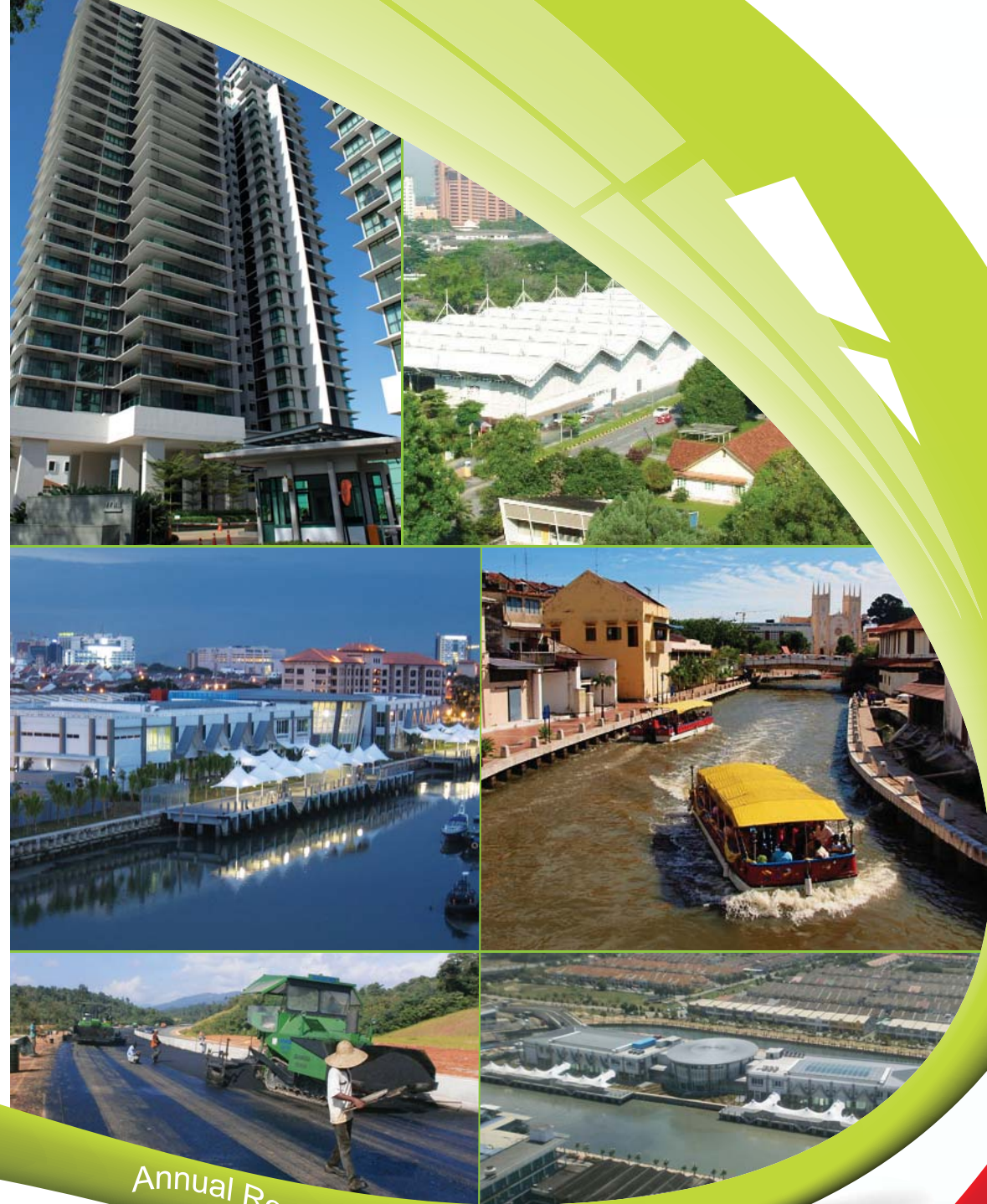




PESONA METRO HOLDINGS BERHAD (Co. No. 957876-T)



Annual Report 2012

Annual Report 2012

Pesona Metro Holdings Berhad (957876-T)

19, Jalan SB Indah 1/18,
Taman Sungai Besi Indah,
43300 Seri Kembangan,
Selangor

Tel : +603 8941 0818
Fax : +603 8941 0817

www.pesona.com.my



PESONA METRO HOLDINGS BERHAD
(Co. No. 957876-T)



Our Vision

To be recognized as the preferred and trusted construction company bringing sustainable returns to shareholders by building long-term relationships with our customers based on integrity, performance, value-added and guaranteed satisfaction.

Our Mission

We inspire to strive excellence by integrating teamwork, delivering highest quality and best value project exceeding our customers' expectation within budget and timeliness completion.

In achieving our Mission, we firmly committed to **PESONA** Core Values:-

- P** assionate about every aspect of construction
- E** nthusiastic in everything we do, we give our best
- S** atisfaction to our Customers is guaranteed
- O** rganized our work systematically and professionally
- N** urturing a corporate culture that emphasise on learning and training, knowledge sharing, creativity and speed of delivery in pursuit of excellence
- A** lways contribute to society and give a helping hand to others needed most

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting (“2nd AGM”) of Pesona Metro Holdings Berhad will be held at Perdana Ballroom, Palm Garden Hotel, IOI Resort, 62502 Putrajaya on Friday, 14 June 2013 at 10.30 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. *(Please refer to Explanatory Note(i))*
2. To approve the payment of Directors’ fees of RM70,000 for the financial year ended 31 December 2012. *(Ordinary Resolution 1)*
3. To sanction the declaration of a Single Tier Final dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2012. *(Ordinary Resolution 2)*
4. To re-elect the following Directors retiring in accordance with Article 85 of the Company’s Articles of Association:-
 - (i) Dato’ Lee Tuck Fook *(Ordinary Resolution 3)*
 - (ii) Datuk Hj Subhi bin Dziauddin *(Ordinary Resolution 4)*
 - (iii) Wie Hock Kiong *(Ordinary Resolution 5)*
 - (iv) Wie Hock Beng *(Ordinary Resolution 6)*
 - (v) Loh Kong Fatt *(Ordinary Resolution 7)*
5. To re-appoint Messrs UHY Chartered Accountants as Auditors of the Company and to authorize the Board of Directors to fix their remuneration. *(Ordinary Resolution 8)*

AS SPECIAL BUSINESS

6. Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965 *(Ordinary Resolution 9)*

“THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant authorities, the Directors be and hereby empowered, pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time and upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”
7. To transact any other business of which due notice share have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT the Single Tier Final Dividend of 1 sen per ordinary share for the financial year ended 31 December 2012, if approved by the shareholders at the Second Annual General Meeting of the Company will be payable on 28 June 2013 to the shareholders whose names appear in the Record of Depositors on 17 June 2013.

A Depositor shall qualify for entitlement to the following dividend only in respect of :-

- a) Shares transferred into the Depositor’s securities account before 4.00 pm on 17 June 2013 in respect of ordinary transfers; and
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Notice of Annual General Meeting

cont'd

By Order of the Board

LOO KAH BOON (MAICSA 0784630)
Company Secretary

23 May 2013
Selangor

Notes:

- 1 For the purposes of determining a member who shall be entitled to attend and vote at the 2nd AGM, the Company shall be requesting the Record of Depositors as at 10 June 2013. Only a depositor whose name appears on the Record of Depositors as at 10 June 2013 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her stead.
- 2 A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote at his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy and the provisions of Section 149(l)(b) of the Companies Act 1965 shall not apply.
- 3 Where a member appoints more than one (1) proxy to attend at the same meeting, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- 4 Where a member is an exempt authorized nominee as defined under the Central Depositories Act, which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account") it may appoint multiple proxies in respect of each omnibus account it holds.
- 5 The instrument appointing shall be in writing under the hand of the appointer or his attorney authorized in writing or if the appointer is a corporation either its common seal or under the hand of an officer or attorney duly authorized.
- 6 The Form of Proxy must be deposited at the Company's Registered Office at 19, Jalan SB Indah 1/18, Taman Sg Besi Indah, 43300 Seri Kembangan, Selangor not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
7. **Explanatory notes on Ordinary and Special Business:-**

i) Item 1 of the Agenda

This Agenda item 1 is meant for discussion only, as the provision of Section 165(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the audited financial statement. Hence, this Agenda item is not put forward for voting.

ii) Ordinary Resolutions 3 to 7 - Re-election of Directors

Pursuant to Article 85 of the Articles of Association of the Company which denotes that, any Director so appointed either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next following Annual General Meeting of the Company and shall then, be eligible for re-election.

Dato' Lee Tuck Fook, Datuk Hj Subhi Bin Dziaudin, Wie Hock Beng, Wie Hock Kiong and Loh Kong Fatt were appointed during the financial year ended 31 December 2012 and in pursuance of the above Article 85, their office shall end at the close of the 2nd AGM. They are eligible for re-election and have indicated their willingness to be re-elected as Directors of the Company. The profile of the Directors are as described on pages 7 and 8 of this Annual Report.

The proposed Ordinary Resolutions 3 to 7 are to re-elect the abovementioned Directors pursuant to the aforesaid Article 85.

iii) Ordinary Resolution 9 - Authority to issue shares

The proposed Ordinary Resolution 9 is primarily to give authority to the Board of Directors to allot and issue up to 10% of the issued capital at any time in their absolute discretion and for such purpose as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the issue of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the issued capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares when the needs may arise during the financial year, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to any amount not exceeding in total 10% of the issued share capital of the Company for the time being, for such purpose.

