to actively participate for these projects to replenish its order books. Based on its record of accomplishment and experience dealing with clientele from neighbouring countries, the Group is confident of taking on and delivering on high profile projects from foreign clients.

CONCESSIONAIRE DIVISION

PMHB's venture into the concessionaire business via its 70% equity stake in SEP Resources Sdn Bhd or SEP, continues to contribute positively towards the Group's revenue. The concession entails the planning, designing, financing, constructing, equipping, installing, completing, testing and commissioning of the facilities and infrastructure, including the provision of asset management services for student hostels at Universiti Malaysia Perlis ("UNIMAP"). Since the completion of Phase 1 of the corporate exercise for the acquisition of SEP in October 2017, SEP's UNIMAP project has been delivering a steady flow of income for the Group.

For 2019, the Concessionaire Division generated total revenue of RM24.0 million and a PBT of RM11.0 million, a marginal 2.6% and 14.1% rise in revenue and PBT respectively over revenue of RM23.4 million and PBT of RM9.7 million in 2018. This business is expected to continue providing a stable revenue and profit to the Group for the next 18 years which augurs well for PMHB.

Management Discussion and Analysis (Cont'd)

MANUFACTURING DIVISION

PMHB's Manufacturing Division, which plays a supporting role to the Construction Division, comprises two subsidiaries namely, PM2 Building System Sdn Bhd ("PM2") and Pesona Saferay Sdn Bhd ("PSSB"). PM2 is involved in manufacturing and supplying expanded polystyrene EPS panels to the IBS arena and green building segment, while PSSB is in the business of producing polyurethane products for markets abroad. However, given both PM2's and PSSB's uninspiring performance to date, the Group is exploring opportunities to divest both these loss-making businesses.

In 2019, the Manufacturing Division continued to register a loss, although at a lower rate. The year saw the Division making inroads into the US market with its polyurethane architectural projects on the back of a little window provided by the US-China trade war. With this development, the Division is once again looking to penetrate this market sector to boost its sales via a revised marketing strategy.

BUSINESS RISKS

As PMHB ventures forth amidst a highly competitive playing field, it may be exposed to certain anticipated or known risks that may have a material effect on its operations, performance, financial condition, and liquidity. Outlined below are the risks and the strategies to mitigate such risks:



Construction work in progress for Conlay 301 (left) and Eaton Residences (right), both located at KLCC.



The multiple award-winning Gua Musang Seksyen 3E2 Central Spine Road project in Pahang secured Jabatan Kerja Raya Malaysia's Kontraktor Cemerlang 2019 Award in the infrastructure category in March 2019.

KEY RISKS FOR PMHB

KEY AREA	RISK	DESCRIPTION	MITIGATION MEASURES
Operational	Overreliance on the construction business.	Given that some 96% of the Group's revenue comes from the construction segment, an over-dependence on one business segment poses a significant risk should it be adversely affected by poor market and economic conditions.	Explore further diversification into other businesses such as the concessionaire and property development businesses. This will provide a safety buffer in the event there is a slump in the construction industry.

Management Discussion and Analysis (Cont'd)

KEY RISKS FOR PMHB (CONT'D)			
KEY AREA	RISK	DESCRIPTION	MITIGATION MEASURES
Operational	Inadequate performance by sub-contractors.	This may stem from the lack of proper planning and coordination by sub-contractors causing delays, unplanned abortive works and project cost overruns that will affect the overall performance of the Group.	PMSB's project team for the architectural, civil and structural is to closely monitor and supervise the work quality and progress. Intensify the frequency of Quality Assurance and Control ("QA/QC") audits on the progress of work and issue warning letters leading to back-charges whenever necessary to ensure that sub-contractors deliver on their promises. Provide on-site induction courses to site workers and sub-contractors. Ensure 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.
Operational	Shortage of construction materials.	From time to time, the construction market may face shortages in steel bars and cement due to the temporary shutdown of manufacturing plants for maintenance.	Implement monitoring of a centralised construction material procurement process on a weekly basis.
Operational	The occurrence of personal injuries and accidents.	A higher rate of personal injuries tends to occur during construction work on high rise buildings.	Toolbox Meetings are conducted daily before the commencement of any work to emphasise the importance of observing safety guidelines at sites as per the Project Occupational Safety and Health ("POSH") Plan. Verify that all critical tasks undergo the Hazard Identification Risk Assessment and Risk Control Measures or HIRARC standard to ensure that all safety risks are mitigated. Position a minimum of two Health and Safety personnel at each site to constantly assist, advise, audit and inspect activities to ensure all aspects of the Group's safety measures are stringently observed. Set in place weekly internal training for workers and ensure machinery and equipment inspections are implemented as per the POSH Plan. A minimum of 1 safety audit per month to be carried out at all sites.

Management Discussion and Analysis (Cont'd)

KEY RISKS FOR PMHB (CONT'D)			
KEY AREA	RISK	DESCRIPTION	MITIGATION MEASURES
External	Volatile material prices.	PMHB may sustain financial losses and profit margins may be reduced if there is price volatility for raw materials.	Implement daily monitoring of material prices. Negotiate for and incorporate a Price Fluctuation Clause during tenders as a safeguard against sudden price hikes in the market. Centralise all material purchases in order to command a better bulk purchase price for all our projects.

OUTLOOK AND PROSPECTS

At the time of writing, the ongoing Covid-19 pandemic has affected over 4.7 million people to date and driven the global economy into recession. To avoid a flood of bankruptcies and emerging market debt defaults, the International Monetary Fund has advised nations to undertake massive spending. As such, nations the world over have collectively responded with multi-trillion dollar stimulus packages including aid packages to cushion the blow to their citizens and businesses.

On the domestic front, the new Perikatan Nasional administration in late March 2020 revealed a RM250.0 billion stimulus package comprising loan deferments, one-off cash assistance, credit facilities and rebates as well as a direct fiscal injection of RM25.0 billion. On top of this, another RM10.0 billion allocation in support of ailing SMEs was unveiled in early April. As Malaysia comes to grips with the realities of political, oil price and Covid-19 shocks, it is also having to contend with the economic impact of the extended Movement Control Order ("MCO") imposed by the government to mitigate the impact of the pandemic.

In its Economic and Monetary Review 2019 Report released in early April 2020, Bank Negara Malaysia ("BNM") has forewarned that Malaysia will not be spared from the global growth contraction. BNM's forecast is for economic growth of between -2% to 0.5% in 2020 with output expected to decline across all sectors, except for the services sector (although it is forecast to register much slower growth). Economic growth is also expected to be weighed down by output loss from the impact of Covid-19, the MCO as well as the disruption in commodity supply. However, BNM is cautiously optimistic that the domestic economy can weather the current challenges and emerge even stronger in 2021.

In line with this, the domestic construction industry is forecast to face another challenging year with growth expected to drop dramatically to -1.9% in 2020 in comparison growth of 0.1% in 2019. At the time of writing, construction stocks have fallen sharply as investor sentiment has turned negative on the local bourse amid views that there could be a delay in the rollout of public sector construction projects as well as less infrastructure spending in 2020. This has been compounded further by the global equity rout, and made worse by the Covid-19 pandemic. The government is expected to reel in infrastructure spending as it is unwilling to increase its deficit, particularly as Brent crude oil, which accounts for some 30% of government revenue, has seen a significant fall in prices. This is expected to have an impact on construction companies that are looking to bid for such contracts.

While the construction of the Pan Borneo Highway will continue, the market is not very optimistic about the fate of other mega infrastructure projects such as the Penang Transport Master Plan, Mass Rapid Transit Line 3 ("MRT3") and the Kuala Lumpur-Singapore high-speed rail given the oil price correction that will force the government to rethink its spending on big ticket projects.

Management Discussion and Analysis (Cont'd)

“The Group will maintain a strong focus on the domestic market, strengthen its human capital, ensure the timely completion of projects, enhance construction standards and execute effective cash flow management.”

Meanwhile, infrastructure development in the state of Sarawak is expected to maintain a solid momentum with the Sarawak State government having allocated RM9.9 billion for development expenditure under its State Budget 2020 (2019: RM9.0 billion). Sarawak's upcoming contracts include the remaining four bridge contracts worth RM1.8 billion from the RM6.0 billion Coastal Road project, 11 sub-packages of the RM5.0 billion Second Trunk Road project, as well as the first work package of the Sabah-Sarawak Link Road worth RM1.2 billion. Meanwhile, the implementation of water-related projects and wastewater management worth RM2.8 billion which began in 2018 will continue.

Against this backdrop, PMHB will continue to keep a steadfast focus on its near-term and long-term strategic objectives to ensure the sustainable growth of its businesses. The Group will maintain a strong focus on the domestic market, strengthen its human capital, ensure the timely completion of projects, enhance construction standards and execute effective cash flow management. At the same time, it will continue to put in place specific initiatives to elevate its position to that of a preferred contractor. This will include ensuring that the SIRIM Green 5-S methodology continues to be implemented at all project sites and at its Headquarters with the aim of achieving SIRIM Green 5-S certification with zero non-conformance reports for all its projects.

As part of its endeavours to successfully position itself among other preferred builders in the country, the Group's construction arm has been augmenting the capabilities of its workforce and undertaking various improvement initiatives these last few years. Apart from PMSB's proven capability in delivering quality products within budget and within the given time frame, it continues to leverage on the strength and expertise of its workforce to build client confidence and secure projects. The rollout of the Group's Human Resource Development programme which incorporates a framework governing work processes, training and development needs, as well as coaching and frequent staff engagement activities, has certainly helped raise up the efficiency and productivity of PMSB's workforce.

To stay relevant to the market, PMSB continues to refine its ISO standards. By migrating to the ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards, PMSB has strengthened its overall Quality Management System, Environmental Management System and Occupational Health & Safety Management System. This also underpins the Group's commitment towards upholding more stringent risk management disclosures and higher accountability by top management in the area of quality and environmental management systems.

To maintain its competitive edge over other players, the Group will continue to bring BIM technology and the IBS methodology into play in all its projects. To adequately support the high-quality work required by its clients, the Group will also continue to strengthen its assets base by way of investing in machinery and plants.

Moving forward, PMHB will focus its efforts on growing its business in the construction segment while finding ways to either turn around or dispose of its non-profitable businesses. The Group like all other domestic construction players, will wait to see how things play out on the infrastructure front given the challenges from global and domestic headwinds. In the meanwhile, the Group expects its investment in the concessionaire division to continue delivering consistent earnings.

Stakeholders can rest assured that the Board and Management of PMHB will continue to remain prudent in all undertakings and will work hard to ensure the sustainability of the business amidst uncertain times. Barring any unforeseen circumstances, PMHB is cautiously optimistic of turning in a resilient performance in 2020.

Sustainability Report

In line with Pesona Metro Holdings Berhad's commitment to upholding the agenda of sustainability, we continue to embed a sustainable business model that is ensuring the efficiency of our operations as well as safeguarding the interests of our internal and external stakeholders. Our goal is to continue operating in a sustainable manner to deliver holistic, long-term value to our stakeholders, inclusive of society, while preserving the environment.

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 principle activities entail civil engineering, building construction, river rehabilitation and beautification, the manufacturing-cum-trading of building-related materials, and concessionaire activities.

PMHB remains committed to creating long-term shared value for its stakeholders while developing a sustainable future for the Group. It continues to achieve this by implementing responsible and sustainable management practices on the Economic, Environmental and Social or EES fronts. Through ensuring sustainable progress across the Group's operations, PMHB is creating the momentum for its businesses to strengthen their operational efficiencies and deliver long-term value.

Sustainability Report

(Cont'd)

SCOPE AND BOUNDARY OF THIS REPORT

This, PMHB's fourth Sustainability Report ("Report"), provides coverage of the key activities carried out by the Group to address the material EES aspects highlighted through engagement with internal and external stakeholders. The Group is committed to preserving the highest level of transparency and accountability in this Report, and to employing best practice standards in its reporting endeavours.

Reporting Period

1 January 2019 – 31 December 2019.

Reporting Cycle

Annually.

Business Entity Covered

The scope of this Report only encompasses the activities of Pesona Metro Sdn Bhd ("PMSB"), the construction arm of PMHB, as it is the main contributor to the Group generating 96% of its turnover. It does not include the activities of PMHB's other subsidiaries but only the material issues arising from the principal business activities of PMSB which are mainly related to 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 focus on the significant material matters which are material or important to PMHB's stakeholders. This Report abides by the rules and regulations of the related local authorities. It is to be read in conjunction with the rest of PMHB's 2019 Annual Report, which highlights other financial and non-financial aspects of the Group's business. This Report has not been subjected to external assurance. The aim is to streamline the Group's sustainability data collection and monitoring activities first and then seek external assurance in due course.

Methodology

As in previous years, the various aspects and concerns featured 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

For decades now, PMHB has held in high regard its commitment to operating as a responsible corporate citizen. With the introduction of Sustainability Reporting by Bursa Securities in 2016, the Group began to progressively and systematically put in place a Sustainability Framework as well as realigned its business activities to ensure a sustainable business and future for its stakeholders. The Group's efforts to date demonstrate that it is serious about embracing sustainability-related compliance in a more rigorous manner as well as embedding the relevant sustainability components that will strengthen its focus on operational efficiencies, cost savings, enhanced revenue generation and innovation for the long-term.

Sustainability Report

(Cont'd)

Sustainability Themes

The Group continues to incorporate the following sustainability themes across the length and breadth of its operations.

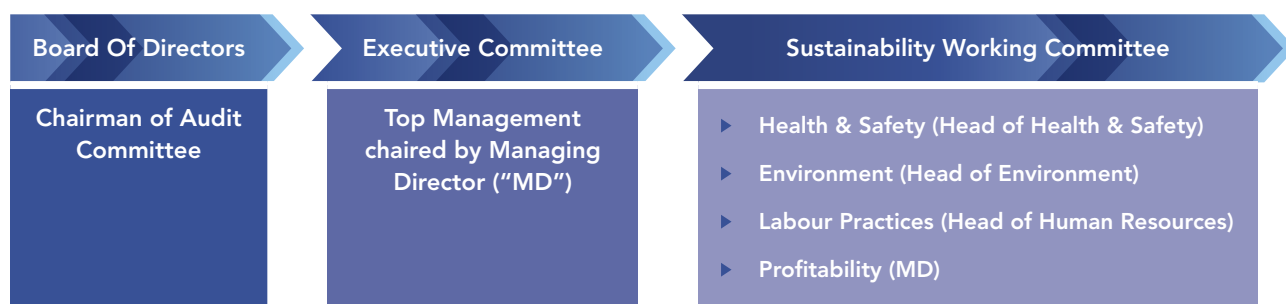
Health & Safety	PMHB continues to prioritise the health and safety of the Group's employees and the public. It is our responsibility to ensure the good health and safety of our employees and the people within the vicinity of our project sites. To this end, we are continuously upgrading our equipment 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

As part of its efforts to ensure the Group's sustainability reporting is being undertaken and monitored in accordance with high governance standards, as well as to ensure transparency and accuracy in its sustainability reporting, the Group continues to uphold the following governance structure:



Group Sustainability Governance Structure



Sustainability Report (Cont'd)

The roles and responsibilities of the Board of Directors and the various committees are spelt out below:

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 ("Board") acknowledges the importance of pursuing an agenda that upholds good and consistent EES practices. The Board remains committed to investing in measures that promote the sustainable growth of the Group's businesses and which will create long-term value for shareholders.

The Board is made up of professionals with a broad and diverse range of experiences and expertise. With their professional memberships as well as their dedication towards upholding corporate governance best practices and sound internal controls, the Board shoulders the responsibility for overseeing, supporting and promoting EES efforts within the Group. The Board is also tasked with evaluating and incorporating the relevant sustainable material matters into the business strategy. It 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.

“PMHB's Board is committed to investing in measures that promote the sustainable growth of the Group's business which will create value for shareholders.”



The Board of Directors of PMHB are tasked with the responsibility for evaluating and incorporating the relevant sustainable material matters into the Group's business strategy.

Sustainability Report (Cont'd)



The Group's employees attended the Kursus Pemeriksaan & Penilaian Bangunan organised by UiTM and JKR to keep themselves abreast of the latest industry practices.

Executive Committee

The Executive Committee is led by the Managing Director ("MD"), who reports the findings and progress of the Group's sustainability development efforts to the Board. Supported by the Chief Financial Officer ("CFO") and two Chief Operating Officers ("COOs"), this committee is tasked with studying, formulating and strategizing the sustainability framework for the Group. 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.

Sustainability Working Committee

PMHB's Sustainability Working Committee was established in 2018. Its members are selected based on the relevance of their roles to the Group's sustainability material matters. The duty of the committee is to ensure that the Group's sustainability targets are attained in line with the group-wide implementation of policies and best practices. All of the committee's findings are shared at quarterly reviews where any gaps between the targets and the results are subsequently finetuned.

While the Group's sustainability governance structure is adequately framed for now, it may be restructured as and when needed to achieve better efficiencies in terms of 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 Statement on Risk Management and Internal Control on pages 90 to 92 of this Annual Report.

Sustainability Report

(Cont'd)

STAKEHOLDER ENGAGEMENT

A fundamental component of PMHB's sustainability strategy is its engagement with its stakeholders. As PMHB's businesses and markets evolve, it finds itself engaging with an increasing number of different stakeholder groups. As such, the Group is committed to developing and bolstering its ties with its stakeholders as part of its efforts to reinforce its position as a stakeholder-centric organisation. The Group's stakeholder engagement takes place regularly and is frequently in line 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.