Corporate Information

BOARD OF DIRECTORS

Dato' Lee Tuck Fook

Chairman
(Independent Non-Executive Director)

Wie Hock Beng

Managing Director
(Non-Independent Executive Director)

Loh Kong Fatt

(Independent Non-Executive Director)

Datuk Hj Subhi Bin Dziauddin

Deputy Chairman
(Non-Independent Non-Executive Director)

Wie Hock Kiong

(Non-Independent Non-Executive Director)

AUDIT COMMITTEE

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market
Construction Sector

COMPANY SECRETARY

Loo Kah Boon
(MAICSA 0784630)

STOCK NAME AND CODE

PESONA (8311)

REGISTERED OFFICE

19, Jalan SB Indah 1/18
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia
Tel : 603-8941 0818
Fax : 603-8941 0817
Website : www.pesona.com.my

AUDITORS

UHY Chartered Accountants
(AF1411)
Suite 11005, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 603-2279 3088
Fax : 603-2279 3099

REMUNERATION COMMITTEE

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

REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-2264 3883
Fax : 03-2282 1886

NOMINATION COMMITTEE

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

BANKERS

Alliance Bank Malaysia Berhad
United Oversea Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad

Corporate Structure



PESONA METRO HOLDINGS BERHAD
(Co. No. 957876-T)

PESONA METRO SDN BHD
(Co. No. 401658-P)

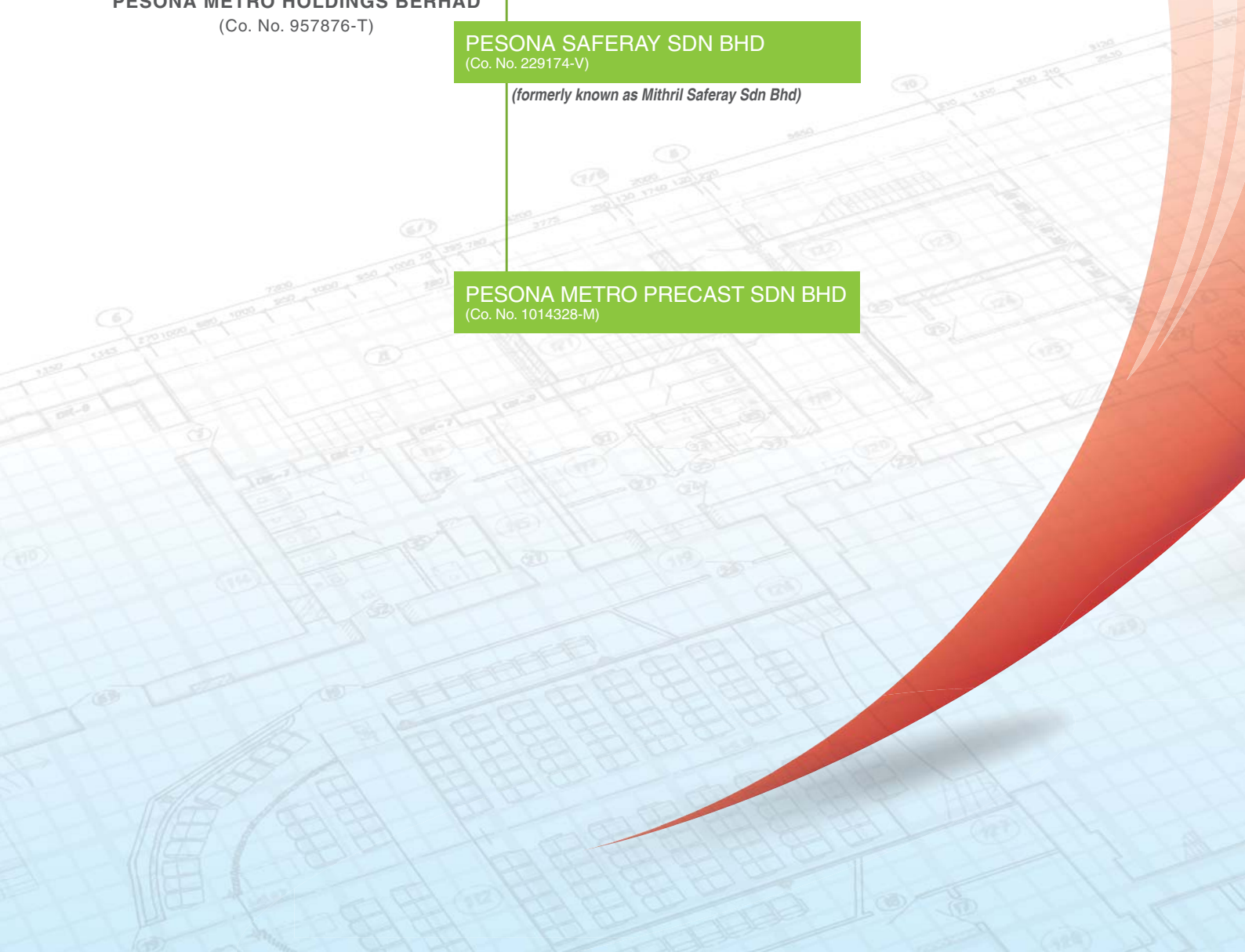
INSAMEWAH SDN BHD
(Co. No. 590902-X)

IMEJ MAYANG SDN BHD
(Co. No. 402553-M)

PESONA SAFERAY SDN BHD
(Co. No. 229174-V)

(formerly known as Mithril Saferay Sdn Bhd)

PESONA METRO PRECAST SDN BHD
(Co. No. 1014328-M)



Board of Directors



1. Dato' Lee Tuck Fook
(Chairman)

2. Datuk Hj Subhi Bin Dziauddin
(Deputy Chairman)

3. Wie Hock Beng
(Managing Director)

4. Loh Kong Fatt

5. Wie Hock Kiong

Profile of Directors

DATO' LEE TUCK FOOK

Chairman

(Independent Non-Executive Director) – Malaysian

Dato' Lee Tuck Fook, Malaysian, aged 59, was appointed to the Board as a Chairman of the Company on 8th August 2012. On the same date, he was also being appointed the Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee of the Company.

Dato' Lee Tuck Fook is a professional accountant and is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He also holds a Master Degree in Business Administration from International Management Centre, Buckingham.

He began his career with KPMG in 1974 under articleship and he was subsequently admitted as a partner to the firm in 1985 and was responsible for KPMG's Malaysian management consultancy practice until he left the practice in 1990. From 1990 to 1992, Dato' Lee Tuck Fook 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. Between 1994 to 2000, Dato' Lee Tuck Fook was the Chairman of the Executive Committee of the board of Peremba-Kentz Ltd, an engineering company with operations ranging from South Africa, 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' Lee Tuck Fook was the Managing Director of Paracorp Berhad. In 2003, he was appointed 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. In 2006 to 2007, he was the Non-Independent Non-Executive Director of Landmarks Berhad. He is an Independent Non-Executive Director of SAM Engineering & Equipment Berhad, a company listed on Bursa Malaysia. He was appointed to the Board on July 2008. He is also a member of its Audit & Risk Management Committee. He is currently the Executive Director of Pavilion REIT Management Sdn Bhd and Director of Kuala Lumpur Pavilion Sdn Bhd and Makna Mujur Sdn Bhd.

Dato' Lee Tuck Fook 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 subsidiaries. He has no conviction of any offences within the past (10) years.

Dato' Lee Tuck Fook attended all the two(2) Board Meetings of the Company held during the financial year ended 31 December 2012.

DATUK HJ SUBHI BIN DZIYAUDDIN

Deputy Chairman

(Non-Independent Non-Executive Director) – Malaysian

Datuk Hj Subhi Bin Dziauddin, Malaysian, aged 50 was appointed to the Board as the Director and Deputy Chairman of the Company on 8th August 2012 .

Datuk Hj Subhi Bin Dziauddin 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 in Kepala Batas, Alor Setar, Kedah with the rank of Lieutenant. In 1994, he left the Royal Malaysian Air Force Flying School and joined Indah Water Konsortium Sdn Bhd as Senior Manager of the Entrepreneur Development Program Department.

He later joined Puncak Niaga (M) Sdn Bhd as the General Manager in charge of Special Projects. His significant achievement during his tenure in Puncak Niaga (M) Sdn Bhd was playing a vital role 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 Malaysian Resources Corporation Berhad as Director, responsible for Special Projects. In 2000, he became a Director in Puncak Niaga Overseas Capital Sdn Bhd, a subsidiary of Puncak Niaga (M) Sdn Bhd. He was also previously a director of Metronic Global Berhad.

Datuk Hj Subhi Bin Dziauddin 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 subsidiaries. He has no conviction of any offences within the past 10 years.

Datuk Hj Subhi Bin Dziauddin attended one(1) of the two(2) Board Meetings of the Company held during the financial year ended 31 December 2012.

Profile of Directors

cont'd

WIE HOCK BENG

Managing Director

(Non-Independent Executive Director) – Malaysian

Wie Hock Beng, a Malaysian, aged 41, was appointed to the Board as a Managing Director of the Company on 8th August 2012. Wie Hock Beng was the founder of Pesona Metro Sdn Bhd who has engineered the growth of the same until the commendable size 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. To date, he has over 16 years of experience involving rehabilitation and beautification of river, dam, bridges and flyover, roadworks, drainage, industrial and highrise and lowrise of residential building projects.

Wie Hock Beng is the substantial and major shareholder of the Company and brother to another director, Wie Hock Kiong. He has no conflict of interest other than disclosed under Additional Information (Recurrent Related Party Transactions) which appears on page 31 of this Annual Report. He has no conviction of any offences within the past 10 years.

Wie Hock Beng attended all the two(2) Board Meetings of the Company held during the financial year ended 31 December 2012.

WIE HOCK KIONG

(Non-Independent Non-Executive Director) – Malaysian

Wie Hock Kiong, a Malaysian, aged 53, was appointed as Non-Independent Non-Executive Director of the Company on 8th 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, UK. He was previously the Chief Executive Officer of Putrajaya Perdana Berhad (“PPB”) for 12 years since December 1998. Among his key responsibilities are steering the overall management, development and operations of the PPB group and resigned as CEO after a tenure of 21 years.

Through his 25 years of experience in the construction industry, he has successfully transformed an infant company, Kamunting Construction Sdn Bhd into a giant construction and property developer conglomerate, PPB. Under his guidance, PPB has grown financially with an excellent track record of successful high quality construction projects.

Wie Hock Kiong is the substantial and major shareholder of the Company and brother to the Managing Director, Wie Hock Beng. He has no conflict of interest other than disclosed under Additional Information (Recurrent Related Party Transactions) which appears on page 31 of this Annual Report. He has no conviction of any offences within the past 10 years.

Wie Hock Kiong attended all the two(2) Board Meetings of the Company held during the financial year ended 31 December 2012.

LOH KONG FATT

(Independent Non-Executive Director) – Malaysian

Loh Kong Fatt, a Malaysian, aged 59, was appointed as Independent Non-Executive Director of the Company on 8th August 2012. He is currently a member of Audit Committee, Nomination Committee and the Chairman of Remuneration Committee. He holds a Bachelor of Business Degree from Deakin University, (Warrnambool) Australia.

Loh Kong Fatt was previously involved in formulating new strategies, business plans and directions of UMBC Finance Bhd. He was particularly instrumental in UMBC Finance Bhd’s turnaround and set the company towards profitability. He was nominated by the UMBC finance board and approved by Bank Negara Malaysia to assume the CEO position of troubled financial institution, Kuala Lumpur Finance Bhd. Loh Kong Fatt successfully paved the merger of two (2) financial institutions and became head, Credit and Marketing of the enlarged portfolio thereafter. He had held senior management positions in UMBC Bhd and his last job was with Alliance Bank Bhd (“ABB”) with the title Senior General Manager, Corporate Banking. He was the Acting CEO of ABB and left in Oct 2005 when the new CEO came onboard.

Loh Kong Fatt 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 subsidiaries. He has no conviction of any offences within the past (10) years.

Loh Kong Fatt attended all the two(2) Board Meetings of the Company held during the financial year ended 31 December 2012.