To help PMHB cater to stakeholder needs in the most appropriate manner possible, the Group has identified and categorised its stakeholders into groups based on their direct and indirect impact on the Group's business and supply chain as well as vice-versa. The Stakeholder Engagement Matrix below outlines stakeholders' expectations as well as the methods by which PMHB engages with them and meet their expectations:

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. Full compliance with authorities' rules and regulations with minimal penalties or summons. Zero fatalities. Proper project management and communications.	Progress meeting (fortnightly). Site walk with client (ad hoc). Client satisfaction survey (upon completion of the project).	QLASSIC score of 73% and above. Submission of monthly progress reports on time. Achieve a minimum 80% client satisfaction rate. All correspondence to be answered within 24-48 hours. Always assign a point of contact for clients e.g. Project Manager or Contract Manager.
Authorities & Regulators	Compliance with rules and regulations.	Site inspections. Audits. Accreditation. Training sessions.	Weekly internal site meeting and site inspection on HSE issues, 5S methodology, GBI matters to ensure compliance. Regularly attend trainings/seminars/conferences/discussions to improve work methods and get updates on new regulations.

Sustainability Report

(Cont'd)

Stakeholder Engagement Matrix

Stakeholder	Stakeholder Expectations	Engagement Methods	How We Meet Our Stakeholder's Expectations
Employees	Attractive pay-out and job security. Career development and progression. Good HSE practices. Fair and equal treatment.	Annual Staff Survey. Annual Appraisal. Staff activities.	CSR activities to encourage off-site relationships with stakeholders. The operation of a transparent and fair rewarding mechanism based on merit. Regular updates on Group-related news and progress via the Group intranet. 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. Festive celebrations and annual dinners.
Business partners (suppliers & sub-contractors)	Timely payment. Fair and transparent procurement processes. Safe work sites.	Toolbox meetings. Weekly meetings. Transparent tender processes. Suppliers & sub-contractors evaluation.	Achieve a minimum of 75% in Grade C and above rating for supplier evaluations. Achieve a 75% in Grade B- and above rating for sub-contractor evaluations. Factory/warehouse visits. Hand-holding training sessions for workers.
General Public & Community	Responsible corporate citizen. Transparent and timely information.	Corporate website. Feedback platform.	An updated website with the latest information made available to all.
Media	Timely and transparent financial and corporate information.	Press conferences. Corporate website. Press releases.	Meetings with the Media after the AGM. Press releases uploaded on the website for easy access by the Media.

Sustainability Report

(Cont'd)

STAKEHOLDER PRIORITISATION

While the Group considers all its stakeholders important, it prioritises how it deals with different stakeholder groups. Following a stakeholder prioritisation exercise, stakeholders were divided in 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 1 = lowest dependency 4 = highest dependency	Influence on the Company 1 = least influence 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

Subsequent to the stakeholder prioritisation exercise, the findings were incorporated in a Stakeholder Prioritisation Matrix. 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. Stakeholder selection was decided based on the assumption that their opinions and views are important for the advancement and development of the Group.

Stakeholder Prioritisation Matrix

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

Sustainability Report

(Cont'd)

MATERIAL MATTERS

To garner detailed insights into the sustainability or EES-related topics that the Group's external and internal stakeholders deem most important, the Group leverages on materiality analyses. By identifying the sustainability topics that are most material or most important to stakeholders, the Group can determine the best manner in which to address them. 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. Stakeholders' expectations on EES matters are gathered through various engagement methods including face-to-face meetings, surveys, feedback and a brief analysis of our peers' practices.

The Group undertook two materiality analyses in February and December 2018 respectively. This involved a survey via Google Forms which 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 2019 Sustainability Roadmap.

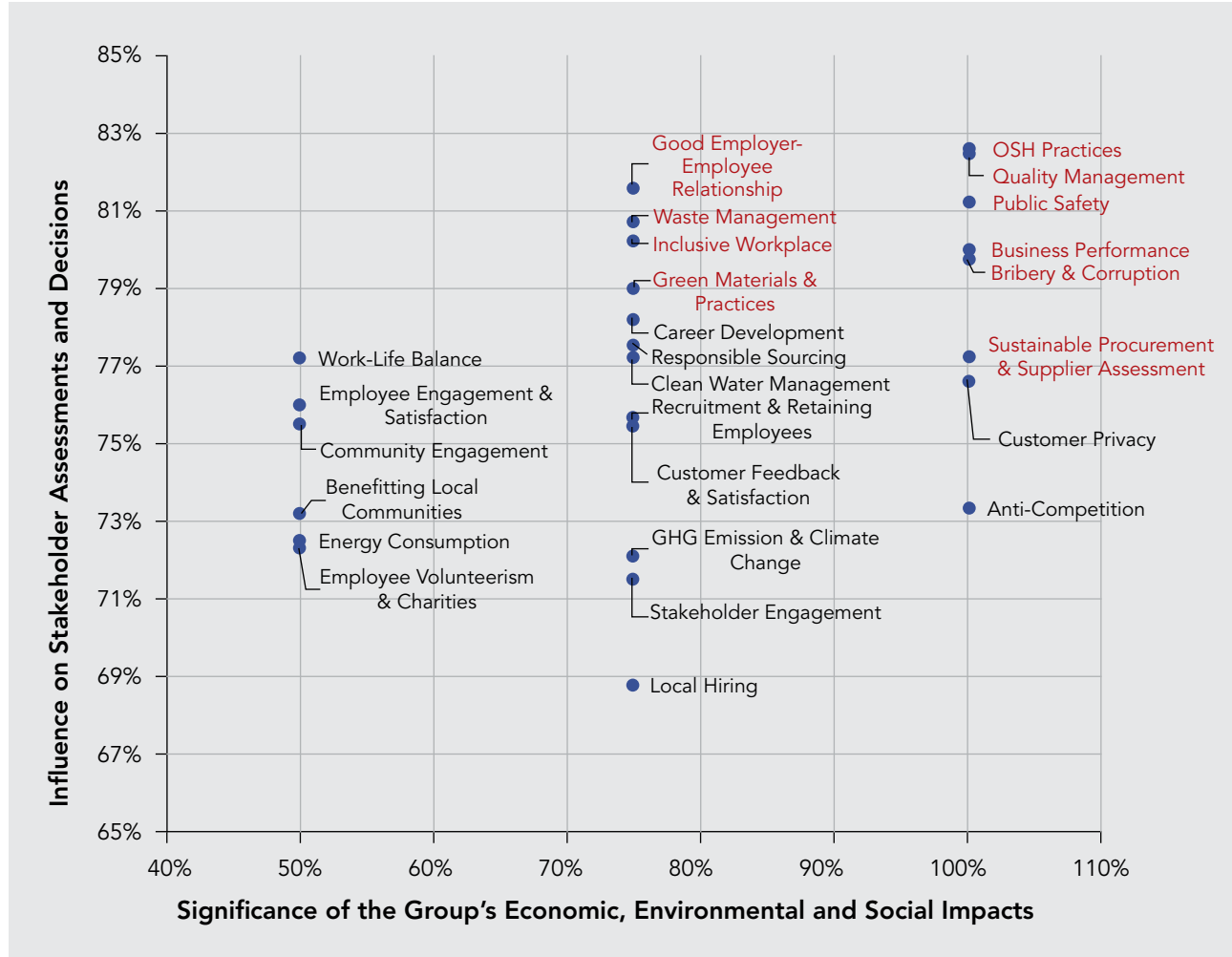
“By identifying the sustainability topics that are most material or most important to stakeholders, the Group can determine the best manner in which to address them.”



A typical site walk by PMHB Managing Director Mr. Wie Hock Beng and the respective project team.

Sustainability Report (Cont'd)

EES Materiality Matrix



UPHOLDING GOOD ECONOMIC PRACTICES

Strategic Direction

PMHB continues to finetune the direction of its core businesses in order to ensure the Group's sustainable growth. The Group is continually evaluating the ever-changing nature of the economic and industry climates in which it operates and will continue to maintain some flexibility so it can adapt to such changes. 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 Report

(Cont'd)

2019 HIGHLIGHTS: SUSTAINABILITY TARGET & ACHIEVEMENTS

2019 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

The Group recognises that the key to achieving sustainable growth is to engage in marketplace activities that will help it to establish connections at every level across the supply chain, from its suppliers to its customers. The Group also believes in investing its resources in initiatives that will help to create value and enrich the diverse social and industrial circles in which it operates.

PMHB continues to focus much of its marketplace efforts on the construction sector via subsidiary PMSB, which is also the largest contributor to the Group's revenue. While the domestic construction industry experienced substantially slower growth of 0.1% in 2019 from 4.2% in 2018, it remains an important contributor to the nation's economic growth.

Sustainability Report (Cont'd)

From a workforce of 20 employees some two decades ago, PMHB's workforce today comprises approximately 400 employees. Aside from its own employees (both permanent and on a contract basis), the Group continues to employ 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.

Aside from employing local workers, the Group like other construction groups is doing its bit to support trans-border employment. The construction industry is a labour-intensive industry which provides jobs to locals and the residents of neighbouring countries. According to the Malaysian Construction Industry Development Authority or CIDB, there are currently 420,000 foreign workers in the construction sector who are registered with the Malaysian Immigration Department. As locals are unwilling to fill positions which they deem as low-skilled work, these tasks are typically made available to skilled blue-collar labourers from neighbouring countries who comprise the bulk of workers in Malaysia's construction labour force.

There is also an indirect positive impact on the local economy when construction companies support local SMEs through making purchases of raw materials as well as support local communities by providing jobs in the vicinity of their project sites. The domestic economy also benefits when construction companies undertake prudent procurement processes which leads to healthy competition in the market. Today the Group is doing its bit to support the domestic economy by prioritising local suppliers when it comes to sourcing for raw materials such as cement, steel and timber. This practice has proven to be mutually beneficial as it not only opens up opportunities and generates wealth for local producers, it also makes the Group less dependent on foreign suppliers and mitigates the risk of external macroeconomic factors to some extent. PMHB is helping grow and support the domestic construction industry through utilising new methodologies in its projects.

Transparent Marketplace Practices

The construction industry is a highly regulated industry as it involves not only the health and safety but the very lives of construction workers as well as the occupants of buildings. As a public listed company, PMHB is today governed by the Main Market Listing Requirements ("MMLR") of Bursa Securities; as a member of the CIDB it is governed by the CIDB's regulations and standards; and as a certified practitioner for specific Malaysian standards, it is subject to audits by SIRIM.

In all that it does, PMHB is committed to upholding practices, values and policies that help it to establish transparency in all its dealings while promoting good market behaviour. Being a conscientious corporate citizen, PMHB upholds zero tolerance towards bribery and corruption. We are currently formulating a Zero Tolerance Policy which will be incorporated into the Group's Employee's Handbook by June 2020. Since 2019, the Group's stance against white-collar crime has been made clear to all new employees during the PMHB Induction Programme so that new employees clearly understand the Group's position in the fight against this social ill.

Today, the Group has 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 of Directors and various Board committees, among other things. This is published in the Group's Annual Report, while the Board Charter is published on its 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; and
- 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.

The Group continues to keep abreast of changes in the regulatory environment to ensure it has an up-to-date and comprehensive governance framework in place. Come 1 June 2020, Section 17A of The Malaysian Anti-Corruption Commission ("MACC") Act 2009 takes effect. This piece of legislation introduces corporate liability for corruption and imposes personal liability on directors, controllers and management even as Malaysia takes major steps to address the problem of corruption among corporations which has led to huge economic costs for the nation. In response to this, the Board has looked into potential areas of risk as well as introduced the necessary measures to ensure compliance. In 2019, the Group began to incorporate its new Anti-Corruption Anti-Bribery Policy and Procedures into its Code of Conduct in accordance with Bursa Securities' MMLR and in compliance with the MACC's Section 17A ruling.

Sustainability Report (Cont'd)

Recognised for Our Commitment to Excellence

The Group continues to be acknowledged for its commitment to upholding excellence. In 2019, the Central Spine Road Package 3E2 project emerged as the Champion of Jabatan Kerja Raya Malaysia's Excellent Contractor Award in the Infrastructure category. This award underpins the market's continued confidence in the Group's capabilities and track record as a reputable construction player.

UPHOLDING GOOD ENVIRONMENTAL PRACTICES

Education and Awareness Programmes

PMHB is committed to protecting the environment via its conscientious efforts to make its operations and businesses 'greener'. As a responsible industry player, the Group believes that the success of its endeavours lies in the values it upholds throughout every aspect of its operations. To this end, PMHB continues to roll out several programmes and initiatives that serve to educate its people, especially its employees, workers, sub-contractors and suppliers as well as to create awareness on the importance of environmental conservation. The following are some of the educational activities that the Group conducted throughout 2019:

Green 5S Practices

PMHB continues to champion 5S practices as one of the pioneers of this workplace organisation methodology in the construction industry. The 5S methodology helps us to ensure that the Group's project sites are kept organised, clean and free of hazardous incidences. Since 2017, all 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.

Effective 2019, PMHB replaced its annual 5S Talk with the 5S Induction Programme for new employees. This change follows a vigorous two-year 5S education programme which saw 5S Talks conducted at Headquarters ("HQ") and project sites for the benefit of all employees while workers at new project sites were required to attend a 5S Talk at the beginning of each project lifecycle.

Under the ambit of 2019's revamped 5S Awareness Campaign, the Group conducted a total of five 5S Induction Training sessions and 5S Awareness Training at two sites. We also organised 86 Weekly 5S Site Coordination and Surveillance sessions as well as 12 HQ 5S Monthly Audit sessions. In total, our 2019 campaign saw a total of 3,435 employees receiving 5S education. This number included the workers from our own operations and from our sub-contractor teams. Meanwhile, SIRIM Green 5S training was conducted by SIRIM at three sites at two sessions per site.



Various environmental efforts were put in place at all our project sites over the course of 2019.

Sustainability Report (Cont'd)



SIRIM Green 5S training for the project team at Eaton Residences.



ISO45001:2018 training for heads of departments and projects which was carried out at PMHB's HQ.

In addition, the Group's 5S efforts are kept in check and balance via the SIRIM Green 5S Audit. Through the audits, we have been able to register a year-on-year increase in the number of Zero Non-Conformance reports at our project sites. We are proud to say that these accomplishments have set a new standard in the construction industry. The following table highlights the SIRIM Green 5S Audit achievements at some of PMSB's project sites:

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

Due to effective implementation of Environmental and 5S practices at site, we have achieved an improved Green 5S performance.

Environmental Talks

As part of its ongoing environmental preservation efforts, the Group conducts quarterly refresher courses and update sessions with its project teams to ensure that the Group is in full compliance with all regulatory requirements. It has also put systems in place to enable it to operate in a more holistic manner in its role as a good practitioner.

Sustainability Report (Cont'd)

The following table highlights the number of in-house environmental talks that the Group conducted for its employees between 2017 and 2019:

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

These were among some of the topics that were discussed during the year in review:

- The importance of recycling materials (i.e. paper, plastic bottles, aluminium cans, card boxes, etc.) at offices and construction sites;
- The importance of minimising construction materials (i.e. concrete, timber, rebars and plywood timber) wastage at construction sites;
- The importance 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 importance 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 importance of minimising environmental pollution contributed by construction site activities i.e. water pollution, air quality degradation, etc.; and
- The importance of sustainability in construction by replacing conventional construction practices with environmental-friendly methods such as the use of system formworks including DOKA, Plytech, aluminium formworks, etc.

PMHB also organised environmental talks at its induction sessions to highlight the Group's culture and perspectives on preserving the environment and upholding 3R activities. In 2019, PMHB carried out its Zero Styrofoam Food Packaging Campaign as a follow-up activity to Management's waste minimisation efforts in the previous year. That activity involved the distribution of reusable food and beverage containers to all employees and workers. As Styrofoam material is non-biodegradable, and is one of the most commonly item used for take-away food orders, PMHB has stepped up its Styrofoam food packaging usage among its workers and employees by educating everyone to pack their food using reusable containers instead of Styrofoam food packing boxes. The environment awareness campaign was carried out via the following channels:

- Induction Programme – Environment (5 sessions);
- EMS Internal Auditor Training (1 session); and
- EMS Internal Audits (7 at sites and 1 at HQ).



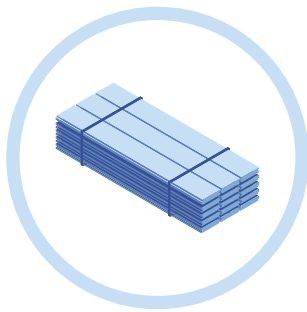
An EMS session carried out at one of the Induction Programmes for the new employees.



Zero Styrofoam Food Packaging Campaign was carried out at all sites in 2019.

PMHB also organised environmental talks at its induction sessions to highlight the Group's culture and perspectives on preserving the environment and upholding 3R activities.

Sustainability Report (Cont'd)



Materials Management

The majority of PMHB's site-based environmental efforts revolve around its materials management programme which focuses on minimising wastage from construction activities. The respective project site teams also strive to ensure that all construction materials are properly budgeted in terms of the total quantity needed for the project and that all access construction materials are recycled on a monthly basis. Not only does this decrease wastage and lessen the considerable resources required to dispose of the waste, the decreased landfill input contributes to an increase in the Group's profit margins.

Raw Materials Management

All raw materials used by PMHB are sourced locally and are in proportion 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.



A typical concrete casting in progress at project site.

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

	2017	2018	2019
Steel Bar (tonnes)	14,055	9,681	18,487
Concrete (m³)	152,278	114,165	188,944
Timber (tonnes)	712	716	1,159

In 2019, there was an increase in the amount of materials utilised as nine out of eleven projects had reached their peak stage of the construction life-cycle. To help monitor usage, the Group set a target for the maximum amount of allowable wastage to ensure the efficient reduction of construction waste.

The following table portrays the amount of waste generated from the Group's seven ongoing projects in 2019. Three additional projects that are nearing completion have been excluded from this table as they will not have a significant landfill contribution at the architectural stage.