Financial Highlights

	Units	FYE 2012
Revenue	RM'000	220,775
Profit before tax	RM'000	17,195
Profit after tax	RM'000	11,771
Total assets	RM'000	131,132
Share capital	RM'000	115,955
Total equity attributable to owners of the parent	RM'000	63,483
No. of shares ('000) RM0.25 each	Unit	463,820
Earnings per share	Sen	2.91
Net assets per share	Sen	13.69
Dividend (Proposed)	Sen	1.00

REVENUE

RM'000

220,775

PROFIT AFTER TAX

RM'000

11,771

NET ASSETS PER SHARE

SEN

13.69

EARNINGS PER SHARE

SEN

2.91



Chairman's

Statement

“

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the first Annual Report of Pesona Metro Holdings Berhad (“Pesona”) for the financial year ended 31st December 2012 (FY2012).

”

Chairman's Statement

cont'd



LISTING OF PESONA

On 10th October 2012, Pesona listed on the Main Market of Bursa Malaysia Securities Berhad, under the Construction sector. The listing marked a significant corporate milestone for Pesona as it allows us to gain access to the capital market and raise our profile as a comprehensive construction services provider. Through the listing, we raised RM10 million of proceeds for working capital via the issuance of 40 million new shares at RM0.25 each.

Despite the global economy experiencing many challenges and uncertainties, we had many achievements that we are truly proud of. Among others, our Group achieved a commendable financial performance in FY2012 particularly contributed by the Construction Division whereby both revenue and pre-tax profits registered double-digit growth.

FINANCIAL PERFORMANCE

For the financial year under review, we achieved a profit after tax of RM11.77 million, backed by revenue of RM221 million. This revenue is the highest achieved thus far by our Group. 94% of the revenue was contributed by the Construction Division and 6% was contributed by the newly acquired Manufacturing Division.

Pursuant to the Restructuring Scheme of Mithril Berhad, completed on the 28th September 2012, we divested Mithril Berhad and incurred a one-

time loss on disposal of investment amounting to RM3 million in the same period. If not for the one-time loss and the listing expenses of RM2.2 million, we would have registered a higher profit after tax of RM17.2 million and this would have been a new record in Pesona's history.

DIVIDEND

The Board of Directors is pleased to recommend a final dividend of 1 sen per ordinary share amounting to RM4.6 million, in respect of financial year ended 31st December 2012, which is subject to your approval at the forthcoming Annual General Meeting.

INDUSTRY TREND AND DEVELOPMENT

Despite the challenging global economic environment, Malaysia's construction industry continued to grow strongly, mainly supported by the demand for civil engineering and residential construction activities. The industry grew by 18.5% in the year 2012 as compared to 4.6% in year 2011 (source: Department of Statistics, Malaysia).

Being actively involved in the infrastructure and building construction works, our growth is in tandem with the industry. During the year under review, we successfully secured a new building project in the Klang Valley. With this new project, we are currently working on 3 infrastructure projects and 2 building projects.

OUTLOOK FOR YEAR 2013

The Board anticipates that the upcoming FY2013 and beyond will be exciting years for the Group. The Malaysian economy is expected to register a GDP growth of between 5% to 6% for year 2013, as forecasted by both the private sector and the Malaysian Government. The construction industry is projected to grow by 13% in 2013, driven by the civil engineering activities and residential sub-sectors.

Costs are expected to go up due to increases in labour wages and building material prices. The Board continues to be prudent in managing the resources of the Group and projects the gearing level of the Group to remain comfortable.

Based on the orders in hand and tenders submitted, Pesona is expected to continue to do well for the year 2013.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I wish to record my highest appreciation to all employees for their effort, hard work and contribution during the year. The last year has been very challenging for many of our staff, especially those involved in reverse take-over exercise. A special word of thanks goes to all of them who have contributed tirelessly to the successful listing of Pesona Metro Holdings Berhad in Bursa Malaysia.

Our sincere thanks and appreciation also go to our clients, investors, bankers, suppliers and sub-contractors for their continued support, as well as the various local authorities and regulators for their invaluable guidance and assistance. Last but not least, my thanks goes to my fellow Board members for their invaluable contribution, advice and guidance.

DATO' LEE TUCK FOOK
Chairman

30 April 2013



Managing Director's Operations Review

“ Despite facing numerous challenges, in particular, shortage of skilled labour, escalating construction material prices and intense competition in the industry, we, at Pesona Metro are proud to announce a record performance for the financial year under review. ”

Managing Director's Operations Review *cont'd*



CONSTRUCTION DIVISION

The Construction Division had an excellent year in FY2012 despite facing numerous challenges, in particular, shortage of skilled labour, escalating construction material prices and intense competition in the industry. For the financial year ended 31 December 2012, the Construction Division generated revenue of RM207 million, being the highest record achieved in Pesona history. In line with the revenue, the division recorded a profit after tax of RM17 million.

In FY2012, we have successfully completed and handover a project named **“Pembinaan Kompleks CIQ Imigresen dan Jeti Penumpang Di Muara Sungai Melaka”** (“CIQ Project”) in Melaka. The Group’s commitment and dedication towards corporate governance excellence brought recognition with Pesona Metro being awarded the **“Johan Anugerah Pengurusan Pembinaan Terbaik Kategori Projek Reka & Bina dan Juara Keseluruhan”** for our CIQ project in Melaka.

As at 31 December 2012, the Group has an outstanding order book of RM380 million, comprising of 5 on-going projects. Based on our healthy tender book of exceeding RM1 billion, we are optimistic to secure 20% - 30% of the tender book to replenish our order book. Should such quantum being secured, our Construction Division will be kept busy for the next three years.

With a strong order book and positive outlook for the construction industry which forecasted to grow by 13% this year, the Division will devote more resources and intensify efforts in the execution of current jobs to ensure timely completion of projects. Further, the Division is committed to improve its competitiveness and operating efficiencies in terms of higher productivity and reducing wastage to achieve better financial performance as the construction profit margin has eroded by competitive bidding for new projects, stringent quality requirements, higher cost of skilled labour and construction material.

MANUFACTURING DIVISION

Via the reverse takeover of Mithril Berhad, we acquired the manufacturing business from Mithril Berhad. The new subsidiary, Pesona Saferay Sdn Bhd (formerly known as Mithril Saferay Sdn Bhd), is principally involved in the manufacturing and trading of polyurethane products for interior and exterior decorations and renovations. This business is synergistic to our building projects.

Based in Kamunting Perak, the manufacturing facility has a total of 7 production lines and has over 1,500 architectural mouldings and decorative ornaments designs. The product types include cornices, chair rails, ceiling roses and skirtings. Currently, the products are mostly for export markets and are being marketed under the Gaudi Décor brand. Our key customers are from Russia, Middle East countries, Korea and Thailand.

For the financial year ended 31 December 2012, the Company generated a profit after tax of RM0.5 million with a revenue of RM14 million. The results shown a turnaround from a loss incurred in year 2011.



Managing Director's Operations Review

cont'd

CORPORATE SOCIAL RESPONSIBILITIES

During the year, Pesona Metro set up its CSR committee to oversee the CSR initiatives. With the spirit of **Pesona Cares**, we have initiated several activities which we intend to continue for years. Among others, we have introduced the scholarship program for selected candidates to pursue their higher education, visit to the orphanage or old folks homes as well as introducing monthly recycle event to our staff.

During the year, we have awarded scholarships to two candidates from two universities. We have also visited to **Persatuan Insan Istimewa**, an orphanage home for disabled children. Apart from cash donation, our staff spent times with the children to better understand their situations. Further, our Group also involved in monthly recycle event organized by Tzu Chi Foundation.

QUALITY AND TRAINING

The Division recognizes that safety, health and environmental as well as quality are key elements of excellence and customer expectations. In this regard, the Division is fully committed to continuous improvement to achieve the highest standards whilst conforming to applicable statutory legal requirements. Among others, we have enhanced our existing ISO 9001 : 2008 procedures, improved health and safety policy, rules and regulations, IT infrastructures, introducing and implementation 5-S and QCLASSIC quality standards in our project sites to give more value for money to our valued customers.

Training our staff would be one of the main agendas in our Group calendar besides introducing new technology and information systems to increase operating efficiencies. Succession planning for sustainable performance is equally important and would be given due attention.

OUTLOOK AND PROSPECT FOR 2013

The timely award of Government projects under Economic Transformation Programme (ETP) initiatives and Tenth Malaysia Plan (10MP) as well as the private development sector will certainly contribute significantly to the growth of the local construction industry in the coming years. However, uncertainties of world economies cause by Eurozone debt crisis and US slowdown may dampen this scenario. Overall, the Division is still optimistic to produce double-digit growth for FY2013 with satisfactory financial performance.

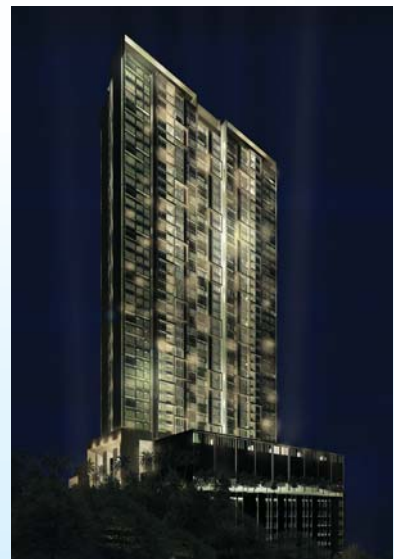
CONCLUSION

The financial year under review has indeed been very exciting and challenging for Pesona Metro coupled with creating a new milestone, whereby we were successfully listed on the Main Market, Bursa Malaysia Securities Berhad, on the 10th October 2012.

Lastly, I wish to thank all our staff for their dedication, hard work and undivided support to bring Pesona Metro to where we are today. Whilst we have performed well for the FY2012, we would continue to shape the progress of our organization and build a stronger foundation for the Group to achieve sustainable growth in the future.

WIE HOCK BENG
Managing Director

30 April 2013



Corporate Social Responsibilities



Pesona Metro Holdings Berhad (“the Company”) recognises that as a successful corporation, the Company has a responsibility to cultivate a positive impact to our community, work place, market place and environment.

During the financial year ended 31 December 2012, a committee has been set up to oversee CSR activities and arising therefrom, several activities have been undertaken as part of its ongoing CSR processes.

ENVIRONMENT

The Company regards the importance of environment conservation and has initiated several environmental conservation measures in its operations. Our construction sites practices clear method of managing waste and construction materials through the principles of “*RECYCLE, REUSE, REDUCE*” in its daily operations. All wastage are minimized and whatever construction materials salvageable are channelled for recycle and re-use whenever possible.

The Company propagate the “5S principles” which stipulates the following action in all its sites:-

- a) **Sort** – identification and removal of unwanted materials and keep materials in its proper place;
- b) **Set-in-order** – all materials must be arranged in its correct order in its proper place;
- c) **Shine/sanitize** – cleanliness and tidiness at storage places;
- d) **Standardise** – repairs and keep all items in good working order;
- e) **Sustain** – maintain a continuous action as above.

COMMUNITY

Through out the year, the Company took part in various social activities in support of community and care for the society’s well-being under the motto of “*PESONA-CARES*”, which include a visit to a home for special children, “**Persatuan Insan Istimewa**. Besides giving cash donation to the less fortunate, the Company extended invaluable assistance by listening to their problems to better understand these people’s feelings and needs.