	Target/Allowed Wastage	Actual Wastage
Steel Bars	7%	3.57%
Concrete	5%	3.29%
Timber (with a 4-time lifecycle)	10%	5.19%

Since the materials management programme began, the Group has registered good results. Moving forward, the programme will continue to be reviewed and developed to enable the Group to achieve better results. The Group's success in lowering its materials management percentage is due to the greater commitment from the site management teams. These teams have been continuously monitoring the construction materials wastage output on a monthly basis and taking the necessary control measures to mitigate any wastage. Their continuous efforts have resulted in greater yields in terms of construction materials wastage being minimised.

Sustainability Report (Cont'd)

Utilities Management

Aside from the management of construction materials, the Group closely scrutinises the consumption of utilities at all its project sites. These utilities include diesel, petrol, water and electricity, all of which are essential for the day-to-day running of operations at construction sites. The management of the Group's utilities is in line with its commitment towards reducing its carbon footprint linked to the usage of these resources.

Other than using water mainly for drinking and washing, the Group fully utilises rain-water, via rain-water harvesting methods, for cleaning purposes. This water is further recycled where possible, to clean tyres, among other things. The amount of potable water used at each site is determined by the number of workers residing at the site, which means that peak usage is usually recorded around mid-stage of construction.

Water Usage (m³)

	2018	2019
Project Sites	403,256	94,728
Headquarters	1,610	1,754

Diesel is often used at all the Group's sites to operate machinery before an electricity supply is established. It is common, however, to see a reduction in the amount of diesel utilisation towards the end-stage of the construction cycle. This takes place when access to electricity is made available and fully utilised at the site.

Diesel Usage (litres)

	2018	2019
Project Sites	1,197,298	656,640
Headquarters	9,893	9,120

Electricity Usage (kWh)

	2018	2019
Project Sites	2,024,311	2,464,521
Headquarters	142,056	142,885

Vehicles ferrying workers and employees to and from the Group's sites mainly utilise petrol as fuel. Although the quantity of petrol used is significantly smaller as compared to that of other utilities, petrol is still included in this Report as it ultimately contributes to the Group's carbon footprint.

Petrol Usage (litres)

	2018	2019
Project Sites	61,521	67,726
Headquarters	89,927	89,616

PMHB's Efforts to Mitigate its Carbon Footprint

As part of PMHB's efforts to mitigate its carbon footprint it has been focusing its efforts on improving the efficiency of its site machinery, plant and equipment through more effective site management, work planning and coordination. All these measures have led to better energy efficiency at its work sites. The specific measures to date include:

- Replacing old plant assets with new tower cranes, passenger hoists, static concrete pumps and electrical generators;
- Implementing a well-maintained fleet (plant and machinery) programme including an effective scheduled maintenance programme for its fleet of mobile cranes, manitou, forklifts, bobcats, air compressors, water pumps, sand/mortar pumps, and electrical appliances, among others; and
- Replacing diesel-based electrical plant and machinery with assets running on electricity to reduce their carbon footprint. Although PMHB registered a 22% surge in electricity usage at its project sites following the change from diesel-operated plant and machinery to electrical equipment, its carbon footprint emissions dropped by 33%.

Sustainability Report (Cont'd)

Waste Management

The Group's waste management measures extend beyond its construction activities. It has implemented several initiatives to curb the generation of general waste across the board. The Group's Waste Management Programme aims to:

- Minimise formwork wastage (by recycling formworks or using alternative non-traditional formworks which are recyclable);
- Minimise packaging waste resulting from products purchased;
- Minimise rework as it is a cost to the Group in terms of material waste (due to hacking) and is also a waste of time and effort;
- Minimise materials damage due to negligence; and
- Minimise the quantity of unused materials and wrongly-ordered materials which cannot be returned/ reused due to their specifications.

A more detailed narrative of each of these initiatives is spelt out below:

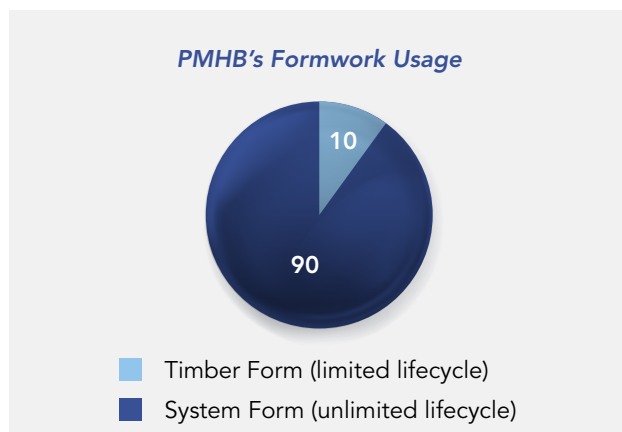
Waste Management Targets and Programmes

Minimising Formwork Wastage

As a result of the high percentage of timber wastage due to the manufacturing and short-term usage of conventional formworks, the Group has opted to use proprietary-type system formworks such as table-forms, jump-forms and aluminium forms. These forms can be reused for longer periods and can drastically reduce the amount of generated wastage. The Group will still continue to use timber formworks in the event that flexibility is required for structures which are not uniform.

Optimising Formwork Usage

In 2019, the Group achieved 90% system formworks usage at all its sites in comparison to 80% in 2018. This stems from its long-term efforts to invest in fixed assets including system formworks to reduce the usage of timber formworks (which currently make up the remaining 10% of total formwork) at the Group's sites.



Minimising Packaging Waste

Some 60% of construction waste is made up of protective packaging from building materials such as ceramic tiles, sanitary wares, aluminium works, clay bricks and sand bricks, among other things. The waste generated from this protective packaging typically includes timber pallets, timber crates, cardboard boxes, plastic wrappers and metal strips which often end up in landfills. In order to get the most out of these materials, the Group re-purposes them into other products such as temporary walling systems, walkways, temporary low-fencing and road barriers at its sites.



Proper handling of Scheduled Waste at a designated area at project site.

Sustainability Report (Cont'd)

Minimising Rework

As part of the Group's efforts to strengthen its efficiency by decreasing wastage, the Group has focused its efforts on reducing the probability of rework in the construction process due to the misinterpretation of construction blueprints. To this end, PMHB has integrated innovative technologies such as Building Information Modelling ("BIM") and Virtual Design and Construction ("VDC") into its workflow to examine, analyse and detect errors prior to the construction of any project. The use of BIM and VDC technologies has led to the reduction of rework activities, thus lending to better cost and time management of projects. To date, the Group has in place a BIM Team headed by a BIM Manager.

With three of the Group's current projects leveraging BIM, this has greatly minimised errors when translating the drawings from digital format to physical construction work. It has also resulted in smaller amounts of rework activities and construction waste.

Minimising Instances of Damaged Materials

Another unnecessary expense that the Group seeks to eradicate is the cost of replacing and removing materials that have been damaged at construction sites due to mishandling or improper storage. To minimise incidents of materials being accidentally damaged, the Group has implemented the 5S system to ensure the proper storing of materials. This involves the following activities:

- The use of prefabricated steel frames to store steel bar bundles which helps prevent corrosion when they 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;
- The tagging of fragile materials and storage of materials with expiry dates which are organised according to their dates in a 'first-in, first-out' order.

Recycling Efforts

In 2019, the Group continued to undertake waste management and recycling activities at its project sites and at its HQ. The project sites continued to prioritise proper recycling with recyclable items being transported to recycling centres, while HQ continued to partner with NGOs to recycle paper, glass, plastics and waste collected from employees' homes and HQ.

Results of 2019 Recycling Efforts (kg)

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

The Group's endeavours to minimise the waste generated from construction activities saw its sites reuse and recycle construction waste before directing them to the designated landfill. The Group also took the necessary measures needed to upskill its workers to minimise the need for rework which wastes more resources. The Group also undertook proper storage and handling of materials in order to lengthen their lifecycle as well as implemented a plan-ahead material order system in terms of size, quality and standards to minimise instances of wrong orders.

Sustainability Report (Cont'd)

Apart from recycling efforts at the Group's project sites, HQ also encourages staff to bring recyclable items from home to be recycled responsibly instead of being discarded as rubbish at landfills. This has certainly helped cultivate a culture of responsible recycling among our employees. In 2019, there was an increase in the items sent for recycling due to a concerted effort by project site and HQ employees to gather recyclable items to be sent to recycling centres for proper disposal.

Pollution Control and Management

As part of the Group's commitment to reduce its carbon footprint and uphold regulatory requirements, it appoints an Environmental Consultant to formulate an Environmental Management Plan ("EMP") for every project prior to the commencement of the project. 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.

The Group has also introduced several environmentally friendly and contamination preventive measures to bolster its construction practices relating to its environmental performance. 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

The Group, via PMSB, is fully compliant with the ISO14001:2015 standard, the latest International Standard for Environmental Management Systems ("EMS"). Following this upgrade from the previous ISO14001:2004 standard, PMSB is placing greater emphasis on the following EMS formulation processes which are in line with the new sustainable development formulation approach of the ISO 14001:2015 standard:

- **Strategic Environmental Management Planning:** PMSB has increased the role of the strategic planning process by focusing on actions that revolve around mitigating risk and capitalising on opportunities. The planning process now includes identifying 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:** By applying risk-based thinking, PMSB is able to prioritise 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:** Under this initiative, PMSB aims 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 changing its processes and making the switch from just looking at EMS to looking at outcomes and results;
- **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:** Under this narrative, PMSB is looking to extend its control and influence to environmental aspects and their impact at each stage of the lifecycle of the product or service (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:** One of the responsibilities of the organisation's leadership is to integrate EMS requirements into existing business processes. In line with the Group's objectives and Bursa Securities' requirements for sustainable development on the EES fronts, 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.

Sustainability Report

(Cont'd)



UPHOLDING GOOD SOCIAL PRACTICES

SOCIAL: LABOUR & DECENT WORKPLACE PRACTICES

PMHB's workforce today comprises a talented group of committed individuals who originate from different backgrounds, cultures, religions, races and nationalities. Being a forward-thinking organisation, the Group is committed to the fair treatment of all its employees. The way in which the Group manages its human resources is directly based on the 'fair and equal opportunity policy' that can be found in our Employee Handbook.

Composition of the Board

The Group has taken measures to comply with Bursa Securities' recommendations to increase gender equality on the Board. PMHB's Board today comprises one female Director, namely Pn. Salwa Binti Shamshuddin who serves as an Independent Non-Executive Director and is a member of the Audit Committee. She brings to the table her perspectives to ensure a more balanced sharing of views and opinions between the genders.

PMHB's Workforce

PMHB owes its success to its dedicated, diligent and talented workforce. As at the end of 2019, PMHB's total staff workforce stood at 399 employees (end 2018: 379 employees). The composition of the Group's workforce over the past two years is tabulated as follows:

Details of PMHB's Workforce

	2018	2019
Total number of Employees	379	399
Gender (gender equality):		
Male	77%	78%
Female	23%	22%
Age (inclusivity):		
> 50 years old	13%	14%
30 – 50 years old	55%	54%
< 30 years old	32%	32%
Race (Diversity):		
Malay	59%	58%
Chinese	32%	33%
Indian	7%	7%
Others	2%	2%
Type of Employment (Fair employment policy):		
Permanent	42%	41%
Contractual	58%	59%
Nationality (local labour employment):		
Malaysian	100%	100%
Non-Malaysian	0%	0%
Skills (product quality):		
Technical	77%	77%
Non-technical	23%	23%
Year of service (talent attraction & retention):		
< 1 year	17%	32%
1 – 3 years	43%	25%
> 3 – 6 years	20%	21%
> 6 – 10 years	10%	12%
> 10 years	10%	10%
Staff Turnover Rate	25%	20%
Health & Safety:		
Worked Manhours	7,588,301	9,029,260
Fatal Accidents	0	0
Lost Time Injury Accidents	1	0
Accident Frequency Rate/Million Hours	0.79	0

Sustainability Report (Cont'd)



In terms of racial diversity, the percentage of the different races within the Group's workforce closely resembles the racial make-up of Malaysia whereby the majority of our employees are Malay, followed by Chinese, then Indians, and other races.

Owing to the nature of the industry in which PMHB operates in, our construction workforce continues to be male-dominated. Nevertheless, while our female employees operate mostly within the administrative functions of our operations, the steady increase of female engineers and professionals in the construction industry has seen more women enter project sites and field work.

For 2019, staff turnover within the Group was lower by 5% as compared to 2018. The entry of new recruits into the Group has resulted in an inflow of new ideas and fresh perspectives and approaches, elements which are essential to promoting sustainability. The vacancies left by the Group's former employees have also encouraged younger employees to take on more responsibility and tackle more complex challenges in a bid to move up the corporate ladder.

The Group's health and safety record is trending positively with a reduced accident rate and an improvement in manhours worked. A detailed report of our health and safety initiatives can be found in the 'Occupational Health & Safety' section of the Social segment.

Human Rights

PMHB pays attention to and respects the rights of all its employees and workers. In line with this, the Group has put into place the following standards for general on-site workers (blue collar workers) to ensure their rights are safeguarded:

- 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.

PMHB continues to uphold its pledge to its workers that they will all be treated fairly and humanely with no individual being enslaved for a specific work, nor discriminated against based on their nationality, gender or age. The Group also takes a strong stand against child labour. Moreover, all the Group's workers are employed legally and own a CIDB green card issued by the Construction Industry Development Board of Malaysia.

Meanwhile, all PMHB's white collar employees are guided by the Employee's Handbook. This highlights the employee policies that are in place to ensure equal and fair treatment for all as well as the employee benefits that employees are entitled to.

Work-Life Integration

Given the nature of the Group's business, our employees and workers often spend long and labour-intensive hours at the workplace. As an ethical employer that is committed to creating sustainability, PMHB acknowledges and takes full responsibility for the welfare of its workforce. To this end, the Group continues to create a more conducive and holistic working environment that preserves the physical and mental health of its employees and workers.

Sports for Physical and Mental Wellbeing

To ensure that the individuals within its workforce are physically and mentally healthy, PMHB encourages all its staff and workers to exercise as it is a proven method of helping one to destress while strengthening both mind and body. 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.

PMHB also organises weekly site-wide activities such as futsal, bowling and badminton at both its HQ and construction sites to foster interaction between employees and as well as to strengthen team dynamics.



PMHB emerged as the 1st Runner up at the Kejohanan Bowling Jemputan PKS JKKP Wilayah Persekutuan Kuala Lumpur 2019 event.

Sustainability Report (Cont'd)



PMSB was the Gold Sponsor for UTAR's Fiesta 2019 event in support of the university's effort in promoting Science, Technology, Engineering and Mathematics curriculum, also known as STEM among students.

Education and Personal Development

In line with its objective of contributing towards the development of Malaysia, PMHB continues to lend support to the education system through its partnership with local universities and colleges. Under this initiative, the Group provides internship programmes for undergraduates who need to undertake practical training at construction sites and offices to fulfil their academic requirements.

Internship Programme

For 2019, the Group accepted 10 interns at its HQ and another 46 at its construction sites. The overwhelming response from the local academic institutions was mainly due to the two sponsorship initiatives which we carried out with Universiti Tunku Abdul Rahman ("UTAR") and Universiti Malaya ("UM") in 2019.

	2017	2018	2019
Interns at HQ	8	11	10
Interns at Project Sites	16	26	46
Total	24	37	56

Training & Development

In 2019, the Group's employees underwent a total of 16.6 training hours (2018: 13.92 training hours) per employee as per the training categories listed below:

	2017	2018	2019
Health & Safety	13	18	25
Quality & Technical	58	31	29
Environmental	29	14	9
Corporate Governance	NA	NA	5

“PMHB continues to lend support to the education system through its partnership with local universities and colleges.”

Sustainability Report (Cont'd)

Employee Reward and Recognition Practices

As part of its efforts to remain an employer of choice, the Group continues to recognise and reward its employees in diverse areas.

Employee Recognition Awards

PMHB has rolled out several recognition initiatives to motivate diligent, long-serving and exceptional high-performing individuals. The following table spells out the various recognition programmes that have been running for several years now:

	2017		2018		2019	
	Individual	Team	Individual	Team	Individual	Team
Good Action Award	15	-	15	-	16	-
HSE Excellence Award	2	1	2	1	1	
Good Attendance Award	2	-	1	-	1	-
Long Service Award	8	-	5	-	7	-
Green 5S Award	2	1	2	1	1	1



- **PMHB's Good Action Award** recognises the additional contributions/efforts by employees or project teams that improve working methods that lead to better productivity and effectiveness in delivery 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.
- **The 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.

Sustainability Report (Cont'd)

Annual Appraisal

The Group's employees are evaluated and appraised based on their performance, competency and personal attributes, and are rewarded accordingly at the end of every financial year. The Annual Appraisal is the tool that is leveraged on to help assess and explore avenues that will help the Group's employees to advance forward in their career paths. At the same time, it serves as a mechanism to determine areas for improvement in employee's performance while pinpointing the necessary training and development activities that will better equip them to carry out their daily duties in a more effective manner. PMHB believes that rewarding good work will encourage employees to move forward with the right attitude and skills as well as thrust the Group closer to its ambition of becoming the nation's preferred builder.

The Annual Appraisal process is utilised to determine the bonus, increment, promotion and training required for each employee. As part of the process, an employee is required to attend a face-to-face dialogue session with their respective superior(s) to review and assess the employee's performance, skills and initiative throughout the entire year. The dialogue session aims to provide an employee a better understanding of his or her job requirements. It also serves as a platform for the clarification of any doubt or misunderstanding in work processes. Moreover, the session serves as a platform to build better rapport between superior and subordinate which will ultimately contribute to a more conducive working environment.

Employee Welfare and Benefits

On top of standard employee benefits such as general group health insurance, medical claims, paid and special leave, as well as travelling and outstation allowances, the Group accords its employees 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.

PMHB believes that rewarding good work will encourage employees to move forward with the right attitude and skills as well as thrust the Group closer to its ambition of becoming the nation's preferred builder.

Every new employee is required to attend the Employee Induction Programme within a month of assuming his or her role with the Group. Over the course of the programme, each participant is guided through the Work Culture, Employee Benefits, Health & Safety Practices, Quality and Environment Practices components that the Group observes. Every employee is to uphold the Employee Code of Conduct in the Employee Handbook which outlines the Group's policies on work ethics as well as anti-corruption and bribery practices. All employees, whether they are local or foreign hires, have equal access to the same benefits. The Group's Fair & Equal policy is highlighted during the induction programme.



The PMHB Buka Puasa Night for all its employees serves as an interactive platform for employees and the management.

Sustainability Report (Cont'd)



Employee Engagement

The Group recognises that clear and continuous communication is essential for creating a viable and sustainable future for any organisation. As such, PMHB brings into play engagement activities such as corporate social responsibility initiatives, sport activities, festive celebrations and the Group's Annual Dinner which help to bridge the gap between the Group's management and employees. The Group also undertakes the following engagement activities:

Annual Employee Survey

The Group undertook its second group-wide employee survey in 2019 for the purpose of gauging the needs and perspectives of its employees. The term 'employees' refers to all staff members who are registered under the Group's payroll. A total of 27% of employees responded to the 2019 survey (2018: 19%). This met the Group's target of encouraging at least 25% of the employees to respond to the survey and provide their feedback. The findings of the survey show that more than 58% of PMHB's employees are happy working with the Group and will remain serving the Group for the next two years.

Greater Use of Technology Platforms

The Group's employees today are leveraging on technology in greater measure to engage in seamless communications with their diverse stakeholders. Platforms such as WhatsApp have improved work efficiency by enabling teams to monitor and check on work progress and other matters on a real-time basis. On another note, eBoard, the Group's intranet platform, continues to serve as an important platform to disseminate corporate information, project updates and group-wide activities to all employees.

SOCIAL: OCCUPATIONAL HEALTH AND SAFETY

Employee health and safety remains a top priority for PMHB. With more than 1,500 general workers and employees working at the Group's construction sites where they are exposed to safety hazards, extreme weather, noise and dust pollution, the Group is committed to providing them a safe and healthy working environment to operate in.

Recognised for Good Health and Safety Measures

In recognition of the Group's commitment to upholding excellent health and safety measures, PMSB was conferred several honours over the course of 2019:

- PMSB received the Gold Award at the 15th MOSHPA OSH Excellent National Award 2019 ceremony from the Malaysian Occupational Safety & Health Practitioner's Association for its excellent OSH practices at the TRIA Seputeh project;
- PMSB also clinched a Gold Class 2 Award from the Malaysian Society for Occupational Safety and Health for its 2018 OSH Performance at the Lot 15 SJCC project; and
- PMSB received the Safety and Health Assessment System in Construction ("SHASSIC") Achiever recognition from the CIDB for achieving a SHASSIC score of 95% (5 star rating) for its Lot 15 SJCC project.

Continuing to Uphold Stringent Health and Safety Standards

The Group has been implementing the OHSAS 18001:2007 international standard for occupational health and safety which has proven to be an excellent OSH management system to mitigate all health and safety risks. However, with the OHSAS 18001:2007 due to be retired in 2021, the Group is now migrating to the ISO 45001:2018 international standard. The ISO 45001:2018 includes some very important enhancements over OHSAS 18001:2007, including greater emphasis on workers and their participation. Other improvements include a stronger approach to managing the health and safety of contractors as well as ensuring health and safety are part of the purchasing decision-making process. The new standard also places a greater emphasis on leadership participation, change management and performance management.



Sustainability Report (Cont'd)

Our Health and Safety Policy

To ensure the safety and wellbeing of its workforce, PMHB continues to work towards creating a harmonious and clean workplace where safety is prioritised. To achieve this, the Group has incorporated all rules and regulations pertaining to health and safety into all its workflows and is in full compliance with them. This has helped its teams get better insights into their responsibilities and obligations as well as helped instil good and safe working practices among the Group's employees and co-workers.

The Group endeavours to ensure that all work procedures are carried out safely and in accordance with the law, while safety instructions are upheld at all times 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:



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

Sustainability Report (Cont'd)

Safety Efforts

To ensure the Group maintains a high standard of OSH practices at its project sites, the following initiatives were put in place for 2019:

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 projects sites 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.	90% achieved	In 2019, approximately 81% of employees complied with this requirement while there was 100% compliance among sub-contractors.
Not more than two medical treatment cases for every 1,000,000 man-hours worked.	Achieved	In 2019, there were only six medical treatment cases over 9,029,260 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.	59% achieved	In 2019, only 59% of our Site Supervisors passed; The rest are to attend and resit the programme until they are accredited.
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 2019 while SSS attended 4-5 external courses/training sessions in the same year.

Sustainability Report (Cont'd)

Target	Actual	Remarks/Reasons
Reward and Recognition programme for at least one employee, one sub-contractor and two general workers per month per site.	Achieved	At least one employee, one sub-contractor and two general workers per month per site have been rewarded for their contribution towards maintaining safe work practices.
To conduct two larvaciding sessions per week per site.	Achieved	All sites conducted larvaciding activities at least twice a week.
To conduct one fogging session per week per site.	Achieved	All sites conducted fogging activities at least twice a week.

Training

Various training sessions were scheduled throughout 2019. These sessions were planned according to the needs of the various sites and workers to ensure that all parties maintained safe work practices and that the probability of incidents due to human error was reduced. These three types of training were carried out:

- I. **On-the-Job Training:** This training focused on high-risk jobs at that point in time whereby a group of workers were called up for training before any high-risk job was embarked upon. This training was conducted by qualified safety personnel such as a professional Safety Officers or professional Site Safety Supervisors.
- II. **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.
- III. **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.



The Group's employees attended the Water Services Industry Permit Type C refresher course for contractors organised by Suruhanjaya Perkhidmatan Air Negara ("SPAN") pertaining to the construction, installation or modification of water supply system at construction sites.

Inspections

Over the course of 2019, every site was provided a monthly inspections schedule by HQ. These schedules served as guidelines for each site while the relevant KPIs that each site needed to fulfil on a monthly basis was also outlined. The schedules covered 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

Internal Audits were also conducted on a quarterly basis i.e. every three months once at each site. The audit was headed by the Head of Department ("HOD") Senior Safety and Health Manager. Covering safety records, documentation and site practices at each site office, the audits sought to ensure that all construction sites were practicing and complying with the Group's safety standards.

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

Sustainability Report (Cont'd)

“ The Behaviour Based Safety programme aims to promote a culture that upholds the best safety attitudes and habits among the project teams regardless of their positions and trades. ”

Behaviour Based Safety Programme

The Group continues implement the coaching programme called Behaviour Based Safety (“BBS”) at all its sites. This programme serves to promote a culture that upholds the best safety attitudes and habits among the project teams regardless of their positions and trades. This culture is spearheaded by the Head of Project at each site to motivate 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

In 2019, the Group began its inaugural Monthly Safety Reward and Recognition Programme where employees and workers were rewarded based on their efforts in maintaining and improvising site safety. The ongoing programme aims to cultivate diligence, stewardship and overall good behaviour at the workplace by encouraging proactive employees and workers through a recognition and rewards mechanism.



BuildQAS Mock Assessment at the Eaton Residences project site.



Monthly QA/QC Meeting and Briefing on Lightweight panel tile marble installation at the Eaton Residences project site.

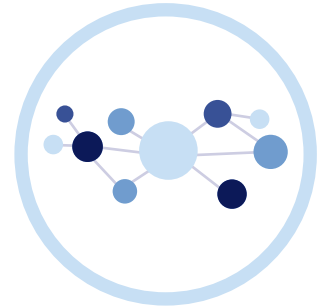


Quality inspection at the Conlay 301 project site.

Sustainability Report (Cont'd)

SOCIAL: COMMUNITY/SOCIETY

The Group is dedicated to elevating the livelihood of the communities that it operates in as part of its efforts to contribute to the development of a better Malaysia. Our corporate social responsibility ("CSR") initiatives for the year under review comprised visits to charitable organisations and the continued rollout of a scholarship programme.



Philanthropic Activities

PMHB is deeply committed to upholding a culture of caring. The Group strongly believes that as it takes care of the community, it will also be taken care of. The year in review, saw the Group continuing to cultivate its culture of caring by visiting four charitable homes during the year where the Group's employees lent a helping hand and showered the occupants of these charities with attention, care and emotional support. The Group also made financial contributions to each of the homes.

The following is a summary of the homes visited by the Group's employees in 2019:

Period	Charitable Home	No. of Staff Participated
1Q 2019	Pusat Penjagaan Warga Usia Emas Tong Sim, Negeri Sembilan	60
2Q 2019	Persatuan Kebajikan OKU Hati Berganda Selangor	51
3Q 2019	Pusat Jagaan Insan Nur Cahaya, Selangor	34
4Q 2019	Pusat Jagaan Beribuan Kasih, Selangor	60



Sustainability Report (Cont'd)

“ The Group recognises that it must uphold quality in all that it does if it is to cultivate sustainable business growth. ”



Apart from scheduled group-wide CSR programmes, the Group also encourages its project sites and employees to go the extra mile and organise additional activities in support of communities in their vicinities that need assistance. By encouraging employees to engage in philanthropic activities where they are able to serve others, we are according them a sense of fulfilment while keeping them inspired.

Scholarship Programme

The PMHB Scholarship Programme is another key component of our community development initiatives. The 2019 programme saw the Group awarding nine scholarships to deserving undergraduates who are pursuing courses related to construction such as Civil Engineering, Mechanical Engineering, Electrical Engineering, Architecture and Quantity Surveying. The objective of this partial scholarship is to lighten the financial burden of this group of scholars. These scholars will then be presented a working opportunity with the Group upon graduation.

	2017	2018	2019
Number of New Scholars	6	7	9
Total Annual Scholarship Amount	RM125,000	RM155,000	RM215,000

SOCIAL: PRODUCT RESPONSIBILITY

The Group recognises that it must uphold quality in all that it does if it is to cultivate sustainable business growth. In line with this, PMHB is committed to delivering quality products and results as part of its promise to deliver value to its stakeholders.

Product Satisfaction

To ascertain that all PMHB's projects are being constructed with the same level of excellence, and that high-quality results are delivered on time and within budget, the Group'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. 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. In most instances, PMHB's score is higher than the quality requirements set by clients. Nonetheless, the Group is capable of and is committed to achieving a score higher than 73% when required by clients.

To attain this target, we have plotted out the following roadmap:

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

In 2019, two of the Group's projects were brought to completion, namely the Residensi Gen project in Kuala Lumpur and the Central Plaza i-City Mall project in Shah Alam. While the Residensi Gen project achieved a 73% QLASSIC score, the latter project, however, did not undergo evaluation. This assessment was carried out in an unbiased manner according to the QLASSIC criteria by third-party assessors from the CIDB.

Sustainability Report (Cont'd)

Meanwhile, the Eaton Residences project in Kuala Lumpur underwent a BuildQAS mock assessment (Singapore Standards), achieving a 70.1% score. BuildQAS is an established third-party assessment system that bridges the quality expectations between developers and contractors. By specifying a BuildQAS target score in a construction project, it gives the contractor a quality objective to work towards, thereby producing a higher quality building project.

In 2019, the Group organised internal QLASSIC awareness training sessions for all project sites and a BuildQAS awareness training session for the Eaton Project Site by BuildQAS Singapore.

Customer Satisfaction

Customer satisfaction plays an integral role in the Group's product responsibility activities. PMHB has set a Customer Satisfaction target of 80% based on customer feedback. The Group bases its evaluation of customer satisfaction on 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.

To achieve its target, the Group organises fortnightly site meetings with clients and consultants to discuss work progress and to resolve any discrepancies. A good communications flow is also essential for ensuring all instructions and decisions are transcribed accurately.

Customer Satisfaction Rating

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

From the table above, PMSB's average achieve customer satisfaction rating is in the vicinity of 80% and above.

Sub-Contractor Evaluation

Being a main contractor, PMHB is highly dependent on its pool of sub-contractors to perform and deliver the tasks assigned to them as per clients' specifications. Following the completion of each project, sub-contractors are evaluated based on their performance. The evaluation process includes dialogue sessions with sub-contractors, in which the whole work process is discussed, and if needed, various methods such as induction courses are initiated to help them perform better.

Based on the results of the assessment, the Group will only retain sub-contractors with a score of at least 'B-'. The Group's aims to achieve a minimum of 75% Grade B- sub-contractors in its pool. All Grade C sub-contractors will be given the opportunity to improve themselves through additional training within a span of one year.

Sub-Contractor Evaluation Results

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

Sustainability Report (Cont'd)

From the results above, the overall quality of sub-contractors within the Group's pool has progressively declined since 2017. In 2019, for the Central Plaza i-City Mall and Residensi Gen projects, the sub-contractors achieved scores of 66.3% and 75.6% respectively.

Moving forward, Management is reviewing some 29% of sub-contractors with a view to either continuing with them on condition that they improve their project delivery or be terminated. For sub-contractors who have underperformed, a reminder will be given to first offenders. Those sub-contractors who fail to meet the Group's requirements after the first warning will be terminated accordingly.

PMHB will continue to source for and replace those sub-contractors who have been terminated. We will put in place a more stringent sub-contractor interview process whereby each sub-contractor's skills and experience will be thoroughly scrutinised before they are engaged. The Group will continue to work closely with its all sub-contractors to enhance their technical knowledge and skills through meetings, induction programmes and training sessions.

Supplier Evaluation

To ascertain that the products and services provided by suppliers are of a high quality, the Group carries out an annual evaluation to filter non-performing suppliers who do not meet its requirements, especially the requirements pertaining to timeliness and product quality.

As per the evaluations for sub-contractors, suppliers who want to remain on the Group's panel, are required to achieve at least a Grade C in their evaluations. Grade D suppliers will be dropped from the list in the subsequent year. The Group aims to achieve a minimum of 75% Grade C suppliers on its panel.

Supplier Evaluation Results

	2016	2017	2018	2019
Grade A	-	-	-	-
Grade B	78%	75%	100%	100%
Grade C	22%	24%	-	-
Grade D	-	1%	-	-

In 2019, all (100%) of the Group's suppliers attained a Grade B rating. The Group will continue to guide and work with its suppliers to help them upgrade their standards gradually, a process which ultimately serves as a mutually beneficial one.

Quality, Environment, and Occupational Health & Safety Management Standards

The Group has completely upgraded its ISO 9001 and ISO 14001 standards to 2015 requirements and is currently in the process of upgrading its OHSAS 18001:2007 to the ISO45001:2018 standard. The expectation is for the upgrade to be fully implemented within a three-year timeframe.

MOVING FORWARD INTO 2020

As the Group embraces 2020, it will continue to undertake the necessary steps to ensure it achieves its sustainability targets. This will encompass re-evaluating processes and targets where necessary.

Following two initial materiality analyses undertaken in February and December 2018 respectively, the Group undertook a third materiality analysis in the third quarter of 2019.

Sustainability Report (Cont'd)

The material matters from the 2019 survey are outlined below. The latest findings signify that while most of the material matters are similar to the previous findings, there has been a reprioritisation of EES matters for the Group's 2020 Sustainability Roadmap

Top 10 Priorities as per the 2019 EES Materiality Matrix and Stakeholder Survey for the 2020 Sustainability Reporting Roadmap



The Group has realigned its targets to ensure the above material EES matters are accorded top priority in 2020. These material matters will be relied on to help PMHB roll out its Sustainability Roadmap for 2020.

Category	2019 Material Matters	2020 Material Matters
Safety	OSH Practices	OSH Practices
	Public Safety	Public Safety
Waste	Waste Management	–
Labour Practices	Good Employer-Employee Relationship	Anti-Bribery & Corruption Practices
	Anti-Bribery & Corruption	Fair & Equal Work Opportunities
	Inclusive Workplace	Training & Career Development
	–	Employee Welfare
Profitability	Business Performance	Financial Performance
	Quality Management	Availability of Material
	Green Material & Practices	Up-To-Date Construction Methodologies
	Sustainable Procurement & Supplier Assessment	Quality Management

Sustainability Report (Cont'd)



TOWARDS A SUSTAINABLE FUTURE

As the PMHB Group ventures forth, it is determined to continue embedding sustainability into its operations and business strategies in a greater manner. To this end, the diverse stakeholders that are responsible for the Group's sustainability agenda will continue to plan, execute and monitor sustainability measures to ensure that its sustainability agenda aligns with its business strategies and that it delivers a sustainable performance on the EES fronts. To ensure PMHB grows in a sustainable manner, we will continue to balance out our Economic performance with responsible Environmental and Social considerations for the long-term.

Corporate Governance Overview Statement

The Board of Directors ("Board") is committed towards adhering to the Practices of the Malaysian Code on Corporate Governance ("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 2019 ("FY 2019") 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 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 2019 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 (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 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 has 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. All related party transactions are reviewed as part of the annual internal audit plan. 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 in the Company's website at www.pesona.com.my.

Corporate Governance Overview Statement (Cont'd)

3. Whistleblowing Policy

The Whistleblowing Policy is periodically reviewed by the Board. It was last reviewed on 27 February 2020. 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. 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.

5. 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.

6. Qualified and Competent Company Secretaries

The Company Secretaries are qualified to act as company secretary 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.

7. 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 27 February 2020 and is accessible via www.pesona.com.my.

8. Board Composition

The Board currently has six 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.

Corporate Governance Overview Statement (Cont'd)

A brief profile of each Director is presented on pages 13 to 16 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 check and balance 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 member of the Board, provides leadership for the Board so that the Board can perform its responsibilities. 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.

9. 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 AGM subsequent to their appointment. The Constitution further provides that at least one third of the Directors including the Managing Director shall retire by rotation at each AGM at least once in 3 years but shall be eligible for re-election.

10. 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.

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.

Corporate Governance Overview Statement (Cont'd)

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 variety of independent source.