Corporate Social Responsibilities

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The Company also participated in “GREEN DAY” event organised by charitable Tzu-Chi Foundation Malaysia on a monthly basis as part of recycle programme undertaken by the organisation.

In addition, The Company has also been giving scholarships to needy students as part of its enrichment programme to develop talents for the nations.

WORK PLACE

The Company recognises that its employees are its asset and it is imperative to have an engaged workplace in order to reinforce its core values and work towards the organisation’s goals.

In pursuing these goals, the Company provides opportunities to enhance the employees’ capacity and capability while ensuring workplace satisfaction, safety and wellness. The employees are encouraged to go for regular trainings for self development to improve their well-being and intellectual capability.

As part of rewarding quality employees, “Good Action Award” are given out to deserving employees who have shown their active participation in ensuring the above objectives are met.

MARKET PLACE

In the Company’s daily operations, the Company has encouraged its suppliers on the usage of recycled parts for their end product. As part of encouragement, the Company will purchase, promote and support suppliers who cultivate such practices eg stationeries, uniforms, copiers etc.

Statement on Corporate Governance

The Board of Directors is committed towards adhering to the requirements and guidelines as per the Malaysian Code on Corporate Governance 2012 (“Code”) as well as the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad and strives to adopt the substance behind the corporate governance prescriptions and not merely the form.

The Board is of the view that it has complied with the Code. Set out below is the manner in which the Group has applied the principles of good governance and the extent to which it has complied with the Code.

BOARD RESPONSIBILITIES

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

The key responsibilities include the primary responsibilities prescribed under the Code. These cover a review of the strategic direction for the Group, overseeing and evaluating the business operations of the Group, reviewing adequacy of the internal control, identifying principal risks and ensuring that the risks are properly managed, establishing a succession plan and developing and implementing an investor relations program. The responsibility for matters material to the Group is in the hands of the Board, with no individuals having unfettered powers to make decisions.

In this regard, the Board is guided by the documented and approved Board Charter and Limits of Authority which define matters which are specifically reserved for the Board and the day-to-day management of the Group is 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. However, the Managing Director and the senior management team remain accountable to the Board for the authority that is delegated.

In performing their duties, all Directors have access to the advice and services of the Company Secretary and if necessary, may seek independent professional advice about the affairs of the Group. The Company Secretary attends all Board meetings and advises the Board on regulatory procedure, the requirement of the Company’s Memorandum and Articles of Association, the Companies Act, 1965 and the MMLR. The Company Secretary also ensures that there is good information flow within the Board and between the Board Committees and senior management. Board members are provided with Board papers in advance before each Board meeting for decision, including the overall Group strategy and direction, acquisitions and divestments, approval of major capital expenditure projects and significant financial matters.

The Board has approved a Board Charter which sets out a list of specific functions that are reserved for the Board. The Board Charter addresses, among others, the following matters:-

- Duties and responsibilities of the Board;
- Directors’ Code of Ethics;
- Composition and Board balance;
- The role of chairman and chief executive officer/managing director;
- Appointments;
- Re-election;
- Supply of information;
- Separation of power;
- Board of committees;
- Remuneration;
- Financial reporting;
- General meetings;
- Investor relations and shareholder communication; and
- Relationship with other stakeholders (employees, environment, social responsibility).

The approval and adoption of the Board Charter and Directors’ Code of Ethics formalizes the standard of ethical value and behavior that is expected of the Directors at all times. The Board Charter and Directors’ Code of Ethics are reviewed periodically to ensure their relevance and compliance.

The Group is also committed towards sustainable development. Employees’ welfare, environment as well as community responsibilities are integral to the way in which the Group conducts its business. A Report on the activities pertaining to corporate social responsibilities is set out in pages 15 and 16 of this Annual Report.

Statement on Corporate Governance

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COMPOSITION OF THE BOARD

The Board was newly formed on 8 August 2012, a few months prior to the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad. It currently has five(5) members, comprising one non-independent executive Director, two(2) non-independent non-executive Directors and two(2) independent non-executive Directors. Two(2) of the Directors are independent Directors, which is within the one third of MMLR requirements. Together, the Directors bring characteristics which allow a mix of qualifications, skills and experience which is necessary for the successful direction of the Group.

A brief profile of each Director is presented on pages 7 to 8 of this Annual Report.

The Group practices the division of responsibility between the Chairman and Managing Director ("MD") and there is a balance of executive, non-executive and independent non-executive Directors. The roles of the Chairman and MD are separate and clearly defined, and are held individually by two(2) persons. The MD is primarily responsible for the overall management and the day-to-day operations of the business of the Group whereas the Chairman, who is an independent non-executive member of the Board, is primarily responsible for the overall implementation of Board's policies and decisions.

The Board believes that the current size and compositions is appropriate for its purpose, and is satisfied that the current Board composition fairly reflects the interest of minority shareholders within the Group. The Board noted that, as per the recommendation of the Code, to have gender diversification for a more balance and better mix in its composition. At the moment, the Board has taken note of this requirement and has been on the look-out for suitable female candidates who best fit the Company's needs to be appointed as additional director.

BOARD MEETINGS

Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. The Board records its deliberations, in terms of issues discussed, and the conclusions in discharging its duties and responsibilities. All Directors are fully briefed in advance of Board meetings on the matters to be discussed and have access to any further information they may require. The Board may, whenever required, set up committees delegated with specified powers and responsibilities.

The Board has established the following Committees to assist the Board in the execution of its duties:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

The number of meetings of the Board and Board Committees held during the financial year ended 31 December 2012 were as follows:-

Board of Directors	2 meetings
Audit Committee	1 meeting
Nomination Committee	1 meeting
Remuneration Committee	1 meeting

The composition of the Board and the attendance of each Director at the Board meetings held during the year are as follows:-

Name of Director	Designation	Status of Directorship	Attendance of Meetings
Dato' Lee Tuck Fook	Chairman	Independent and Non-Executive	2/2
Datuk Hj Subhi bin Dziauddin	Deputy Chairman	Non-Independent and Non-Executive	1/2
Wie Hock Beng	Managing Director	Non-Independent & Executive	2/2
Wie Hock Kiong	Director	Non-Independent and Non-Executive	2/2
Loh Kong Fatt	Director	Independent and Non-Executive	2/2

Statement on Corporate Governance

cont'd

INFORMATION FOR THE BOARD

The Directors are provided with adequate Board reports on a timely manner prior to the Board meeting to enable the Directors to obtain further explanations, where necessary. These reports provide information on the Group's performance and major operational, financial and corporate issue. Minutes of the Board Committees are also tabled at the Board meetings for the Board's information and deliberation. The Directors have access to the advice and services of the Company Secretary whose terms of appointment permit removal and appointment only by the Board as a whole.

RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all newly appointed Directors shall retire from office but shall be eligible for re-election in the next Annual General Meeting subsequent to their appointment. The Articles further provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

BOARD INDEPENDENCE

Independent non-executive Directors play a leading role in Board Committees. The management and third parties are co-opted to the Committees as and when required. The Code, which has only been recently issued to be implemented for the financial year ended 31 December 2012, recommends that the tenure of an independent directors should not exceed a cumulative term of nine(9) years. At the moment, the present composition is still within compliance with the Code as the current Board is newly formed on 8 August 2012.

The concept of independence adopted by the Board is in tandem with the definition of an independent director in the MMLR. The MMLR's definition of independence includes a series of objective tests such a Director is not an employee of the Company and is not engaged in any type of business dealings with the Company. Hitherto, none of the independent Directors engage in the day-to-day management of the Company, participate in any business dealings or are involved in any other relationship with the Company (other than in situations permitted by the applicable regulations). During the financial year, none of the independent Directors had any relationship that could materially interfere with his unfettered and independent judgment.

BOARD COMMITTEES

The Board appoints the following Board Committees with specific terms of reference:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Board has also approved and adopted a formal charter that outlines the functions, duties and responsibilities of the Board Committees as above in line with the Board's objective in pursuing good governance practice.

Audit Committee

The Company has an Audit Committee whose composition meets the MMLR, where independent Directors form the majority. All members of the Audit Committee are financially literate, while the Chairman of the Audit Committee, an independent director, is a member of the Malaysian Institute of Accountants. The Audit Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with external auditors.

The Audit Committee has full access to both the internal and external auditors who in turn, have access at all times to the Chairman of the Audit Committee. The role of the Audit Committee and the numbers of meetings held during the financial year as well as the attendance record of each member are set out in the Audit Committee Report in this Annual Report.

Statement on Corporate Governance

cont'd

BOARD COMMITTEES *cont'd*

Nomination Committee

The Board has established a Nomination Committee comprising entirely non-executive Directors, a majority of whom are independent and chaired by an independent Director. The composition of the Nomination Committee is as follows:

Dato' Lee Tuck Fook
Wie Hock Kiong
Loh Kong Fatt

The Nomination Committee is responsible for proposing new nominees to the Board and Board Committees, for assessing on an annual basis, the contribution of each individual Director and the overall effectiveness of the Board. The final decision as to who shall be appointed as Director remains the responsibility of the full Board, after considering the recommendation of the Nomination Committee.

The terms of reference of the Nomination Committee are as follows:

- To annually review the required mix of skills, experience and other qualities, including core competencies which non-executive directors should bring to the Board and such information will be disclosed in the annual report;
- To recommend to the Board, candidates for all directorships by reviewing the composition of independent directors in the Board by taking into consideration the tenure of independent directors shall not exceed nine(9) years and assessment of the independent directors to be done annually;
- To consider, in making its recommendations, candidates for directorships within the bounds of practicability, by any other senior executive or any director or shareholder;
- To recommend to the Board, directors to fill the seats on Board committee including gender diversity policies and targets with encouragement on recruitment of female directors;
- To assess the effectiveness of the Board as a whole, the committees of the Board, and the contributions of each individual director;
- To examine the size of the Board with a view to determining the impact of the number upon its effectiveness.

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, upon its recent annual review carried out, is satisfied that the size of the Board is optimum and that there is an appropriate mix of experience and expertise in the composition of the Board.

Remuneration Committee

The Board has established a Remuneration Committee consisting of the following Directors, Majority of whom are independent Directors:

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

The Remuneration Committee reviews the remuneration packages, reward structure and fringe benefits applicable to the MD, executive Director and senior executives on an annual basis and makes recommendations to the Board. The Board as a whole determines the remuneration of the MD 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 MD, executive Directors and senior executives, the Remuneration Committee has regard to packages offered by comparable companies, and may obtain independent advice.

The remuneration of the MD and the executive 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.

Statement on Corporate Governance

cont'd

BOARD COMMITTEES *cont'd*

Remuneration Committee *cont'd*

The terms of reference of the Remuneration Committee are as follows:

- To review and recommend the remuneration packages of the Executive Directors in all its terms, drawing from outside advice whenever necessary prior to making the relevant recommendations to the Board such that the levels of remuneration are sufficient to attract and retain the Directors needed to run the Company successfully;
- The determination of remuneration package of non-executive directors should be a matter of the Board as a whole.