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

The Nomination Committee undertook the following activities in FY 2019:

- 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 re-election of Directors;
- reviewed the independence of the Independent Directors based on the criteria set out in the MMLR; and
- reviewed the training attended by each Director and determined the training needs.

On 27 February 2020, 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 2019 are as follows:-

Gender		Age		Ethnicity	
Male	5	40 - 50	2	Malay	2
Female	1	51 - 60	2	Chinese	4
		Above 60	2	Indian	0

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 27 February 2020 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 Ninth 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 Ninth AGM.

Corporate Governance Overview Statement (Cont'd)

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 Dato' Sri Lee Tuck Fook and Wie Hock Kiong as Directors at the Ninth AGM.

11. 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 the Board as Independent Director for more than nine (9) years. 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.

At present, the Company does not have any Independent Non-Executive Director who has served in that capacity for more than nine (9) years.

12. 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 2019.

The Company held five (5) Board meetings during FY 2019. 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	4/5
Loh Kong Fatt	Director	Senior Independent and Non-Executive	5/5
Salwa Binti Shamshuddin	Director	Independent and Non-Executive	5/5

13. 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:-

- 2020 Budget Proposals
- Invest Malaysia Conference 2019
- Sustainability Awareness Briefing Workshop
- Corporate Liability Provision – Anti-Corruption Training Programme

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.

Corporate Governance Overview Statement (Cont'd)

14. Remuneration Committee

The Board has 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

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.

15. 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 27 February 2020 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.

Corporate Governance Overview Statement

(Cont'd)

The details of the remuneration of each individual director for the FY 2019 is as follows:

Name of Director	Salary/ Fees RM'000	Bonus/ Project incentive RM'000	EPF RM'000	Other benefits RM'000	Total RM'000
Executive					
Wie Hock Beng	600	150	90	28	868
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	75*	-	-	3	78

* Inclusive of fees paid from October 2018 to December 2018.

16. Senior Management's Remuneration

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

Senior Management	
From RM250,001 to RM300,000	1
From RM300,001 to RM350,000	1
From RM350,001 to RM400,000	1
From RM450,001 to RM500,000	1
From RM550,001 to RM600,000	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.

Corporate Governance Overview Statement (Cont'd)

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.

4. Sound Framework to Manage Risks

The Company has 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. 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 Axcelasia Columbus 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 Management during the FY 2019 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.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C: INTEGRITY IN REPORTING AND MEANINGFUL RELATIONSHIP 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 have 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

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 Ninth 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.

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.

Corporate Governance Overview Statement (Cont'd)

KEY FOCUS AREAS IN RELATION TO CORPORATE GOVERNANCE PRACTICES

Corporate governance was clearly imperative for the Group in the year 2019 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 areas which gained heightened attention from the Board during FY 2019 are as follows:-

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 FY 2020

Going forward, the Company will continue working towards achieving high standards of corporate governance and have identified the following priorities of the Company:-

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 will come into force in June 2020. As such, the Group will be focusing 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.

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 27 February 2020 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)

* Member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants

MEETINGS

The Audit Committee held five (5) meetings during the financial year ended 31 December 2019 ("FY 2019") 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	4/5
Salwa Binti Shamshuddin	5/5

The Audit Committee meets at least once in every quarter. The Managing Director, Chief Financial Officer, Senior Management, External Auditors and Internal Auditors also attend the meetings by invitation to brief the Audit Committee on specific issues. The Chairman of the Audit Committee reports to the Board on matters discussed at every Audit Committee meeting.

WORK OF THE AUDIT COMMITTEE

Summary of the work carried out by the Audit Committee in discharging its duties and responsibilities during FY 2019 included the following:-

- 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 had sought explanations from the Managing Director and Chief Financial Officer on the variances in the financial performance, trade receivables and other key components of financial position;
- Reviewed the financial statements for the financial year ended 31 December 2018 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;

Audit Committee Report (Cont'd)

- (c) Reviewed the External Auditors' audit plan for the FY 2019, covering the audit engagement team, materiality, independence and objectivity, areas of audit emphasis and audit timetable;
- (d) Reviewed the fees of the External Auditors;
- (e) Met privately with the External Auditors at the Audit Committee meetings held on 27 February 2019 and 15 April 2019 to ensure there were no restrictions to the scope of their audit and to discuss material issues that arose during the course of audit;
- (f) Reviewed the internal audit reports presented by the Internal Auditors and the findings highlighted by the Internal Auditors;
- (g) Reviewed the follow-up reports issued by the Internal Auditors and the status of mitigating measures taken by Management;
- (h) Reviewed the internal audit plan for the FY 2019 tabled by the Internal Auditors;
- (i) Met privately with the Internal Auditors at the Audit Committee meeting held on 27 February 2019 to discuss material issues that arose during the course of internal audit;
- (j) 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 2018 Annual Report.
- (k) Reviewed the quarterly progress reports on risk management prepared by Management;
- (l) Reviewed recurrent related party transactions 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 Eighth Annual General Meeting held on 13 June 2019.

The Audit Committee had on 27 February 2020, conducted an assessment on the suitability and independence of the External Auditors and took into consideration the following:-

- quality and scope of the planning of the audit in assessing risks 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 the auditors' firm;
- 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 Ninth 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.

Audit Committee Report (Cont'd)

INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to Axcelasia Columbus 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 2019 included the following:-

- (a) Performed audit work in accordance with the pre-approved internal audit plan, which mainly 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) Internal audit adopts a risk-based approach to prioritise the audit work and the audit recommendations for improvements to the existing system of internal controls and work processes are made to the Management for resolutions where necessary; and
- (d) Reviewed and commented on the effectiveness and adequacy of the existing internal control policies and procedures.

Based on the assessment conducted by the Audit Committee on 27 February 2020, the Audit Committee was satisfied that Axcelasia Columbus 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 2019 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 2019, 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)

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 Axcelasia Columbus Sdn. Bhd. ("Axcelasia Columbus") 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 2019, the following areas are the internal audit compliance reviews undertook by the Internal Auditors:

- 1) Review on Health, Safety and Security;
- 2) Sub-Contractor Management;
- 3) Management Information System; and
- 4) Follow up review on Management's action plans.

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)

- 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 of 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 Axcelasia Columbus 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 2019, 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 2019 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 Directors 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 2019 as set out on pages 106 to 182 of this Annual Report.

Additional Information

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

As at the date of this report, a total of 45,651 new ordinary shares of RM0.25 each were issued pursuant to the conversion of warrants. The proceeds amounting to RM11,412.75 were utilised as working capital of the Group. The total number of outstanding Warrants of 97,967,012 had expired on 24 January 2020.

Save for the above, there was no other issuance of options, warrants and convertible securities.

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 2019 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 13 June 2019.

MATERIAL CONTRACT 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 2019.

Financial Statements



Directors' Report	96
Statement by Directors	101
Statutory Declaration	101
Independent Auditors' Report	102
Statements of Financial Position	106
Statements of Profit or Loss and Other Comprehensive Income	108
Statements of Changes in Equity	109
Statements of Cash Flows	111
Notes to the Financial Statements	113

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 2019.

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 RM	Company RM
Net profit/(loss) for the financial year	13,641,902	(3,194,139)
Attributable to:		
Owners of the parent	11,051,862	(3,194,139)
Non-controlling interests	2,590,040	-
	13,641,902	(3,194,139)

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
A single-tier final dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2018 on 3 July 2019	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 a final dividend to be paid in respect of the financial year ended 31 December 2019.

Directors' Report (Cont'd)

ISSUE OF SHARES AND DEBENTURES

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

WARRANTS

The warrants were constituted under the Deed Poll (2014/2019) dated 9 January 2015.

A total free warrants up to 255,101,224 warrants on the basis of one warrant for every two existing ordinary shares at the exercise price of RM0.25 of the Company was issued.

As at 31 December 2019, the total numbers of warrants that remained unexercised were 98,012,663.

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

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

Dato' Sri Lee Tuck Fook
Datuk Hj Subhi Bin Dziauddin*
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' Report (Cont'd)

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:

	At 1.1.2019	Number of ordinary shares		At 31.12.2019
		Acquired	Disposed	
Interests in the Company				
Direct interests:				
Wie Hock Beng	8	-	-	8
Indirect interests:				
Wie Hock Beng ¹	386,879,300	-	-	386,879,300
Wie Hock Kiong ¹	386,879,300	-	-	386,879,300

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' 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.

Directors' Report

(Cont'd)

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.
- (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.

Directors' Report (Cont'd)

SUBSIDIARY COMPANIES

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

AUDITORS' REMUNERATION

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 April 2020.

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 106 to 182 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and 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 29 April 2020.

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 106 to 182 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)
the abovenamed at Petaling Jaya)
in Selangor on 29 April 2020)

CHONG KIEN ENG @ TEO KIEN ENG

Before me,

No. B335
MOHD IRWAN BIN MOHD RADZI
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 2019 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 106 to 182.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the 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' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current 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
<u>Recognition of construction contract revenue and costs</u> 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. 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. 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, among others: • 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; • Read all key contracts to obtain an understanding of the specific terms and conditions; • 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; • 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; • Agreed a sample of costs incurred to date to invoice and/or progress claim and assessed the adequacy of accruals of costs made; and • 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> Refer to Note 2(c) (Significant accounting judgements, estimates and assumptions), Note 3(o) (Significant Accounting Policies), Note 9 (Trade receivables) to the financial statements. The Group has material credit exposures in its trade and other receivables. Given the nature of these assets, the Group made assessments on whether trade receivables are impaired based on objective evidence and the estimation of the amount of any such impairment loss. Where the trade receivables are assessed for impairment, the Group made subjective judgements on the timing of recognition of impairment and the estimation of the impairment loss. The focus of our work involved auditing the Group's credit analyses and associated impairment assessments of trade and other receivables that were either default or significantly overdue as at 31 December 2019.	Our audit procedures performed in this area included, among others: • 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; • 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; • Reviewed the probability of default using historical data and adjustment of forward-looking information applied by the Group; • Reviewed the adequacy of the impairment loss and subsequent collection from overdue trade receivables; and • 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.

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 (Cont'd)

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.

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: 03262/04/2021 J
Chartered Accountant

KUALA LUMPUR

29 April 2020

Statements of Financial Position

As At 31 December 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	79,986,288	61,766,971	-	-
Investment properties	5	3,920,468	2,924,588	-	-
Intangible assets	6	55,177,795	58,284,456	-	-
Investments in subsidiary companies	7	-	-	118,214,521	120,714,521
Concession receivables	8	134,583,186	136,983,496	-	-
Trade receivables	9	72,634,028	54,197,210	-	-
Total Non-Current Assets		346,301,765	314,156,721	118,214,521	120,714,521
Current Assets					
Inventories	10	599,121	681,199	-	-
Contract assets	11	37,325,549	23,578,474	-	-
Concession receivables	8	2,400,310	2,123,368	-	-
Trade receivables	9	196,605,728	168,848,906	-	-
Other receivables	12	39,290,938	29,563,588	5,000	35,179
Amounts due from subsidiary companies	13	-	-	102,190,031	109,605,579
Amount due from an associate company	14	-	-	-	-
Tax recoverable		333,538	2,348,041	3,500	34,952
Fixed deposits with licensed banks	15	7,562,081	4,958,245	-	-
Cash and bank balances	16	70,135,508	22,869,172	119,954	225,033
		354,252,773	254,970,993	102,318,485	109,900,743
Total Assets		700,554,538	569,127,714	220,533,006	230,615,264

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

Statements of Financial Position

As At 31 December 2019 (Cont'd)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
EQUITY					
Share capital	17	194,020,338	194,020,338	194,020,338	194,020,338
Reverse acquisition reserve	18	(91,000,000)	(91,000,000)	-	-
Retained earnings		80,080,407	75,977,955	26,353,377	36,496,926
Equity Attributable to Owners of the Company					
		183,100,745	178,998,293	220,373,715	230,517,264
Non-Controlling Interests		11,750,995	9,160,955	-	-
Total Equity		194,851,740	188,159,248	220,373,715	230,517,264
LIABILITIES					
Non-Current Liabilities					
Trade payables	19	33,793,660	19,419,019	-	-
Sukuk liabilities	20	140,000,000	-	-	-
Bank borrowings	21	-	76,095,000	-	-
Leases	22	18,869,598	7,580,229	-	-
Deferred tax liabilities	23	13,234,381	13,979,980	-	-
Total Non-Current Liabilities		205,897,639	117,074,228	-	-
Current Liabilities					
Contract liabilities	11	47,865,754	49,580,100	-	-
Trade payables	19	155,678,271	145,595,090	-	-
Other payables	24	21,274,792	19,770,309	159,291	98,000
Sukuk liabilities	20	10,000,000	-	-	-
Bank borrowings	21	56,356,305	44,669,466	-	-
Leases	22	8,025,193	4,244,486	-	-
Tax payable		604,844	34,787	-	-
		299,805,159	263,894,238	159,291	98,000
Total Liabilities		505,702,798	380,968,466	159,291	98,000
Total Equity and Liabilities		700,554,538	569,127,714	220,533,006	230,615,264

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

Statements of Profit or Loss and other Comprehensive Income

For The Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	25	625,482,472	580,812,718	3,008	13,094
Cost of sales		(561,760,837)	(514,437,255)	-	-
Gross profit		63,721,635	66,375,463	3,008	13,094
Other income		3,407,488	2,490,284	-	-
Net gain/(loss) on impairment loss on financial instruments	27	-	(2,300,000)	141,000	(1,620,000)
Administrative expenses		(40,050,433)	(41,618,190)	(3,338,147)	(657,384)
Finance costs	26	(9,333,612)	(10,890,210)	-	-
Profit/(Loss) before taxation	27	17,745,078	14,057,347	(3,194,139)	(2,264,290)
Taxation	28	(4,103,176)	(4,566,893)	-	(76)
Net profit/(loss) for the financial year, representing total comprehensive income/(loss) for the financial year		13,641,902	9,490,454	(3,194,139)	(2,264,366)
Profit attributable to:					
Owner of the Company		11,051,862	8,251,941		
Non-controlling interest		2,590,040	1,238,513		
		13,641,902	9,490,454		
Total comprehensive income attributable to:					
Owner of the Company		11,051,862	8,251,941		
Non-controlling interest		2,590,040	1,238,513		
		13,641,902	9,490,454		
Earnings per share:					
- Basic	29	1.59	1.19		
- Diluted	29	1.39	1.04		

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

Statements of Changes in Equity

For The Year Ended 31 December 2019

Group	Note	Attributable to Owners of the Parent						Non-Controlling Interests RM	Total RM
		Non-Distributable		Distributable		Total RM			
		Share Capital RM	Reverse Acquisition Reserve RM	Retained Earnings RM					
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		
At 1 January 2018		194,007,825	(91,000,000)	74,675,424	177,683,249	7,922,442	185,605,691		
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	8,251,941	8,251,941	1,238,513	9,490,454		
Transactions with owners:									
Conversion of warrants	17	12,513	-	-	12,513	-	12,513		
Dividend on ordinary shares	31	-	-	(6,949,410)	(6,949,410)	-	(6,949,410)		
Total transactions with owners		12,513	-	(6,949,410)	(6,936,897)	-	(6,936,897)		
At 31 December 2018		194,020,338	(91,000,000)	75,977,955	178,998,293	9,160,955	188,159,248		

Statements of Changes in Equity

For The Year Ended 31 December 2019 (Cont'd)

Company	Note	Non-distributable Share Capital RM	Distributable Retained Earnings RM	Total RM
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
At 1 January 2018		194,007,825	45,710,702	239,718,527
Net loss for the financial year, representing total comprehensive loss for the financial year		-	(2,264,366)	(2,264,366)
Transactions with owners:				
Conversion of warrants	17	12,513	-	12,513
Dividend on ordinary shares	31	-	(6,949,410)	(6,949,410)
Total transactions with owners		12,513	(6,949,410)	(6,936,897)
At 31 December 2018		194,020,338	36,496,926	230,517,264

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

Statements of Cash Flows

For The Financial Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Cash Flows From Operating Activities					
Profit/(Loss) before taxation		17,745,078	14,057,347	(3,194,139)	(2,264,290)
Adjustments for:					
Amortisation of concession right		3,106,661	3,470,142	-	-
Depreciation of property, plant and equipment		18,142,932	16,545,409	-	-
Fair value adjustment on investment properties		(200,000)	(90,640)	-	-
Gain on disposals of property, plant and equipment		(396,424)	(409,541)	-	-
Gain on disposals of investment properties		-	(2,610)	-	-
Impairment loss on:					
- amount due from an associated company		-	2,300,000	-	2,300,000
- goodwill on consolidation		-	3,000,000	-	-
- investment in a subsidiary company		-	-	2,500,000	-
Inventories written down		80,076	184,186	-	-
Interest expenses		9,333,612	10,890,210	-	-
Interest income		(609,338)	(992,762)	(3,008)	(13,094)
Property, plant and equipment written off		27,738	29,749	-	-
Reversal of inventories written down		(122,049)	(193,246)	-	-
Reversal of impairment loss on amount due from subsidiary company		-	-	(141,000)	(680,000)
Unrealised gain on foreign exchange		(2,151)	(1,487)	-	-
Waiver of debts		-	(10,141)	-	-
Operating profit/(loss) before working capital changes		47,106,135	48,776,616	(838,147)	(657,384)
Changes in working capital:					
Inventories		124,051	175,068	-	-
Contract assets		(13,747,075)	611,118	-	-
Concession receivables		2,123,368	1,878,380	-	-
Trade and other receivables		(55,920,990)	(64,461,848)	30,179	(772)
Contract liabilities		(1,714,346)	23,967,559	-	-
Trade and other payables		25,602,274	9,475,454	61,291	-
Amounts due from subsidiary companies		-	-	7,556,548	(39,570,600)
		(43,532,718)	(28,354,269)	7,648,018	(39,571,372)
Cash from/(used in) operations		3,573,417	20,422,347	6,809,871	(40,228,756)
Interest received		609,338	992,762	3,008	13,094
Interest paid		(8,973,581)	(10,777,150)	-	-
Dividend received		-	-	-	47,000,000
Tax refunded		2,222,267	114,786	34,952	-
Tax paid		(4,486,482)	(7,259,546)	(3,500)	(9,750)
		(10,628,458)	(16,929,148)	34,460	47,003,344
Net cash (used in)/from operating activities		(7,055,041)	3,493,199	6,844,331	6,774,588