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.

BOARD APPOINTMENT AND COMMITMENTS

As documented in the Board Charter, the appointment of a new director is a matter for consideration and decision by the full Board 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 their duties and to give sufficient commitment, time and attention to the affairs of the Company.

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

DIRECTORS' TRAINING

The Company has adopted educational/training programs to update the Board in relation to new developments pertaining to the laws and regulations and changing commercial risks which may affect the Board and/or the Company.

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

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 MD and Executive 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 details on the aggregate remuneration of Directors for the financial year ended 31 December 2012 are as follows:

	Non-executive Directors RM'000	Executive Directors RM'000	Total RM'000
Directors' fees	70	-	70
Salaries	-	276	276
Bonuses	-	184	184
Employees provident fund contribution	-	56	56
Benefits in kind & allowances	-	28	28
Total	70	544	614

Statement on Corporate Governance

cont'd

DIRECTORS' REMUNERATION *cont'd*

Remuneration paid to Directors during the year analysed into bands of RM50,000, which complies with the disclosure requirements under the MMLR is as follows:

	Non-executive Directors	Executive Director
Up to RM50,000	4	-
From RM500,001 to RM550,000	-	1

ACCOUNTABILITY AND AUDIT

The Company has established an Audit Committee to review the integrity of the financial reporting and to oversee the independence of external auditors.

Transparency and Financial Reporting

In presenting the annual financial statements and quarterly announcements of results to the shareholders, the Board aims to present a balanced and understand assessment of the Group's position 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 the annual report.

Related Party Transactions

Directors recognize that they have to declare their respective interest in transactions with the Company and the Group, and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter. All related party transaction are reviewed as part of the annual internal audit plan, and the Audit Committee reviews any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that causes questions of management integrity to arise. Details of related party transactions are set out in Note 27 to the annual financial statements.

Internal Control

The information on the Group's internal control is presented in the Statement on Risk Management and Internal Control in this Annual Report.

Relationship with External Auditors

The Board has established transparent and appropriate relationship with the external auditors through the Audit Committee. The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report in this Annual Report.

RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Material Business Risks

The Company has established a general 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 Board on any significant risk exposure.

Internal Audit Function

In a desire to maintain total independence in the management of the internal control environment and remain in compliance with the MMLR, the Company has appointed Audex Governance Sdn Bhd to manage the Company's Internal Audit function on an outsourced basis.

Statement on Corporate Governance

cont'd

RECOGNISE AND MANAGE RISKS *cont'd*

Internal Audit Function *cont'd*

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 there from are reported to the Audit Committee on a quarterly basis.

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.

TIMELY DISCLOSURE AND INVESTOR RELATIONSHIP

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 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, quarterly results, analyst briefings, Company websites and investor relations.

The annual reports has comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide investors with financial information. Apart from the mandatory public announcements through Bursa Malaysia, the Group's website at www.pesona.com.my provides corporate, financial and non-financial information. Through the website, shareholders are able to direct queries to the Company. The Group's investor relation 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 Group, its core businesses and operations, thereby enabling investors to make informed decision in valuing the Company's shares.

The Managing Director and the senior management meet regularly 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 Share Registrar is available to attend to matters relating to shareholders' interests.

The primary contact for investors relation matters is:

Wie Hock Beng

Managing Director

Telephone Number : 03-8941 0818

Email : wiehb@pesona.com.my

EFFECTIVE COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS

The Company is of the view that the Annual General Meeting and other general meetings are important opportunities for meeting investors and addressing their concerns. The Board, senior management and external auditors attend all such meetings. Registered shareholders are invited to attend and participate actively in such meetings, including clarifying and questioning the Company's strategic direction, business operations, performance and proposed resolutions.

Each shareholder can vote in person or by appointing a proxy to attend and vote on his/her behalf. Separate issues are tabled in separate resolutions at general meetings, voting is carried out systematically and resolutions are properly recorded.

Audit Committee Report

The Board of Directors of Pesona Metro Holdings Berhad is pleased to present the report on the Audit Committee of the Board for the year ended 31 December 2012.

OBJECTIVE

The Audit Committee was established to act as a Committee of the Board of Directors to fulfill its fiduciary responsibilities in accordance with the Terms of Reference of the Audit Committee of Pesona Metro Holdings Berhad and to assist the Board in reviewing the adequacy and integrity of the Group's financial administration and reporting and internal control.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee comprises the following members:

Chairman

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

Members

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

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

TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:

Membership

1. The Audit Committee shall be appointed by the Board from amongst their members and shall consist of at least three (3) members, all of whom must be non-executive directors, with a majority of them being independent directors.
2. At least one (1) member of the Audit Committee:
 - a) must be a member of the Malaysian Institute of Accountants; or
 - b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' of working experience and:
 - Must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - Must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
3. The members of the Audit Committee shall elect a Chairman from amongst their members who shall be an Independent Non-Executive Director.
4. In the event of any vacancy in the Audit Committee, within three months of that event, the Board shall appoint new members to make up the minimum number of three members.
5. No alternate director shall be appointed as a member of the Audit Committee.
6. The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three years.

Audit Committee Report

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AUTHORITY

The Audit Committee is authorised by the Board:

1. To investigate any activity within its terms of reference;
2. To have the resources required to perform its duties;
3. To have full and unrestricted access to information about the Company and the Group;
4. To have unrestricted access to both the internal and external auditors and to all employees of the Group;
5. To have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
6. To obtain external legal or other independent professional advice as necessary; and
7. To be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees, whenever deemed necessary.
8. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Listing Requirements, the Committee shall promptly report such matters to the authorities.

FUNCTIONS

The functions of the Audit Committee shall be:

1. To review with the external auditors and report to the Board:
 - the audit plan.
 - their evaluation of the system of internal controls.
 - their audit reports, to ensure that their recommendations regarding management weaknesses are implemented.
 - the annual financial statements and recommend the adoption of the financial statements.
 - the audit fees.
2. To review with the internal auditors and report to the Board:
 - the Group's internal control procedures, including organisational and operational controls.
 - the internal audit's scope of work, functions, competency and resources and that it has the necessary authority to carry out its work.
 - the Annual Audit Plan.
 - the results of audit findings and other relevant reports.
 - the assistance given by the Company's officers to the internal auditors.
 - the regular management information and to ensure that audit recommendations regarding management weaknesses are effectively implemented.
 - any related party transactions and conflict of interest that may arise within the Company and the Group including any transaction, procedure or course of conduct that raise questions of management integrity.
3. To review, approve and note the following relating to the internal audit function:
 - To review any appraisal or assessment of the performance of members (or the independent professional service provider firm as the case may be) of the internal audit function.
 - To approve any appointment or termination of senior staff members (or the independent professional service provider firm as the case may be) of the internal audit function.
 - To note resignation of internal audit staff members (or the independent professional service provider firm as the case may be) and providing the staff members (or the independent professional service provider firm as the case may be) an opportunity to submit his/their reasons for resigning.

Audit Committee Report

cont'd

FUNCTIONS *cont'd*

The functions of the Audit Committee shall be:

4. To review the Group's quarterly financial results and year end financial statements, prior to the approval by the board of directors focusing particularly on:-
 - i) changes in or implementation of major accounting policy changes;
 - ii) significant and unusual events; and
 - iii) compliance with accounting standards and other legal requirements.
5. To review and recommend the appointment of the external auditors.
6. To review on any removal or resignation of the external auditors.
7. To undertake such other functions as may be agreed to by the Audit Committee and the Board.

MEETINGS

1. Meetings shall be held not less than four (4) times a year.
2. The quorum for each meeting shall be two (2) members present and a majority must be independent directors.
3. The Managing Director, the Executive Director, the Chief Financial Officer and/or the Group Financial Controller, and the Internal Auditors shall normally attend the meetings. Other Board members and employees may attend the meetings upon the invitation of the Audit Committee.
4. At least twice a year, the Audit Committee shall meet with the external auditors without the presence of management and executive directors.
5. The Company Secretary shall be the Secretary of the Audit Committee. Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and of the Board.
6. The Chairman of the Audit Committee shall report on each meeting to the Board.

During the financial year, there were one (1) Audit Committee Meeting held as the Audit Committee was only formed on 8 August 2012 which were duly attended by the members as shown below:

Audit Committee Member	Attendance
Dato' Lee Tuck Fook	1/1
Wie Hock Kiong	1/1
Loh Kong Fatt	1/1

SUMMARY OF ACTIVITIES

Activities carried out by the Audit Committee during the financial year ended 31 December 2012 included the following:-

- a) Review the quarterly unaudited financial results and make necessary recommendations to the Board prior to release to the relevant authorities and public on:-
 - i) Compliance with existing and new accounting standards, policies and practices
 - ii) Highlight any significant adjustments or usual events
 - iii) Compliance with listing requirements of Bursa Malaysia Securities Berhad, Companies Act, 1965 and other regulatory requirements
- b) Make enquiry if there are any related party transactions and to review to ensure the related party transactions, if any, are on ordinary commercial terms and are not favourable to the related party than is generally available to the public, and that the transactions are not detrimental to the minority party;
- c) Review the internal audit plan, scope of work and its finding at every quarter, and to highlight to the Board on any material findings.

Statement on Risk Management and Internal Control

1. INTRODUCTION

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

The Listing Requirements Paragraph 15.26(b) requires Directors of listed companies to include a statement in their annual report on the state of their internal controls for the financial year ended 31 December 2012.

The Board of Directors 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 of Directors 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 Directors are 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 2012, the Company being newly listed on the Main Board of Bursa Malaysia Securities Berhad on 10 October 2012, has undertaken processes to review its risk management framework. The Company is in the process of setting up its risk management framework to oversee the entire risk and internal controls of the Group.

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

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 management meetings.

The Board of Directors and Management also recognize 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.

The Board of Directors 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 quarterly; and
- b) Reviewing the adequacy and the integrity of the company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines

Statement on Risk Management and Internal Control

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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 Listing Requirements, the Company has appointed Audex Governance 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 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 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 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 provide business improvement recommendations for the consideration of 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 2013, the following areas are the internal audit compliance reviews undertook by the auditors:

- 1) Project Tender Cycle
- 2) Pre-Construction
- 3) Construction
- 4) Operational Risk Management
- 5) Post Construction Support
- 6) Project Closure
- 7) Procurement

The findings arising from the above reviews have been reported to 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.
- 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.

Statement on Risk Management and Internal Control

cont'd

5. OTHER KEY INTERNAL CONTROL ELEMENTS *cont'd*

- 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 such other third party independent professional advice deemed necessary in the performance of its responsibility.
- Review by the Audit Committee of internal control issues identified by the external and internal auditors and action taken by management in respect of the findings arising therefrom. The Internal Audit function reports directly to the Audit Committee. Findings communicated to management and the Audit Committee with recommendations for improvements and follow up to confirm all agreed recommendations 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 program. 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 of Directors to the appointment of Audex Governance Sdn Bhd, to manage the Internal Audit Functions of the Company on an outsourced basis will ensure greater independence and accountability in the Internal Audit function.

6. CONCLUSION

For the financial year ended 31 December 2012, the Board of Directors 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 RM50,000.

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 2012 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 1965 ("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 accounting policies and with usage of reasonable and prudent judgment and estimates.

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

In compliance with the several responsibilities of the Directors, the Directors present the financial statements of the Company and the Group for the financial year ended 31 December 2012 as set out on pages 34 to 89 of this Annual Report.

Additional Information

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2012, there was no issuance of options, warrants and convertible securities.

UTILISATION OF PROCEEDS

On 10 October 2012, the Company issued 40 million new ordinary shares to investors at an issue price of RM0.25 per share. The proceeds of RM10 million raised has been utilized as follows:-

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanations
	RM'000	RM'000		RM'000	%	
Working capital	8,700	7,726	24 months from listing	974	11	*
Listing expenses	1,300	2,274	1 month from listing	(974)	(75)	*
Total	10,000	10,000		10,000		

* *The actual expenses incurred pursuant to the Proposed Restructuring Scheme is higher than the amount budgeted and thus, the deficit was funded out of the portion allocated for working capital. The utilization of proceeds has been completed during the quarter in accordance with the approved utilization plan as stated in the Explanatory Statement-Cum-Circular dated 11 July 2012.*

NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors by the Company for the year ended 31 December 2012 was RM3,000.00.

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

In addition to the details of RRPT as disclosed in Note 27 of the financial statements, the type of transactions with related parties during the financial year are as described below:-

Type of transactions	Related Parties
Progressive billings and retention sum for construction contract received by Pesona Metro Sdn Bhd for provision of construction works to Juta Asia (U-Thant) Sdn Bhd [®]	Wie Hock Kiong Wie Hock Beng*
Progressive billings and retention sum for construction Contract received by Pesona Metro Sdn Bhd for provision of construction works to Love-Way Avenue Sdn Bhd [^]	Wie Hock Kiong Wie Hock Beng*

Notes:-

[®] *Juta Asia (U-Thant) Sdn Bhd ("JAUT") is a subsidiary of Juta Asia Corporation Sdn Bhd ("JACORP") of which Wie Hock Kiong is a director and deemed a major shareholder of JAUT by virtue of his indirect interest held via his spouse, Chin May Yong of 70% in JACORP.*

[^] *Love-Way Avenue Sdn Bhd ("LWA") is owned by Wie Hock Kiong (99%) and his spouse, Chin May Yong (1%). Both Wie Hock Kiong and Chin May Yong are directors of LWA.*

* *Both Wie Hock Kiong and Wie Hock Beng are brothers.*

Additional Information

cont'd

RECURRENT RELATED PARTY TRANSACTIONS (“RRPT”) *cont'd*

The above recurrent related party transactions are of revenue or trading in nature and are entered into in the ordinary course of business prior to the admission of the Company into the Official List of Bursa Malaysia Securities Berhad on 10 October 2012.

SHARE BUY-BACKS

There was no share buy-backs.

SANCTIONS AND/OR PENALTIES

In the financial year ended 31 December 2012, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by any regulatory body.

VARIATION OF RESULTS, PROFIT ESTIMATES, FORECASTS OR PROJECTIONS

There were no significant variances noted between the reported results and the unaudited results announced. The Company did not make any release on the profit estimate, forecasts or projections for the financial year ended 31 December 2012.

PROFIT GUARANTEE

Pursuant to the acquisition of the entire equity interests of Pesona Metro Sdn Bhd on 12 September 2012, the vendors of Pesona Metro Sdn Bhd, namely Wie Hock Beng and Chak May Teng (“the Vendors”) had unconditionally and irrevocably represent, guarantee and warrant to the Company that the aggregated Profit after Taxation of Pesona Metro Sdn Bhd group for the financial year ended 31 December 2012 shall not be less than RM15 million. The auditors, Messrs UHY Chartered Accountants had on 17 April 2013 confirmed that the Profit Guarantee of RM15 million has been achieved and thus, the Guaranteed Profit of Pesona Metro Sdn Bhd Group has been fulfilled by the Vendors.

MATERIAL CONTRACT INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The Company and its subsidiary companies have not entered into any material contracts outside the ordinary course of business, involving directors and substantial shareholders since the end of the previous financial year ended 31 December 2012.

DEPOSITORY RECEIPT PROGRAMME

During the financial year ended 31 December 2012, the Company did not sponsor any Depository Receipt Programme.

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Financial Statements

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 6 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
Profit for the financial year	11,770,650	5,508,514

DIVIDEND

There were no dividends proposed, declared or paid by the Company since the end of the previous financial period.

The Directors recommend the payment of a final single tier dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2012, subject to approval of the shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend if approved by the shareholders will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2013.

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.

ISSUE OF SHARES AND DEBENTURES

On 7 August 2012, the Company undertook a share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each in the Company into four (4) shares of RM0.25 each.

On 7 August 2012, the authorised share capital of the Company was increased from RM100,000 to RM150,000,000 by the creation of 599,600,000 new ordinary shares of RM0.25 each.

In addition, the issued and paid-up share capital of the Company was increased from RM2 to RM115,955,112 by the issuance of:

- (i) 2 new ordinary shares of RM0.25 each at par for a total consideration of RM0.50 on 7 August 2012.
- (ii) 384,000,000 new ordinary shares of RM0.25 each at par for a total consideration of RM96,000,000 pursuant to the acquisition of subsidiary companies on 12 September 2012.
- (iii) 39,820,438 new ordinary shares of RM0.25 per share at par for a total consideration of RM9,955,110 for share exchange for the Reverse Takeover Exercise ("RTO") on 28 September 2012.
- (iv) 40,000,000 new ordinary shares of RM0.25 per share at par for a total consideration of RM10,000,000 for private placement on 28 September 2012.

Directors' Report

cont'd

ISSUE OF SHARES AND DEBENTURES *cont'd*

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

There were no issues of debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The Directors who served since the date of the last report are as follows:

Dato' Lee Tuck Fook	<i>(Appointed on 8.8.2012)</i>
Datuk Hj Subhi Bin Dziauddin	<i>(Appointed on 8.8.2012)</i>
Wie Hock Beng	<i>(Appointed on 8.8.2012)</i>
Wie Hock Kiong	<i>(Appointed on 8.8.2012)</i>
Loh Kong Fatt	<i>(Appointed on 8.8.2012)</i>
Wong Chen Fung	<i>(Resigned on 9.8.2012)</i>
Loo Chee Keong	<i>(Resigned on 9.8.2012)</i>

DIRECTORS' INTERESTS

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

	No. of ordinary shares of RM1.00 each		No. of ordinary shares of RM0.25 each		
	At 1.1.2012	Effect of share splits	Acquired	Disposed	At 31.12.2012
Direct interest:					
Loo Chee Keong	1	3	2	(6)	-
Wong Chen Fung	1	3	-	(4)	-
Wie Hock Beng	-	-	307,200,008	(307,200,000)	8
Indirect interest					
Wie Hock Beng ¹	-	-	306,064,000	-	306,064,000
Wie Hock Kiong ¹	-	-	306,064,000	-	306,064,000

¹ Deemed interest held pursuant to Section 6A of the Companies Act, 1965 via their family companies, Sincere Goldyear Sdn Bhd and Kombinasi Emas Sdn Bhd

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

Directors' Report

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DIRECTORS' BENEFITS

Since the end of the previous financial period, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in 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 certain 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 27 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement the object of which is 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.

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and the Company were made out, 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 are no bad debts to be written off and that no allowance for doubtful debts was required; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company;
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading;
 - (iii) 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; and
 - (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
 - (ii) any contingent liability in respect of the Group and the Company which has arisen since the end of the financial year other.
- (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 its obligations as and when they fall due;
 - (ii) the results of 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 current financial year in which this report is made.

Directors' Report

cont'd

SIGNIFICANT EVENTS

Significant events during the financial year are disclosure in Note 32 to the financial statements.

AUDITORS

The auditors, Messrs UHY, have expressed their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 16 April 2013.

WIE HOCK BENG

KUALA LUMPUR

16 April 2013

DATUK HJ SUBHI BIN DZIYAUDDIN

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

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 41 to 88 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2012 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in page 89 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 16 April 2013.

WIE HOCK BENG

DATUK HJ SUBHI BIN DZIYAUDDIN

KUALA LUMPUR

16 April 2013

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, CHONG KIEN ENG @ TEO KIEN ENG, being the Officer primarily responsible for the financial management of PESONA METRO HOLDINGS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 41 to 89 are to the best of my knowledge and belief, 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 CHONG KIEN ENG @)
TEO KIEN ENG at KUALA LUMPUR in)
the Federal Territory this 16 April 2013)

CHONG KIEN ENG @ TEO KIEN ENG

Before me,

ARSHAD ABDULLAH *W550*

COMMISSIONER FOR OATHS

Independent Auditors' Report

To the Members of Pesona Metro Holdings Berhad

(Company No.: 957876-T) (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Pesona Metro Holdings Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 88.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Independent Auditors' Report

To the Members of Pesona Metro Holdings Berhad

(Company No.: 957876-T) (Incorporated in Malaysia)

cont'd

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 89 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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

YEOH AIK CHUAN

Approved Number: 2239/07/14 (J)
Chartered Accountant

Kuala Lumpur
16 April 2013

Statements of Financial Position

As at 31 December 2012

	Note	Group 2012 RM	Company 2012 RM	2011 RM
Non-Current Assets				
Property, plant and equipment	4	12,817,668	-	-
Investment properties	5	1,560,000	-	-
Investment in subsidiary companies	6	-	100,193,725	-
Trade receivables	7	4,494,933	-	-
		18,872,601	100,193,725	-
Current Assets				
Amounts due from contract customers	8	8,270,588	-	-
Inventories	9	2,710,342	-	-
Trade receivables	7	36,054,437	11,000,000	-
Other receivables	10	14,371,975	4,500	-
Amounts owing by subsidiary companies	11	-	2,662,509	-
Tax recoverable		6,483	-	-
Fixed deposits with licensed banks	12	40,791,833	7,613,533	-
Cash and bank balances	12	10,053,230	81,163	2
		112,258,888	21,361,705	2
Total Assets		131,131,489	121,555,430	2
Equity				
Share capital	13	115,955,112	115,955,112	2
Reverse acquisition reserve	14	(91,000,000)	-	-
Retained profits/(Accumulated losses)		38,527,540	5,502,636	(5,878)
Total Equity		63,482,652	121,457,748	(5,876)
Non-Current Liabilities				
Trade payables	15	11,152,860	-	-
Bank borrowings	16	16,926	-	-
Deferred tax liability	17	829,792	-	-
		11,999,578	-	-
Current Liabilities				
Amounts due to contract customers	8	8,011,950	-	-
Trade payables	15	35,793,080	-	-
Other payables	18	8,889,034	78,000	1,000
Amounts owing to subsidiary companies	11	-	12,720	-
Amount owing to a Director	19	-	-	4,878
Bank borrowings	16	1,450,961	-	-
Tax payable		1,504,234	6,962	-
		55,649,259	97,682	5,878
Total Liabilities		67,648,837	97,682	5,878
Total Equity and Liabilities		131,131,489	121,555,430	2