Statements of Cash Flows

For The Financial Year Ended 31 December 2019 (Cont'd)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Cash Flows From Investing Activities					
Purchases of property, plant and equipment	4(b)	(15,718,379)	(4,716,903)	-	-
Purchases of investment properties	5	(795,880)	-	-	-
Refund of deposit on investment properties	5	-	10,000	-	-
Proceeds from disposals of property, plant and equipment		570,900	562,671	-	-
Proceeds from disposals of investment properties		-	10,402,610	-	-
Net cash (used in)/from investing activities		(15,943,359)	6,258,378	-	-
Cash Flows From Financing Activities					
Repayment of lease liabilities		(5,776,008)	-	-	-
Repayment of finance lease payables		-	(5,341,632)	-	-
Repayment of Commodity murabahah term financing-i		(96,715,000)	(11,505,000)	-	-
Repayment of term loan		-	(4,112,582)	-	-
Proceeds from issuance of shares		-	12,513	-	12,513
Proceeds from issuance of sukuk liabilities	150,000,000	-	-	-	-
Changes in structure commodity financing		-	(11,012,518)	-	-
Changes in invoice financing and bankers' acceptance		19,531,662	32,179,760	-	-
Changes in fixed deposits pledged with licensed banks		(2,603,836)	(1,068,794)	-	-
Changes in pledged cash and bank balances		(2,102,946)	-	-	-
Drawdown of Commodity murabahah term financing-i		10,000,000	-	-	-
Dividend paid		(6,949,410)	(6,949,410)	(6,949,410)	(6,949,410)
Net cash from/(used in) financing activities		65,384,462	(7,797,663)	(6,949,410)	(6,936,897)
Net changes in cash and cash equivalents		42,386,062	1,953,914	(105,079)	(162,309)
Cash and cash equivalents at the beginning of the financial year		21,494,172	19,538,771	225,033	387,342
Effect of exchange translation difference on cash and cash equivalents		2,151	1,487	-	-
Cash and cash equivalents at the end of the financial year		63,882,385	21,494,172	119,954	225,033
Cash and cash equivalents at the end of the financial year comprises:					
Fixed deposits with licensed banks		7,562,081	4,958,245	-	-
Cash and bank balances		70,135,508	22,869,172	119,954	225,033
Bank overdrafts		(2,775,177)	-	-	-
		74,922,412	27,827,417	119,954	225,033
Less: Fixed deposits pledged with licensed banks		(7,562,081)	(4,958,245)	-	-
Less: Pledged cash and bank balances		(3,477,946)	(1,375,000)	-	-
		63,882,385	21,494,172	119,954	225,033

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

Notes to the Financial Statements

31 December 2019

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

MFRS 16	<i>Leases</i>
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to MFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to MFRS 119	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to MFRS 128	<i>Long-term interests in Associates and Joint Ventures</i>
Amendments to MFRS 15	<i>Clarifications to MFRS 15</i>
Amendments to MFRS 140	<i>Transfers of Investment Property</i>
Annual Improvements to MFRSs	<i>Amendments to MFRS 3</i>
2015 – 2017 Cycle:	<i>Amendments to MFRS 11</i>
	<i>Amendments to MFRS 112</i>
	<i>Amendments to MFRS 123</i>

The adoption of the new MFRSs, new interpretations and amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company, except for:

MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determine whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Notes to the Financial Statements

31 December 2019 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 Leases (Cont'd)

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 Leases are no longer required. MFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use ("ROU") asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the ROU asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows.

The ROU asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

The Group has also applied the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- The Group does not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- No adjustments are made on transition for leases for which the underlying assets are of low value.

As a result, the leasehold land and buildings under property, plant and equipment have been reclassified to ROU assets on 1 January 2019 for the Group.

Notes to the Financial Statements

31 December 2019 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

Impact arising from the adoption of MFRS 16 on the financial statements:

Statements of financial position

	As at 31.12.2018	MFRS 16 adjustment RM	As at 1.1.2019 RM
Group			
Finance lease liabilities (Note 22(a))	(11,824,715)	11,824,715	-
Lease liabilities (Note 22(b))	-	(11,824,715)	(11,824,715)

Standards issued but not yet effective

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

	Effective dates for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company plan to apply the abovementioned accounting standards, and amendments from the annual period beginning on 1 January 2020 for those accounting standards, interpretation and amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17 Insurance Contracts that is effective for annual periods beginning or after 1 January 2021 as it is not applicable to the Group and to 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 and prior period financial statements of the Group and of the Company.

Notes to the Financial Statements

31 December 2019 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

(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.

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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

Judgements (Cont'd)

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.

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 judgment 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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

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.

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 2019, the Group has tax recoverable of RM333,538 (2018: RM2,348,041) and tax payable of RM604,844 (2018: RM34,787) respectively. While, the Company has tax recoverable of RM3,500 (2018: RM34,952).

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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

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.

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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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.

(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(l)(i) to the financial statements on impairment of non-financial assets.

Notes to the Financial Statements

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (Cont'd)

(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	4 - 10 years
Computers	3½ - 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.

Leasehold land and buildings

The above accounting policies for property, plant and equipment applies to leasehold land and buildings until 31 December 2018. The leasehold land and buildings was depreciated over the remaining lease period

Following the adoption of MFRS 16 *Leases* on 1 January 2019, the Group has reclassified the carrying amount of the leasehold land and building to ROU assets. The policy of recognition and measurement of the right-of-use assets is in accordance with Note 2(e) to the financial statements.

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the Group has chosen to measure the right-of-use asset equals to the lease liability at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported under MFRS 117 *Leases* and related interpretations.

Notes to the Financial Statements

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Policy applicable from 1 January 2019

(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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Policy applicable from 1 January 2019 (Cont'd)

(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.

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.

Policy applicable before 1 January 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

As lessee

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

Notes to the Financial Statements

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Policy applicable from 1 January 2019 (Cont'd)

As lessee (Cont'd)

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as a prepaid land lease payments.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. 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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investment properties (Cont'd)

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.

(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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets (Cont'd)

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include other receivables.

(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 entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

(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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of:

- the best estimate of the expenditure required to settle the present obligation at the reporting date; and
- the amount initially recognised less cumulative amortisation.

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

(k) Offsetting

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.

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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 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

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Impairment of assets (Cont'd)

(ii) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balances and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

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

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

Notes to the Financial Statements

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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.

(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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Employee benefits (Cont'd)

(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

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Construction contracts

Revenue from construction contracts is recognised by reference to the stage of completion. Stage of completion is determined by reference to total construction cost incurred-to-date as a percentage of total estimated construction cost for each contract.

(iii) Maintenance and management services income

Revenue from maintenance and management services are recognised based on monthly fixed fee and recognised when earned over the term of the 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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

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 their 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

31 December 2019 (Cont'd)

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(n) 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

31 December 2019 (Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2019, as previously stated RM	Effect of adoption of MFRS 16 RM	At 1 January 2019, as restated RM	Additions RM	Disposals RM	Written off RM	Reclassification RM	Transfer to investment property RM	At 31 December 2019 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	-	-	-	-	-	9,105,967
Buildings under construction	-	-	-	-	-	-	-	-	-
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	-	135,024,524	36,564,463	(1,388,693)	(224,969)	-	-	169,975,325

Notes to the Financial Statements

31 December 2019 (Cont'd)

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

	At 1 January 2019, as previously stated RM	Effect of adoption of MFRS 16 RM	At 1 January 2019, as restated RM	Charges for the year RM	Accumulated depreciation				Accumulated impairment losses		
					Disposals RM	Written off RM	Reclassification RM	Transfer to investment property RM	At 31 December 2019 RM	At 1 January/ 31 December 2019 RM	Carrying Amount At 31 December 2019 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
Buildings under construction	-	-	-	-	-	-	-	-	-	-	-
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

31 December 2019 (Cont'd)

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

	At 1 January 2018 RM	Additions RM	Disposals RM	Written off RM	Reclassification RM	Transfer to investment property RM	At 31 December 2018 RM
Group							
2018							
Cost							
Freehold land	3,370,986	-	-	-	-	-	3,370,986
Building	139,214	-	-	-	3,331,636	-	3,470,850
Long term leasehold land and building	9,697,658	-	-	-	-	(591,691)	9,105,967
Buildings under construction	2,833,673	497,963	-	-	(3,331,636)	-	-
Motor vehicles	13,517,392	1,484,879	(1,797,444)	(33,000)	-	-	13,171,827
Office equipment	2,337,838	485,777	(9,500)	(37,624)	-	-	2,776,491
Furniture and fittings	2,252,348	180	-	(590)	-	-	2,251,938
Plant and machineries	83,316,904	4,771,667	(462,334)	(41,092)	-	-	87,585,145
Computers	2,459,397	582,811	-	(54,371)	-	-	2,987,837
Moulds	8,080,908	83,066	-	-	-	-	8,163,974
Renovation	2,139,510	-	-	-	-	-	2,139,510
	130,145,828	7,906,343	(2,269,278)	(166,677)	-	(591,691)	135,024,525

Notes to the Financial Statements

31 December 2019 (Cont'd)

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

	At 1 January 2018 RM	Charges for the year RM	Accumulated depreciation			Transfer to investment property RM	At 31 December 2018 RM	Accumulated impairment losses At 1 January/ 31 December 2018 RM	Carrying Amount At 31 December 2018 RM
			Disposals RM	Written off RM	Reclassification RM				
Group									
2018									
Depreciation and impairment losses									
Freehold land	-	-	-	-	-	-	-	-	3,370,986
Building	26,817	69,669	-	-	-	-	96,486	-	3,374,364
Long term leasehold land and building	463,678	109,177	-	-	-	(14,258)	558,597	-	8,547,370
Buildings under construction	-	-	-	-	-	-	-	-	-
Motor vehicles	10,145,979	1,633,982	(1,797,444)	(33,000)	-	-	9,949,517	-	3,222,310
Office equipment	1,269,783	437,933	(9,500)	(36,544)	-	-	1,661,672	-	1,114,819
Furniture and fittings	1,908,598	59,023	-	(590)	-	-	1,967,031	-	284,907
Plant and machineries	34,529,795	13,322,375	(309,204)	(12,423)	-	-	47,530,543	486,334	39,568,268
Computers	1,983,082	439,826	-	(54,371)	-	-	2,368,537	-	619,300
Moulds	7,504,355	119,031	-	-	-	-	7,623,386	-	540,588
Renovation	661,057	354,394	-	-	-	-	1,015,451	-	1,124,059
	58,493,144	16,545,410	(2,116,148)	(136,928)	-	(14,258)	72,771,220	486,334	61,766,971

Notes to the Financial Statements

31 December 2019 (Cont'd)

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

- (a) The long term leasehold land and building's remaining period of lease term is 72 (2018: 73) 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:

	2019 RM	Group 2018 RM
Aggregate costs	36,564,463	7,906,343
Less: Lease financing	(20,846,084)	(3,189,440)
Cash payments	15,718,379	4,716,903

- (c) Assets held under leases

Included in the property, plant and equipment of the Group under leases arrangement with carrying amount are as follows:

	2019 RM	Group 2018 RM
Plant and machineries	35,380,078	18,059,887
Motor vehicles	507,917	32,000
	35,887,995	18,091,887

The leased assets are pledged for the related financing facilities as disclosed in Note 21 to the financial statements.

- (d) Transferred to investment properties

In previous financial year, leasehold land and buildings were transferred to investment properties because the leasehold land and buildings were leased to a third party.

Notes to the Financial Statements

31 December 2019 (Cont'd)

5. INVESTMENT PROPERTIES

	Freehold land and buildings RM	Leasehold land and buildings RM	Capital work-in progress RM	Total RM
Group				
At 1 January 2019	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 2019	2,400,000	582,566	937,902	3,920,468
At 1 January 2018	12,514,492	-	152,022	12,666,514
Transfer from property, plant and equipment	-	577,434	-	577,434
Disposals	(10,400,000)	-	-	(10,400,000)
Change in fair value recognised in profit	85,508	5,132	-	90,640
Deposit refund	-	-	(10,000)	(10,000)
At 31 December 2018	2,200,000	582,566	142,022	2,924,588

(a) Investment properties under leases

Investment properties of a subsidiary company refer to two lots of freehold land and buildings and one lot of leasehold land and building 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.

In previous financial year, there was one lot of leasehold land and building of a subsidiary company transferred from property, plant and equipment to investment properties, since the leasehold 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 RM2,982,566 (2018: RM2,782,566). 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. The fair values are within level 2 of the fair value hierarchy. 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.

There was no transfer between levels during current and previous financial year.

The increase in the fair values of RM200,000 (2018: RM90,640) has been recognised in the profit or loss during the financial year.

Notes to the Financial Statements

31 December 2019 (Cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

- (c) Income and expenses recognised in profit or loss

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

	Group	
	2019 RM	2018 RM
Rental income	176,376	134,570
Direct operating expenses:		
- income generating investment properties	16,082	104,091

- (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.

6. INTANGIBLE ASSETS

Group	Goodwill on consolidation RM	Concession right RM	Total RM
2019			
Costs			
At 1 January 2019/31 December 2019	3,034,543	62,133,241	65,167,784
Accumulated amortisation and impairment losses			
At 1 January 2019	3,000,000	3,883,328	6,883,328
Charge for the financial year	-	3,106,661	3,106,661
At 31 December 2019	3,000,000	6,989,989	9,989,989
Carrying Amount			
At 31 December 2019	34,543	55,143,252	55,177,795
2018			
Costs			
At 1 January 2018/31 December 2018	3,034,543	62,133,241	65,167,784
Accumulated amortisation and impairment losses			
At 1 January 2018	-	413,186	413,186
Charge for the financial year	-	3,470,142	3,470,142
Impairment losses recognised	3,000,000	-	3,000,000
At 31 December 2018	3,000,000	3,883,328	6,883,328
Carrying amount			
At 31 December 2018	34,543	58,249,913	58,284,456

Notes to the Financial Statements

31 December 2019 (Cont'd)

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
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The key assumption that the Directors used in the cash flow projections to undertake impairment testing is as follows:

Pre-tax discount rate - Rate that reflect specific risks relating to the relevant CGU.

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.

(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 17 years (2018: 18 years).

Impairment testing for concession right

The concession right of the Group and was tested for impairment using the value-in-use ("VIU") method.

The recoverable amount of CGU in respect of the concession rights was determined based on VIU calculation. Cash flow projections used in these calculations were based on five-year financial budgets approved by the Group. Pre-tax discount rates of 13.04% (2018: 13.04%) has been applied to cash flow projections.

Based on the impairment test, no impairment is required for the concession rights.

Notes to the Financial Statements

31 December 2019 (Cont'd)

7. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2019	2018
	RM	RM
Unquoted shares, at cost		
In Malaysia	118,214,521	120,714,521

During the current financial year, PM2 Building System Sdn. Bhd., continued to record operating loss, which is an impairment indicator. An impairment assessment was performed by management. The recoverable amount of investment in PM2 Building System Sdn. Bhd. estimated based on value-in-use method was Nil. An additional impairment loss amounting to RM2,500,000 was recognised in "administrative expenses" in statements of profit or loss and other comprehensive income and as a result, the investment is fully impaired as at 31 December 2019.

Details of the subsidiary companies are as follows:

Name of company	Place of business/ country of incorporation	Effective interest 2019 %	2018 %	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 Recources (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

31 December 2019 (Cont'd)

7. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(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	
	2019	2018	2019	2018	2019	2018
	%	%	RM	RM	RM	RM
SEP Resources (M) Sdn. Bhd. and its subsidiary company ("SEP Group")	30	30	2,590,040	1,238,513	11,750,995	9,160,955

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	
	2019	2018
	RM	RM
Non-current assets	134,588,250	136,983,496
Current assets	28,965,105	13,786,201
Non-current liabilities	(26,292,235)	(76,095,000)
Current liabilities	(140,000,000)	(88,408,107)
Net assets/(liabilities)	(2,738,880)	(13,733,410)

(ii) Summarised statements of profit or loss and other comprehensive income

	SEP Group	
	2019	2018
	RM	RM
Revenue	23,983,378	23,374,642
Profit for the financial year, representing total comprehensive income for financial year	10,994,530	7,079,707

Notes to the Financial Statements

31 December 2019 (Cont'd)

7. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(a) Material partly-owned subsidiary companies (Cont'd)

(iii) Summarised statements of cash flows

	SEP Group	
	2019	2018
	RM	RM
Net cash from operating activities	(52,604,605)	16,511,818
Net cash used in investing activities	(5,150)	-
Net cash from/(used in) financing activities	59,222,369	(14,584,445)
Net changes in cash and cash equivalents	6,612,614	1,927,373

8. CONCESSION RECEIVABLES

	Group	
	2019	2018
	RM	RM
Concession receivables:		
- Non-current	134,583,186	136,983,496
- Current	2,400,310	2,123,368
	136,983,496	139,106,864

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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

9. TRADE RECEIVABLES

	2019 RM	Group 2018 RM
Non-current		
Retention sums		
- third parties	58,067,962	39,310,067
- related parties	14,566,066	14,887,143
	72,634,028	54,197,210
Current		
Trade receivables		
- third parties	138,587,980	118,443,923
- related parties	36,560,175	25,629,184
	175,148,155	144,073,107
Retention sums		
- third parties	19,191,323	20,243,299
- related parties	2,266,250	4,532,500
	21,457,573	24,775,799
	196,605,728	168,848,906
	269,239,756	223,046,116

(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 (2018: 30 days to 60 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:

	2019 RM	Group 2018 RM
Within one year	21,457,573	24,775,799
After one year	72,634,028	54,197,210
	94,091,601	78,973,009

Notes to the Financial Statements

31 December 2019 (Cont'd)

10. INVENTORIES

	2019 RM	Group 2018 RM
Raw materials	309,589	278,018
Work-in-progress	160,693	210,354
Finished goods	128,839	192,827
	599,121	681,199
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,265,841	1,265,419
Inventories written down	80,076	184,186
Reversal of inventories written down	(122,049)	(193,246)

The Group has written down slow moving obsolete inventories amounting to RM80,076 (2018: RM184,186) respectively during the financial year. The amount written down has been included in cost of sales. The reversal of inventories written down amounting to RM122,049 (2018: RM193,246) was made during the financial year when the related inventories were sold above their carrying amounts.