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

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2012

	Note	Group	Company	
		Year ended 2012 RM	Year ended 2012 RM	Period ended 2011 RM
Revenue	20	220,775,354	11,050,434	-
Cost of sales		(189,108,081)	-	-
Gross profit		31,667,273	11,050,434	-
Other income		2,320,898	-	-
Administrative expenses		(16,710,416)	(5,530,458)	(5,878)
Finance costs	21	(82,678)	-	-
Profit/(Loss) before tax	22	17,195,077	5,519,976	(5,878)
Taxation	23	(5,424,427)	(11,462)	-
Profit/(Loss) for the financial year/period, representing total comprehensive income for the financial year/period		11,770,650	5,508,514	(5,878)
Earnings per share (sen)				
Basic	24	2.91		

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

Statements of Changes in Equity

For the Financial Year Ended 31 December 2012

Group	Note	Non-Distributable		Distributable	Total
		Share Capital	Reverse Acquisition Reserve	Retained Profits	
		RM	RM	RM	RM
At 1 January 2012		2	-	40,256,890	40,256,892
Transaction with owners:					
Issued of shares for:					
Additional shares issued		*	-	-	*
Acquisition of subsidiary companies		96,000,000	-	-	96,000,000
Share exchange for reverse acquisition exercise		9,955,110	-	-	9,955,110
Private placement		10,000,000	-	-	10,000,000
		115,955,110	-	-	115,955,110
Arising from reverse acquisition exercise		-	(91,000,000)	-	(91,000,000)
Profit for the financial year, representing total comprehensive income for the financial year		-	-	11,770,650	11,770,650
Dividend	26	-	-	(13,500,000)	(13,500,000)
At 31 December 2012		115,955,112	(91,000,000)	38,527,540	63,482,652

Statements of Changes in Equity

For the Financial Year Ended 31 December 2012

cont'd

Company	Share Capital RM	Retained Profit/ (Accumulated Loss) RM	Total RM
At 1 January 2012	2	(5,878)	(5,876)
Transaction with owners:			
Issued of shares for:			
Additional shares issued	*	-	*
Acquisition of subsidiary companies	96,000,000	-	96,000,000
Share exchange for reverse acquisition purposes exercise	9,955,110	-	9,955,110
Private placement	10,000,000	-	10,000,000
	115,955,110	-	115,955,110
Profit for the financial year, representing total comprehensive income for the financial year	-	5,508,514	5,508,514
At 31 December 2012	115,955,112	5,502,636	121,457,748
At date of incorporation	2	-	2
Loss for the financial period, representing total comprehensive income for the financial period	-	(5,878)	(5,878)
At 31 December 2011	2	(5,878)	(5,876)

* Represents RM0.50

Statements of Cash Flows

For the Financial Year Ended 31 December 2012

	Group 2012 RM	Company 2012 RM	2011 RM
Cash Flows From Operating Activities			
Profit/(Loss) before tax	17,195,077	5,519,976	(5,878)
Adjustments for:			
Depreciation of property, plant and equipment	3,597,246	-	-
Inventories written off	231,103		
Interest expenses	82,678	-	-
Loss on disposal of other investment resulted from reverse acquisition exercise	3,098,878	3,098,878	-
Property, plant and equipment written off	127,561	-	-
Dividend income	-	(11,000,000)	-
Fair value adjustment on investment properties	(340,424)	-	-
Gain on disposal of property, plant, and equipment	(92,695)	-	-
Interest income	(1,202,670)	-	-
Reversal of impairment loss on inventories	(245,707)	-	-
Unrealised gain on foreign exchange	(2,927)	-	-
Operating profit/(loss) before working capital changes	22,448,120	(2,381,146)	(5,878)
Changes in working capital:			
Inventories	(364,615)	-	-
Receivables	9,782,241	(4,500)	-
Payables	6,845,062	77,000	1,000
Amount owing by/to customers on contracts	(13,526,925)	-	-
Amounts owing by/to subsidiary companies	-	12,720	-
Amount owing to a Director	(4,878)	(4,878)	4,878
	2,730,885	80,342	5,878
Cash generated from/(used in) operations	25,179,005	(2,300,804)	-
Interest received	1,202,670	-	-
Interest paid	(82,678)	-	-
Tax refund	67,888	-	-
Tax paid	(4,510,288)	(4,500)	-
	(3,322,408)	(4,500)	-
Net cash from/(used in) operating activities	21,856,597	(2,305,304)	-

Statements of Cash Flows

For the Financial Year Ended 31 December 2012

cont'd

	Group	Company	
	2012	2012	2011
Note	RM	RM	RM
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	(3,338,404)	-	-
Proceeds from disposal of property, plant and equipment	364,300	-	-
Additions of investment in subsidiary company	(2)	(2)	-
Net cash used in investing activities	(2,974,106)	(2)	-
Cash Flows From Financing Activities			
Repayment of bank borrowings	(1,342,532)	-	-
Proceeds from issuance of shares	10,000,000	10,000,000	-
Decrease of fixed deposits pledged with licensed banks	1,110,415	-	-
Dividend paid	(13,500,000)	-	-
Net cash (used in)/from financing activities	(3,732,117)	10,000,000	-
Net increase in cash and cash equivalents	15,150,374	7,694,694	-
Cash and cash equivalents at beginning of the financial year	16,557,959	2	2
Effect of exchange translation difference on cash and cash equivalents	2,927	-	-
Cash and cash equivalents at end of the financial year	31,711,260	7,694,696	2

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

Notes to the Financial Statements

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated in Malaysia under the Companies Act, 1965 and domiciled in Malaysia.

The registered office and principal place of business of the Company is located at No.19, Jalan SB Indah 1/18, 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 6. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

On 10 October 2012, the Company was listed on Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) as further detailed in Note 32.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared on the historical cost convention except as disclosed in the notes to the financial statements and in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

In the previous financial period, the financial statements of the Company were prepared in accordance with Financial Reporting Standards (“FRSs”). These are the Group’s and the Company’s first financial statements prepared in accordance with MFRSs and MFRS 1, First Time Adoption of Malaysia Financial Reporting Standards has been applied. There is no financial impact on transition to MFRSs.

The Group and the Company have not applied the following MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group and the Company:

		Effective date for financial periods beginning on or after
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119 (2011)	Employee Benefits	1 January 2013
MFRS 127 (2011)	Separate Financial Statements	1 January 2013
MFRS 128 (2011)	Investments in Associates and Joint Ventures	1 January 2013
MFRS 3	Business Combinations (IFRS 3 issued by IASB in March 2004)	1 January 2013
MFRS 127	Consolidated and Separate Financial Statement (IAS 27 revised by IASB in December 2003)	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013

Notes to the Financial Statements

cont'd

2. BASIS OF PREPARATION *cont'd*

(a) Statement of compliance *cont'd*

		Effective date for financial periods beginning on or after
Amendments to MFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS contained in the document entitled "Annual Improvements 2009-2011 Cycle"		1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10	Investment Entity	1 January 2014
MFRS 9 (IFRS 9(2009))	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9 (IFRS 9(2010))	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015

The Group and the Company intend to adopt the above MFRSs when they become effective.

The initial application of the standards which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior period's financial statements upon the first adoption.

The possible financial impacts of initial application of MFRSs, which will be applied retrospectively is as follows:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 (2009)) replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on classification and measurement of financial asset. MFRS 9 requires financial asset to be measured at fair value or amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

MFRS 9 (IFRS 9 (2010)) includes the requirements for the classification and measurement of financial liabilities and for derecognition. Measurement for financial liability designated as at fair value through profit or loss, requires the amount of change in the fair value of the financial liability, that is attributable to the change of credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Under MFRS 139, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces all the guidance on control and consolidation in MFRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Notes to the Financial Statements

cont'd

2. BASIS OF PREPARATION *cont'd*

(a) Statement of compliance *cont'd*

MFRS 10 Consolidated Financial Statements cont'd

MFRS 10 changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements.

The adoption of MFRS 10 may lead to consolidation of entities that were previously not included in the Group. The Group is currently examining the financial impact of application of MFRS 10.

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. The definition of fair value under this standard emphasises the principle that fair value is a market-based measurement, not an entity specific measurement.

The adoption of MFRS 13 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 13.

MFRS 127 Separate Financial Statements (2011)

Upon the adoption of MFRS 10, the accounting requirements relating to the preparation of consolidated financial statements are no longer covered under MFRS 127. This revised MFRS 127 only cover the requirements relating to the accounting for investments in subsidiary companies, associated companies and joint ventures in the separate financial statements of the entity. In such cases, the entity should account for such investments either at cost, or in accordance with MFRS 9.

The adoption of MFRS 127 (2011) will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 127 (2011).

The initial applications of other MFRSs are not expected to have any material financial impact to the financial statements of the Group and of the Company.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency.

(c) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Notes to the Financial Statements

cont'd

2. BASIS OF PREPARATION *cont'd*

(c) Significant accounting estimates and judgements *cont'd*

The key assumptions concerning the future and other key sources of estimation or 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

Management estimates the useful lives of the property, plant and equipment to be within 2 1/2 to 50 years and reviews the useful lives of depreciable assets at end of each reporting period. At 31 December 2012, management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, which resulting the adjustment to the Group's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

Impairment of investment in subsidiary companies

The carrying values of investment in subsidiary companies and the related goodwill are reviewed for impairment. In the determination of the value in use of the investment, the Company is required to estimate the expected cash flows to be generated by the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Inventories write-down

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.

Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

Construction Contracts

The Group recognises construction contracts based on stage of completion method. Revenue recognised from construction contracts reflects management's best estimate about each contract's outcome and stage of completion. The Group assesses the profitability of on-going construction contracts and the order backlog at least monthly, using project management procedures. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

Contingent liabilities

Recognition and measurement for contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts, internal and external to the Group, for matters in the ordinary course of business.

Notes to the Financial Statements

cont'd

2. BASIS OF PREPARATION *cont'd*

(c) Significant accounting estimates and judgements *cont'd*

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 notes 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.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies, its associate companies through equity accounting, and its jointly controlled entities through proportionate consolidation, which have been prepared in accordance with the Group's accounting policies, and are all drawn up to the same reporting period.

In the Company's separate financial statements, investments in subsidiary companies and investment in associate companies are stated at cost less impairment losses in accordance with Note 3(j). On disposal of these investments, the difference between the net disposal proceeds and the carrying amount is recognised in the statements of comprehensive income.