11. CONTRACT ASSETS/(LIABILITIES)

	2019 RM	Group 2018 RM
Contract assets	37,325,549	23,578,474
Contract liabilities	(47,865,754)	(49,580,100)

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.

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

	Note	2019 RM	Group 2018 RM
Rental of plant and machineries		4,278,467	5,681,924
Rental of premises		937,710	1,086,557
Secondment of staff	30	6,620,376	7,105,277
Staff costs:			
- Salaries and other emoluments	30	29,136,570	27,246,501
- EPF contribution	30	1,659,322	1,518,511

Notes to the Financial Statements

31 December 2019 (Cont'd)

12. OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables	19,560,798	18,485,020	-	-
Less: Accumulated impairment loss	(75,333)	(75,333)	-	-
	19,485,465	18,409,687	-	-
Deposits	16,986,033	6,904,551	5,000	5,000
Prepayments	1,869,215	1,091,586	-	30,179
GST recoverable	950,225	3,157,764	-	-
	39,290,938	29,563,588	5,000	35,179

Included in the Group's other receivables are advances to sub-contractors amounting to RM10,573,798 (2018: RM12,849,323) and advance payment made to acquire property, plant and equipment amounting to RM2,372,246 (2018: RM2,447,058).

13. AMOUNT DUE FROM SUBSIDIARY COMPANIES

These represent unsecured, interest-free advances and are repayable on demand.

14. AMOUNT DUE FROM AN ASSOCIATED COMPANY

	Group and Company	
	2019 RM	2018 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 RM7,562,081 (2018: RM4,958,245) 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 2.18% to 3.80% (2018: 2.41% to 3.48%) per annum and mature with range from 1 month to 12 months (2018: 1 month to 12 months).

Notes to the Financial Statements

31 December 2019 (Cont'd)

16. CASH AND BANK BALANCES

Included in cash and bank balances is an amount of RM3,477,946 (2018: RMNil) pledged to Sukuk liabilities issued by a subsidiary company as disclosed in Note 20 to the financial statements and an amount of RMNil (2018: RM1,375,000) pledged to licensed banks as security for banking facilities granted to a subsidiary company as disclosed in Note 21 to the financial statements.

17. SHARE CAPITAL

	Number of shares	Group and Company		2018 Amount RM
		2019 Amount RM	Number of shares	
Issued and fully paid				
At 1 January	694,941,009	194,020,338	694,890,959	194,007,825
Conversion of warrants	-	-	50,050	12,513
At 31 December	694,941,009	194,020,338	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.

18. REVERSE ACQUISITION RESERVE

	Group	
	2019 RM	2018 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

Notes to the Financial Statements

31 December 2019 (Cont'd)

19. TRADE PAYABLES

	2019 RM	Group 2018 RM
Non-current		
Retention sum on contracts	33,793,660	19,419,019
Current		
Trade payables	141,234,359	124,388,907
Retention sum on contracts	14,443,912	21,206,183
	155,678,271	145,595,090
	189,471,931	165,014,109

The normal trade credit terms granted to the Group range from 30 to 60 days (2018: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.

20. SUKUK LIABILITIES

	2019 RM	Group 2018 RM
Sukuk Wakalah		
- Non-current	140,000,000	-
- Current	10,000,000	-
	150,000,000	-

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 RM150,000,000 (2018: RMNil) issued by subsidiary company.

On 27 December 2019, a subsidiary company issued the following:

- (i) 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;
- (ii) 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;

Notes to the Financial Statements

31 December 2019 (Cont'd)

20. SUKUK LIABILITIES (CONT'D)

- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) 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;
- (vii) 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;
- (viii) 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;
- (ix) the ninth 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;
- (x) 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
- (xi) 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

31 December 2019 (Cont'd)

21. BANK BORROWINGS

	2019 RM	Group 2018 RM
Secured		
Commodity murabahah term financing-i	-	86,715,000
Invoice financing	50,642,979	26,479,466
Bankers' acceptance	2,938,149	7,570,000
Bank overdrafts	2,775,177	-
	56,356,305	120,764,466
Analysed as:		
Current		
Commodity murabahah term financing-i	-	10,620,000
Invoice financing	50,642,979	26,479,466
Bankers' acceptance	2,938,149	7,570,000
Bank overdrafts	2,775,177	-
	56,356,305	44,669,466
Non-current		
Commodity murabahah term financing-i	-	76,095,000
	-	76,095,000

(a) Commodity murabahah term financing-i

The commodity murabahah term financing-i was secured by the followings:

- (i) pledge over the Group's fixed deposits with licensed banks as disclosed in Note 15 to the financial statements;
- (ii) legal charge over project and sinking fund account as disclosed in Note 16 to the financial statements; and
- (iii) corporate guarantee by the Company.

(b) Invoice financing, bankers' acceptance and bank overdrafts

The invoice financing, bankers' acceptance 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

31 December 2019 (Cont'd)

21. BANK BORROWINGS (CONT'D)

The Group's interest rates per annum are as follows:

	2019 %	Group 2018 %
Commodity murabahah term financing-i	-	ECOF + 2.75%
Invoice financing	BLR + 0.00% and COF + 1.50%	BLR + 0.00% -
Bankers' acceptance	COF + 1.50%	COF + 1.50%
Bank overdrafts	BFR + 0.00%	-

22. LEASES

	2019 RM	Group 2018 RM
Finance lease liabilities	-	11,824,715
Lease liabilities	26,894,791	-
	26,894,791	11,824,715

(a) Finance lease liabilities

	2019 RM	Group 2018 RM
Minimum lease payments:		
Within one year	-	4,823,934
Between one to two years	-	3,644,188
Between two to five years	-	4,494,498
	-	12,962,620
Less: Future finance charges	-	(1,137,905)
Present value of minimum lease payments	-	11,824,715
Present value of minimum lease payments:		
Within one year	-	4,244,486
Between one to two years	-	3,294,241
Between two to five years	-	4,285,988
	-	11,824,715
Analysed as:		
Repayable within twelve months	-	4,244,486
Repayable after twelve months	-	7,580,229
	-	11,824,715

Notes to the Financial Statements

31 December 2019 (Cont'd)

22. LEASES (CONT'D)

(a) Finance lease liabilities (Cont'd)

Finance 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 Nil (2018: 3.20% to 3.60%) per annum.

(b) Lease liabilities

	2019 RM	Group 2018 RM
At 1 January, as previously stated	-	-
Effect of adoption of MFRS 16	11,824,715	-
At 1 January 2019, restated	11,824,715	-
Additions	20,846,084	-
Payments	(5,776,008)	-
At 31 December	26,894,791	-
Presented as:		
Non-current	18,869,598	-
Current	8,025,193	-
	26,894,791	-

The maturity analysis of lease liabilities of the Group at the end of reporting period:

	2019 RM	Group 2018 RM
Within one year	9,591,115	-
Between one to two years	8,922,463	-
Between two to five years	11,164,327	-
	29,677,905	-
Less: Future finance charges	(2,783,114)	-
Present value of minimum lease payments	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 3.00% to 3.25% (2018: Nil) per annum.

Notes to the Financial Statements

31 December 2019 (Cont'd)

23. DEFERRED TAX LIABILITIES

	2019 RM	Group 2018 RM
At 1 January	13,979,980	15,292,669
Recognised in profit or loss (Note 28)	(745,599)	(1,312,689)
At 31 December	13,234,381	13,979,980

The net deferred tax liabilities and assets shown on the statements of financial position after appropriate offsetting are as follows:

	2019 RM	Group 2018 RM
Deferred tax liabilities	13,742,205	14,406,384
Deferred tax assets	(507,824)	(426,404)
	13,234,381	13,979,980

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 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
At 1 January 2018	380,691	14,911,978	15,292,669
Recognised in profit or loss	45,713	(931,998)	(886,285)
At 31 December 2018	426,404	13,979,980	14,406,384

Notes to the Financial Statements

31 December 2019 (Cont'd)

23. DEFERRED TAX LIABILITIES (CONT'D)

The components and movements of deferred tax liabilities and assets are as follows: (Cont'd)

Deferred tax assets of the Group

	Unutilised tax losses RM
Group	
At 1 January 2019	(426,404)
Recognised in profit or loss	(81,420)
At 31 December 2019	(507,824)
At 1 January 2018	(380,691)
Recognised in profit or loss	(45,713)
At 31 December 2018	(426,404)

Deferred tax assets have not been recognised in respect of the following temporary differences:

	2019 RM	Group 2018 RM
Unutilised tax losses	35,474,452	34,364,280
Unabsorbed capital allowances	15,506,250	22,918,158
Differences between property, plant and equipment and its tax base	86,168,223	91,312,021
	137,148,925	148,594,459

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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

24. OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other payables	8,958,309	13,068,254	46,291	-
Accruals	4,889,406	6,377,029	113,000	98,000
Deposits received	157,273	325,026	-	-
Provision for foreseeable losses	7,269,804	-	-	-
	21,274,792	19,770,309	159,291	98,000

Included in the other payables of the Group are advances from customers amounting to RM1,947,461 (2018: RM8,648,565).

Provision for foreseeable losses

The provision for foreseeable losses represents the present obligation for construction of the UNISZA project.

25. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers				
Construction contracts	595,069,988	548,813,434	-	-
Sale of goods	6,426,098	8,611,548	-	-
Maintenance and management services	5,836,743	4,986,552	-	-
	607,332,829	562,411,534	-	-
Revenue from other sources				
Interest income	6,541	13,094	3,008	13,094
Finance income	18,143,102	18,388,090	-	-
	18,149,643	18,401,184	3,008	13,094
	625,482,472	580,812,718	3,008	13,094
Timing of revenue recognition				
At a point in time	12,262,841	13,598,100	-	-
Over time	595,069,988	548,813,434	-	-
	607,332,829	562,411,534	-	-

Revenue from contracts with customers recognised for the Group in the current financial year included RM49,580,100 (2018: RM25,612,541) that was included in the contract liabilities at the beginning of the financial year.

Notes to the Financial Statements

31 December 2019 (Cont'd)

25. REVENUE (CONT'D)

Breakdown of the Group's revenue from contract with customers:

	Construction RM	Manufacturing and trading RM	Concession RM	Total RM
2019				
Group				
Construction contracts	595,069,988	-	-	595,069,988
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	5,836,743	607,332,829
2018				
Group				
Construction contracts	548,813,434	-	-	548,813,434
Sale of goods	5,686,148	2,925,400	-	8,611,548
Maintenance and management service	-	-	4,986,552	4,986,552
	554,499,582	2,925,400	4,986,552	562,411,534

26. FINANCE COSTS

	2019 RM	Group 2018 RM
Interest expenses on:		
Term loan	-	87,174
Commodity murabahah term financing-i and structure commodity financing	5,378,533	5,790,582
Invoice financing and bankers' acceptance	2,757,264	2,869,440
Bank overdrafts	29,992	-
Finance lease payables	-	842,414
Lease liabilities	1,040,024	-
Project financing	127,799	1,300,600
	9,333,612	10,890,210

Notes to the Financial Statements

31 December 2019 (Cont'd)

27. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is derived at after at charging/(crediting):

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration				
- statutory audit				
- current year	118,000	118,704	30,000	30,000
- overprovision in prior year	(3,180)	(3,784)	-	-
- non-statutory audit	82,780	68,145	7,100	-
Amortisation of concession right	3,106,661	3,470,142	-	-
Depreciation of property, plant and equipment	18,142,932	16,545,409	-	-
Directors' remuneration				
- Fees	339,000	264,000	339,000	264,000
- Salary and other emoluments	793,329	1,262,829	14,500	12,000
- EPF contribution	138,000	102,000	-	-
Fair value adjustment of investment properties	(200,000)	(90,640)	-	-
Gain on disposals of property, plant and equipment	(396,424)	(409,541)	-	-
Gain on disposals of investment properties	-	(2,610)	-	-
Gain on foreign exchange				
- realised	(24,347)	(37,676)	-	-
- unrealised	(2,151)	(1,487)	-	-
Impairment loss on goodwill on consolidation	-	3,000,000	-	-
Impairment loss on investment in a subsidiary company	-	-	2,500,000	-
Interest income	(602,797)	(979,668)	-	-
Inventories written down	80,076	184,186	-	-
Net loss/(gain) on impairment loss on financial instruments:				
Impairment loss on amount due from an associated company	-	2,300,000	-	2,300,000
Reversal of impairment loss on amount due from subsidiary company	-	-	(141,000)	(680,000)
	-	2,300,000	(141,000)	1,620,000
Property, plant and equipment written off	27,738	29,749	-	-
Rental of plant and machineries	-	13,858	-	-
Rental of premises	664,884	293,963	-	-
Rental income	(293,976)	(292,970)	-	-
Reversal of inventories written down	(122,049)	(193,246)	-	-
Waiver of debts	-	(10,141)	-	-

Notes to the Financial Statements

31 December 2019 (Cont'd)

28. TAXATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Tax expenses for the financial year:				
Current tax provision	4,727,783	6,210,367	-	-
Under/(Over) provision in prior years	120,992	(330,785)	-	76
	4,848,775	5,879,582	-	76
Deferred tax: (Note 23)				
Relating to origination and reversal of temporary differences	(748,704)	(932,571)	-	-
Under/(Over) provision prior years	3,105	(380,118)	-	-
	(745,599)	(1,312,689)	-	-
	4,103,176	4,566,893	-	76

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

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) before taxation	17,745,078	14,057,347	(3,194,139)	(2,264,290)
Taxation at statutory tax rate of 24% (2018: 24%)	4,258,819	3,373,764	(766,593)	(543,430)
Income not subject to tax	(95,875)	(84,914)	(722)	(93)
Expenses not deductible for tax purposes	2,053,454	2,480,485	767,315	147,169
Taxable income not included in profit or loss	509,608	-	-	-
Deferred tax assets not recognised	763,395	1,228,084	-	396,354
Utilisation of previously unrecognised deferred tax	(3,510,322)	(1,719,623)	-	-
Under/(Over) provision of income tax expense in prior years	120,992	(330,785)	-	76
Under/(Over) provision of deferred tax expense in prior years	3,105	(380,118)	-	-
Tax expense for the financial year	4,103,176	4,566,893	-	76

Notes to the Financial Statements

31 December 2019 (Cont'd)

29. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share are calculated based on the consolidated 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.

	2019	Group 2018
Basic Earnings Per Share		
Net profit for the financial year (RM)	11,051,862	8,251,941
Weighted average number of ordinary shares in issue	694,941,009	694,941,009
Basic earnings per share (sen)	1.59	1.19

The weighted average number of ordinary shares in issue is computed as follow:

	2019	Group 2018
As at 1 January	694,941,009	694,890,959
Share issue pursuant to:		
- conversion of warrants	-	50,050
As at 31 December	694,941,009	694,941,009

(b) Diluted earnings per share

Diluted earnings per share has been calculated by dividing the consolidated profit for the financial year attributable to the owners by the adjusted weighted average number of ordinary shares issued and issuable during the financial year as follows:

	2019	Group 2018
Net profit for the financial year attributable to owners of the Parent (RM)	11,051,862	8,251,941
Weighted average number of ordinary shares used in the calculation of basic earnings per share	694,941,009	694,941,009
Adjusted for:		
Assumed conversion of warrants	98,012,663	98,012,663
Weighted average number of ordinary shares as at 31 December	792,953,672	792,953,672
Diluted earnings per share (sen)	1.39	1.04

Notes to the Financial Statements

31 December 2019 (Cont'd)

30. STAFF COSTS

	Note	2019 RM	Group 2018 RM
Staff costs (excluding Directors)		49,996,500	44,121,994
Add:			
Secondment of staff from third party		7,874,790	9,661,833
		57,871,290	53,783,827
Less:			
Capitalised in construction costs	11	(37,416,268)	(35,870,289)
		20,455,022	17,913,538

Included in the staff costs are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM1,391,229 (2018: RM1,305,548).

31. DIVIDENDS

	Group and Company 2019 RM	2018 RM
A single-tier final dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2017 paid on 12 July 2018	-	6,949,410
A single-tier final 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	-
	6,949,410	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 a final dividend to be paid in respect of the financial year ended 31 December 2019.

Notes to the Financial Statements

31 December 2019 (Cont'd)

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
2019						
Group						
Leases 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
Bankers' 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	(109,440,418)	22,306,839	233,251,096
Company						
Dividend payable	-	6,949,410	-	(6,949,410)	(6,949,410)	(6,949,410)
	-	6,949,410	-	(6,949,410)	(6,949,410)	(6,949,410)
2018						
Group						
Finance lease payables (Note 22)	13,976,907	-	3,189,440	(5,341,632)	-	11,824,715
Commodity murabahah term financing-i (Note 21)	98,220,000	-	-	(11,505,000)	-	86,715,000
Invoice financing (Note 21)	1,869,706	-	-	-	24,609,760	26,479,466
Bankers' acceptance (Note 21)	-	-	-	-	7,570,000	7,570,000
Structure commodity financing (Note 21)	11,012,518	-	-	-	(11,012,518)	-
Term loan	4,112,582	-	-	(4,112,582)	-	-
Dividend payable	-	6,949,410	-	(6,949,410)	-	-
	129,191,713	6,949,410	3,189,440	(27,908,624)	21,167,242	132,589,181
Company						
Dividend payable	-	6,949,410	-	(6,949,410)	(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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

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.

(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:

	2019 RM	2018 RM
Group		
Other Related Parties*:		
- Progress billing from	68,873,412	66,189,079

* 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:

	2019 RM	Group 2018 RM
Short-term employee benefits		
- Salaries and other emoluments	5,458,258	5,084,237

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

31 December 2019 (Cont'd)

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
2019						
Revenue						
External sales	598,393,668	3,102,418	23,983,378	3,008	-	625,482,472
Inter-segment	6,271,377	-	3,300,550	-	(9,571,927)	-
Total revenue	604,665,045	3,102,418	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

Notes to the Financial Statements

31 December 2019 (Cont'd)

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
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
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 cocession 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)
Gain on disposals of investment property	-	-	-	-	-	-
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

Notes to the Financial Statements

31 December 2019 (Cont'd)

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
2018						
Revenue						
External sales	554,499,582	2,925,400	23,374,642	13,094	-	580,812,718
Inter-segment	55,713,680	-	5,842,189	-	(61,555,869)	-
Total revenue	610,213,262	2,925,400	29,216,831	13,094	(61,555,869)	580,812,718
Results						
Segment results	29,652,474	(709,620)	19,683,293	22,616	-	48,648,763
Interest income	3,985,686	114	84,737	13,094	(2,963,016)	1,120,615
Finance costs	(3,727,533)	(71,497)	(10,054,196)	-	2,963,016	(10,890,210)
Depreciation of property, plant and equipment	(15,189,504)	(1,317,085)	(38,820)	-	-	(16,545,409)
Other non-cash items	(2,602,325)	10,547	-	(1,620,000)	(4,064,634)	(8,276,412)
Profit/(Loss) before taxation	12,118,798	(2,087,541)	9,675,014	(1,584,290)	(4,064,634)	14,057,347
Taxation	(4,824,105)	-	(674,711)	(76)	931,999	(4,566,893)
Net profit for the financial year	7,294,693	(2,087,541)	9,000,303	(1,584,366)	(3,132,635)	9,490,454
Assets						
Additions to non-current assets	7,692,152	84,791	129,400	-	-	7,906,343
Segment assets	393,591,249	7,746,450	153,914,114	230,355,279	(254,561,179)	531,045,913
Unallocated assets	20,682,382	153,868	9,079,223	259,985	-	30,175,458
Total assets	421,965,783	7,985,109	163,122,737	230,615,264	(254,561,179)	569,127,714

Notes to the Financial Statements

31 December 2019 (Cont'd)

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
2018						
Non-cash expenses/ (income)						
Amortisation of concession right	-	-	-	-	3,470,142	3,470,142
Inventories written down	-	184,186	-	-	-	184,186
Impairment loss on:						
- goodwill on consolidation	3,000,000	-	-	-	-	3,000,000
- amount due from an associated company	-	-	-	2,300,000	-	2,300,000
Fair value gain on investment properties	(5,132)	-	-	-	(85,508)	(90,640)
Gain on foreign exchange - Unrealised	-	(1,487)	-	-	-	(1,487)
Gain on disposals of property, plant and equipment	(409,541)	-	-	-	-	(409,541)
Gain on disposals of investment properties	(2,610)	-	-	-	-	(2,610)
Property, plant and equipment written off	29,749	-	-	-	-	29,749
Reversal of inventories written down	-	(193,246)	-	-	-	(193,246)
Reversal of amount due from a subsidiary company	-	-	-	(680,000)	680,000	-
Waiver of debts	(10,141)	-	-	-	-	(10,141)
	2,602,325	(10,547)	-	1,620,000	4,064,634	8,276,412

* Inter-segment revenue, profit and transactions are eliminated.

Notes to the Financial Statements

31 December 2019 (Cont'd)

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	
	2019 RM	2018 RM	2019 RM	2018 RM
At amortised cost				
Financial assets				
Concession receivables	136,983,496	139,106,864	-	-
Trade receivables	269,239,756	223,046,116	-	-
Other receivables	36,471,498	25,314,238	5,000	5,000
Amount due from subsidiary companies	-	-	102,190,031	109,605,579
Fixed deposits with licensed banks	7,562,081	4,958,245	-	-
Cash and bank balances	70,135,508	22,869,172	119,954	225,033
Total financial assets	520,392,339	415,294,635	102,314,985	109,835,612
Financial liabilities				
Trade payables	189,471,931	165,014,109	-	-
Other payables	21,274,792	19,770,309	159,291	98,000
Sukuk liabilities	150,000,000	-	-	-
Leases liabilities	26,894,791	-	-	-
Finance lease payables	-	11,824,715	-	-
Bank borrowings	56,356,305	120,764,466	-	-
Total financial liabilities	443,997,819	317,373,599	159,291	98,000

(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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(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.

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 3 (2018: 3) major contract customers accounted for approximately 100% (2018: 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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

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:

	Gross amount RM	Allowance for impairment 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
2018			
- Less than 30 days	8,130,748	-	8,130,748
- 31 to 60 days	4,421,947	-	4,421,947
- More than 60 days	11,025,779	-	11,025,779
	23,578,474	-	23,578,474

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, and 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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

Trade receivables (Cont'd)

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 Company 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 3 (2018: 3) major customers and accounted for approximately 50% (2018: 56%) of the trade receivables outstanding.

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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

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 (Cont'd)

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			
2019			
Current	135,572,223	-	135,572,223
<i>Past due or nor impaired</i>			
- 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
2018			
Current	100,926,491	-	100,926,491
<i>Past due or nor impaired</i>			
- Less than 30 days	18,849,300	-	18,849,300
- 31 to 60 days	5,800,431	-	5,800,431
- More than 60 days	97,469,894	-	97,469,894
	223,046,116	-	223,046,116

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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

Cash and cash equivalents (Cont'd)

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 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 Company provides unsecured loans and advances to subsidiary companies. The Company 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.

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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

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 RM197,050,864 (2018: RM187,313,318) and RM203,581,128 (RM120,764,466) 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 indicators 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

31 December 2019 (Cont'd)

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						
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
Leases 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
2018						
Trade payables	145,595,090	3,399,066	16,019,953	-	165,014,109	165,014,109
Other payables	19,770,309	-	-	-	19,770,309	19,770,309
Finance lease payables	4,823,934	3,644,188	4,494,498	-	12,962,620	11,824,715
Bank borrowings	44,669,466	10,620,000	31,860,000	33,615,000	120,764,466	120,764,466
Total undiscounted financial liabilities	214,858,799	17,663,254	52,374,451	33,615,000	318,511,504	317,373,599

	On demand or within 1 year RM	Total contractual cash outflow RM	Total carrying amount RM
Company			
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
2018			
Other payables	98,000	98,000	98,000
Financial guarantee liabilities*	120,764,466	120,764,466	120,764,466
Total undiscounted financial liabilities	120,862,466	120,862,466	120,862,466

* Based on the maximum amount that can be called for under the financial guarantee contract.

Notes to the Financial Statements

31 December 2019 (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(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 States 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.

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:

	2019 RM	Group 2018 RM
Financial Assets		
Cash and bank balances	177,469	23,067
Trade receivables	169,112	66,560
	<u>346,581</u>	<u>89,627</u>

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.

	2019 RM	Group 2018 RM
Effect to profit before taxation		
USD/RM		
- Strengthened 5%	17,329	4,481
- Weakended 5%	(17,329)	(4,481)

Notes to the Financial Statements

31 December 2019 (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iii) Market risks (Cont'd)

(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.

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:

	2019 RM	2018 RM
Group		
Fixed rate instruments		
Financial asset		
Fixed deposits with licensed banks	7,562,081	4,958,245
Financial liabilities		
Sukuk liabilities	150,000,000	-
Leases liabilities	26,894,791	-
Finance lease payables	-	11,824,715
Floating rate instrument		
Financial liability		
Bank borrowings	56,356,305	120,764,466

Notes to the Financial Statements

31 December 2019 (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

Fair value sensitivity analysis for fixed rate instruments

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.

Cash flow sensitivity analysis for floating rate instruments

A change of 1% interest rate at the end of the reporting period would have increased/(decreased) the Group's profit before taxation by RM563,563 (2018: RM1,207,645), 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.

(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		Total fair value	Carrying amount
	Level 2	Total	Level 2	Total		
	RM	RM	RM	RM	RM	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
Leases	-	-	19,171,144	19,171,144	19,171,144	18,869,598
	-	-	159,171,144	159,171,144	159,171,144	192,663,258

The fair value cannot be reliably measured using valuation techniques

Notes to the Financial Statements

31 December 2019 (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value		Fair value of financial instruments not carried at fair value		Total fair value	Carrying amount
	Level 3 RM	Total RM	Level 2 RM	Total RM		
2018						
Group						
Financial assets						
Concession receivables	136,983,496	136,983,496	-	-	136,983,496	136,983,496
Trade receivables	-	-	-	#	#	72,634,028
	136,983,496	136,983,496	-	-	136,983,496	209,617,524
Financial liabilities						
Trade payables	-	-	-	#	#	19,419,019
Finance lease payables	-	-	7,694,327	7,694,327	7,694,327	7,580,229
	-	-	7,694,327	7,694,327	7,694,327	26,999,248

(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.

Notes to the Financial Statements

31 December 2019 (Cont'd)

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.

Total capital managed at Group level, which comprises shareholders' funds, cash and cash equivalents and bank borrowings.

	2019 RM	Group 2018 RM
Total loans and borrowings	233,251,096	132,589,181
Less: Cash and cash equivalents	(63,882,385)	(21,494,172)
Net debt	169,368,711	111,095,009
Total equity	183,100,745	178,998,293
Gearing ratio	0.93	0.62

37. CAPITAL COMMITMENTS

	2019 RM	Group 2018 RM
Approved and contracted for:		
- Acquisition of property, plant and equipment	11,423,917	3,352,318
- Acquisition of land for store purpose	-	175,947

38. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 29 April 2020.

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 @ 31/12/2019 (RM)
Shop Office (3 Floors)	2,131.25	5,717.57	Leasehold 99 years expiring on 05.01.2091 (Balance 72 years)	No.19,19A & 19B, Jalan SB Indah 1/18, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	20/8/2003	21 years	1,214,882
Investment Property (1½ Floor)	1,668.40	2,142.02	Freehold	No.9 - PT 9078, Jalan Industri Putra 1, Precinct 14, 62050 Putrajaya.	28/8/2007	9 years	1,200,000
Investment Property (1½ Floor)	1,668.40	2,142.02	Freehold	No.11- PT 9077, Jalan Industri Putra 1, Precinct 14, 62050 Putrajaya.	28/8/2007	9 years	1,200,000
Store	216,171.61	-	Freehold	Lot 4627, Jalan Broga Besar, 71750 Broga, Negeri Sembilan.	3/8/2009	-	1,086,575
Store	215,891.75	-	Freehold	Lot 4628, Jalan Broga Besar, 71750 Broga, Negeri Sembilan.	23/10/2012	-	2,390,735
Investment Property	1,173.27	2,922.40	Leasehold 99 years expiring on 08.07.2098 (Balance 79 years)	No.7, Jalan MU Empat, Medan Universiti, 02600 Arau, Perlis.	26/3/2015	4 years	580,000
Investment Property	1,173.27	2,922.40	Leasehold 99 years expiring on 08.07.2098 (Balance 79 years)	No.5, Jalan MU Empat, Medan Universiti, 02600 Arau, Perlis.	26/3/2015	4 years	580,000

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 @ 31/12/2019 (RM)
Head Office (3½ Floors)	1,530.94	5,900.52	Leasehold 99 years expiring on 05.01.2091 (Balance 72 years)	No.39, Jalan Sungai Besi Indah 1/19, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	12/7/2016	16 years	3,322,937
Head Office (3½ Floors)	1,530.94	5,965.14	Leasehold 99 years expiring on 05.01.2091 (Balance 72 years)	No.41, Jalan Sungai Besi Indah 1/19, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	12/7/2016	16 years	3,322,937
Shop Lot	1,407.00	2,347.00	Freehold	G-01, Third Avenue, Jalan Teknokrat 3, Cyberjaya 4, 63000 Cyberjaya, Selangor Darul Ehsan.	15/1/2016	2 year	3,198,371

Analysis of Shareholdings

As at 30 April 2020

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	: 12,338

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Total Shareholdings	%
Less than 100 shares	5,847	50,258	0.007
100 – 1,000 shares	2,879	1,022,139	0.147
1,001 – 10,000 shares	1,817	9,434,924	1.358
10,001 – 100,000 shares	1,491	54,157,003	7.792
100,001 to less than 5% of issued shares	301	224,201,936	32.260
5% and above of issued shares	3	406,120,400	58.436
Total	12,338	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:

Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Wie Hock Beng	8	*	406,120,400 [#]	58.44
Wie Hock Kiong	-	-	406,120,400 [#]	58.44
Sincere Goldyear Sdn Bhd	117,419,900	16.90	-	-
Kombinasi Emas Sdn Bhd	288,700,500	41.54	-	-

Notes:

[#] 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.

* negligible

DIRECTORS' SHAREHOLDINGS

Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Sri Lee Tuck Fook	-	-	-	-
Datuk Hj Subhi Bin Dziyauddin	-	-	-	-
Wie Hock Beng	8	*	406,120,400 [#]	58.44
Wie Hock Kiong	-	-	406,120,400 [#]	58.44
Loh Kong Fatt	-	-	-	-
Salwa Binti Shamshuddin	-	-	-	-

Notes:

[#] 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.

* negligible

Analysis of Shareholdings

As at 30 April 2020 (Cont'd)

THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 APRIL 2020

No.	Name of Shareholders	No. of Shares	%
1.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kombinasi Emas Sdn Bhd</i>	185,700,500	26.720
2.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Sincere Goldyear Sdn Bhd</i>	117,419,900	16.895
3.	AMSEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account - AmBank (M) Berhad for Kombinasi Emas Sdn Bhd (SMART)</i>	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.	Country Dairy Sdn Bhd	18,432,000	2.652
7.	Constant Uptrend Holdings Sdn Bhd	15,776,500	2.270
8.	Chong Mei Yien	10,189,700	1.466
9.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohamad Bolhair Bin Reduan</i>	8,950,000	1.288
10.	Wie Hock Kow	8,000,000	1.151
11.	Kan Fui Man	7,580,000	1.091
12.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohamed Faroz Bin Mohamed Jakel</i>	5,100,000	0.734
13.	Ikatan Generasi Sdn Bhd	5,020,000	0.722
14.	Yeoh Chooi Phin	3,162,000	0.455
15.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kwan Aik Kiat</i>	2,200,000	0.317
16.	Chang Yock Chai	2,131,000	0.307
17.	Ang Mui Lan	2,000,000	0.288
18.	Lew Ming Kiet	1,970,600	0.283
19.	Su Ming Yaw	1,604,100	0.231
20.	Lam Kaw Chai @ Lam Yit Loon	1,575,000	0.227
21.	Tan Boon Yong	1,570,000	0.226
22.	Kok Fatt Kong	1,535,100	0.221
23.	Chang Yock Chai	1,200,000	0.172
24.	Yeat Siaw Ping	1,133,000	0.163

Analysis of Shareholdings

As at 30 April 2020 (Cont'd)

THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 APRIL 2020 (CONT'D)

No.	Name of Shareholders	No. of Shares	%
25.	Book Jin Ann	1,076,800	0.155
26.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chau Pak See</i>	1,050,000	0.151
27.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Cheang Fook Sam</i>	1,024,600	0.147
28.	Tham Chee Yuen	1,003,000	0.144
29.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Si Tho Yoke Meng (6000156)</i>	1,000,000	0.144
30.	Ang Lian Pang	1,000,000	0.144
Total		557,985,800	80.287

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**PESONA METRO HOLDINGS BERHAD**

(201101029741) (957876-T)

(Incorporated in Malaysia)

Form of Proxy

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/or (delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairperson of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Ninth Annual General Meeting of the Company to be held at **The Zenith, Level M1, Connexion Conference & Event Centre at The Vertical (CCEC Vertical), No. 8, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur on Friday, 19 June 2020 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 2020.	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 Dato' Sri Lee Tuck Fook as Director.	Ordinary Resolution 3		
To re-elect Mr Wie Hock Kiong 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		
Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016.	Ordinary Resolution 6		
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary Resolution 7		
Proposed Share Buy-Back	Ordinary Resolution 8		

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. 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 10 June 2020. 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, speak and vote on his/her/its behalf.
2. 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.
3. 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.
4. Where a member of the Company is an authorised nominee as defined in the 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.
5. 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 Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
6. Where a member 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.
7. 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 at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur 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.

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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

1st Fold Here

- (ii) By electronic means via Tricor TIH Online website at <https://tiah.online>
Please refer to the Administrative Guide for further information on electronic submission.
8. 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 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 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.
9. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
10. Last date and time for lodging the proxy form is Wednesday, 17 June 2020 at 10.30 a.m.
11. Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:
 - a. Identity card (NRIC) (Malaysian), or
 - b. Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
 - c. Passport (Foreigner).
12. For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged with the Company's Share Registrar earlier.
13. Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all resolutions set out in the notice of general meeting will be put to vote by way of poll.



PESONA METRO HOLDINGS BERHAD

Registration No. 201101029741 (957876-T)

39, Jalan SB Indah 1/19, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor, Malaysia.
Tel : +60 3 8941 0818 Fax : +60 3 8941 0817

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