(i) ***Subsidiary companies***

Subsidiary companies are those companies in which the Group has long term equity interest and has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

Investment in subsidiary companies is stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

(ii) ***Business combination***

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Notes to the Financial Statements

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of consolidation *cont'd*

(ii) **Business combination** *cont'd*

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

Reverse acquisition method

In connection with the initial public offering of the Company, the Company acquired the entire equity interest in a subsidiary company 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.

Acquisition method

The acquisition method of accounting is used to account for the purchase of subsidiary companies. The consideration transferred for acquisition of a subsidiary is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

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

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 the consolidated statements of comprehensive income.

(iii) **Goodwill on Consolidation**

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired (ie. 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 frequent when there is objective evidence that the carrying value may be impaired, in accordance with Note 3(j).

Notes to the Financial Statements

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of consolidation *cont'd*

(iii) Goodwill on Consolidation *cont'd*

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

As part of its transition to MFRS framework, the Group elected not to restate those business combinations that occurred before the date of transition to MFRS. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(b) Foreign Currency Translation 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 denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of transaction.

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

(c) Property, plant and equipment

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(j).

(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

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) 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 statements of comprehensive income as incurred.

(iii) **Depreciation**

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Building	50 years
Long term leasehold land and building	Over the year of lease term
Motor vehicle	5 years
Office equipment	5 years
Furniture and fittings	5 - 10 years
Plant and machinery	2 ½ - 10 years
Computer	3 ½ - 10 years
Mould	10 years
Renovation	5 years

The residual values, useful lives and depreciation method are reviewed at each financial 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.

(d) **Leases**

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

For arrangements entered into prior to 1 January 2010, the date of inception is deemed to be 1 January 2010 in accordance with the MFRS 1.

(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 in 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

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(d) Leases *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, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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.

(e) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise. The fair values are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

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 year of retirement or disposal.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When an item of inventory or property development is transferred to investment property following a change in its use, any difference between the fair value of the property at the date of transfer and its carrying amount immediately prior to the transfer is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(f) Financial assets

Financial assets are recognised on 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, directly attributable transaction costs.

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

Notes to the Financial Statements

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(f) **Financial assets** *cont'd*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depending on the purpose for which it was acquired at initial recognition, into the following categories:

(i) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading, including derivative or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

(ii) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity. They are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current.

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

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Notes to the Financial Statements

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(f) Financial assets *cont'd*

Regular way purchase or sale of financial assets

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.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

(g) Financial Liabilities

Financial liabilities are recognised on 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.

All financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, other than those categorised as fair value through profit or loss. Changes in the carrying value of these liabilities are recognised in the profit or loss.

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, derivative (except for financial guarantee contracts or a designated and effective hedging instrument) and financial liabilities designated into this category upon initial recognition.

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

(ii) Other liabilities measured at amortised cost

Other financial liabilities are non-derivatives financial liabilities. The Group's and the Company's other financial liabilities comprise trade and other payables and borrowings. Other financial liabilities are classified as current liabilities; except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

(iii) Financial guarantee contracts

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

Notes to the Financial Statements

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(g) Financial Liabilities *cont'd*

(iii) Financial guarantee contracts *cont'd*

Financial guarantee contracts are recognised initially at fair value and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. Subsequently, the carrying amount is measured at the higher of the best estimate of the obligation under the contract in accordance with MFRS 137 at the reporting date and the initial amount recognised less accumulated amortisation. If the carrying amount of the financial guarantee contract is lower than the obligation, the carrying amount is adjusted to the obligation amount and accounted for as a provision.

Derecognition

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting of Financial Instruments

A financial asset and financial liability are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(h) Inventories

Raw materials, work-in-progress and finished goods and are stated at the lower of cost and net realisable value.

Cost of raw material is 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.

(i) Construction Contracts

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of contract as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion method is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable recoverable and contract costs are recognised as expenses in the period in which they are incurred.

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Notes to the Financial Statements

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(i) Construction Contracts *cont'd*

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

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is presented as amounts due from contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as amounts due to contract customers.

(j) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful lives are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses is recognised immediately 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less costs to sell. 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.

Previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for 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.

(ii) Financial assets

All financial assets, other than those at fair value through profit or loss, investment in subsidiary company and investment in associate company, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Notes to the Financial Statements

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(j) Impairment of assets *cont'd*

(ii) **Financial assets** *cont'd*

Financial assets carried at amortised cost *cont'd*

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

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

(k) **Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) **Share capital**

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

Dividends on ordinary shares are accounted for in equity as appropriation of retained earnings and recognised as a liability in the period in which they are declared.

(m) **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 statement 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.

Notes to the Financial Statements

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(m) Income taxes *cont'd*

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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(n) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit and loss as incurred. Once the contribution has been paid, the Group has no further payment obligation.

(o) 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.

Notes to the Financial Statements

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(p) Revenue recognition

(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 accounted in accordance to the accounting policies as described in Note 3(i).

(iii) *Dividend income*

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

(iv) *Interest income*

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

(q) Contingent liabilities

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.

(r) Provision of liabilities

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, 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 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 relating expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Notes to the Financial Statements

cont'd

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

- (a) The long term leasehold land and building's remaining period of lease term is 78 years.
- (b) During the financial year, two properties have been transferred from property, plant and equipment to investment properties since the properties were no longer used by the Group and have been leased to third parties.

5. INVESTMENT PROPERTIES

	Note	Group 2012 RM
At 1 January 2012		-
Transfer from property, plant and equipment	4	1,219,576
Change in fair value recognised in profit or loss		340,424
At 31 December 2012		1,560,000
Included in the above are:		
At fair value		
Freehold land and buildings		1,560,000

(a) Investment properties under leases

- (i) During the financial year, two properties have been transferred from property, plant and equipment to investment properties since the properties were no longer used by the Group and have been leased to third parties.
- (ii) Investment properties comprise two lots of freehold land and buildings of a subsidiary company that are leased to third parties. Subsequent renewals are negotiated with the lessee on an average renewal period of 2 years. No contingent rents are charged.

(b) Fair value basis of investment properties

Investment properties are stated at fair value, which has been determined based on valuations at the end of the reporting period. Valuations are performed by independent professional valuers with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value of all investment properties are determined based on market values.

(c) Investment properties pledged as securities to financial institutions

Investment properties of the Group have been pledged to secure banking facilities granted to the Group as disclosed in Note 16.

Notes to the Financial Statements

cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2012	2011
	RM	RM
Unquoted shares, at cost		
In Malaysia	100,193,725	-

Details of the subsidiary companies, all are incorporated in Malaysia, are as follows:

Name of company	Effective interest		Principal activities
	2012	2011	
	%	%	
Pesona Metro Sdn. Bhd.	100	-	Engage in construction work
Pesona Saferay Sdn. Bhd. (formerly known as Mithril Saferay Sdn. Bhd.)	100	-	Manufacturing and trading of polyurethane products
Pesona Metro Precast Sdn. Bhd.	100	-	Dormant
Held through Pesona Metro Sdn. Bhd.			
Imej Mayang Sdn. Bhd.	100	-	Trading and supply of ready-mixed concrete
Insamewah Sdn. Bhd.	100	-	Trading in construction materials

On 28 September 2012, the Company acquired the entire equity interest in Mithril Berhad ("MB") via issuance of 39,820,438 ordinary shares of RM0.25 each.

MFRS 3 – Business Combinations applies to acquisition whereby an acquirer shall be identified for all business combinations and the acquirer is defined as the combining entity that obtains control of the other entities or businesses.

Under the acquisition, the acquirer is deemed to be the Company although whole equity interests have been acquired and MB, the issuing entity, is the acquiree as the ex-shareholders would control the combined entities. Under this circumstance, the Acquisition (as disclosed in Note 32 (b)(i)) is considered to represent a reverse acquisition.

Under reverse acquisition accounting, the group's consolidated financial statement represents a continuation of the financial statements of the legal subsidiary company, Pesona Metro Sdn. Bhd. ("PMSB"). For the Consolidated Statement of Financial Position, the acquisition of PMSB by MB is accounted for, in reverse, as an acquisition of MB by PMSB.

Notes to the Financial Statements

cont'd

7. TRADE RECEIVABLES

	Group 2012 RM	Company 2012 RM	2011 RM
Current			
Trade receivables			
- third parties	15,912,454	-	
- related parties	11,350,350	-	-
Dividend receivables	-	11,000,000	-
	27,262,804	11,000,000	-
Retention sums			
- third parties	5,215,900	-	-
- related parties	3,575,733	-	-
	8,791,633	-	-
	36,054,437	11,000,000	-
Non-current			
Retention sums			
- related parties	4,494,933	-	-
	40,549,370	11,000,000	-

(a) Trade receivables

Trade receivables are recognised at their original certificate of claimed amounts which represent their fair value on initial recognition.

The Group's normal trade credit terms are from 30 days to 60 days. Other credit terms are assessed and approved on a case by case basis.

Analysis of the trade receivables ageing as at year/period ended are as follows:

	Group 2012 RM	Company 2012 RM	2011 RM
Neither past due nor impaired	27,613,314	11,000,000	-
<i>Past due not impaired:</i>			
Less than 30 days	1,026,489	-	-
More than 31 to 60 days	1,694,832	-	-
More than 60 days	10,214,735	-	-
	40,549,370	11,000,000	-

Notes to the Financial Statements

cont'd

7. TRADE RECEIVABLES *cont'd*

(a) Trade receivables *cont'd*

As at 31 December 2012, trade receivables of the Group amounting to RM12,936,056 were past due but not impaired. These relate to a number of customers from whom there is no recent history of default.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

(b) Retention sum

The retention sum relating to construction work-in-progress are unsecured, interest-free and are expected to be collected as follows:

	Group 2012 RM
Within 1 year	8,791,633
1 - 2 years	4,494,933
	13,286,566

8. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group 2012 RM
Construction cost incurred to date	340,043,745
Add: Attributable profits	59,891,859
	399,935,604
Less: Progress billings	(399,676,966)
	258,638
Represented by:	
Amount due from contract customers	8,270,588
Amount due to contract customers	(8,011,950)
	258,638
Retention sum included in the progress billings	13,286,566

Notes to the Financial Statements

cont'd

8. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS *cont'd*

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

	Note	Group 2012 RM
Hire of plant and machinery		785,982
Rental of premises		686,529
Secondment of staffs	25	4,634,024
Staff costs		
- Salaries and other emoluments	25	4,499,416
- EPF	25	337,030

9. INVENTORIES

	Group 2012 RM
At cost,	
Raw Materials	865,628
Work-in-progress	1,089,499
Finished goods	755,215
	2,710,342

10. OTHER RECEIVABLES

	Group 2012 RM	Company 2012 RM	2011 RM
Other receivables	12,832,647	-	-
Deposits	1,357,897	4,500	-
Prepayments	181,431	-	-
	14,371,975	4,500	-

Included in the other receivables are advances to sub-contractors amounting to RM8,641,427.

11. AMOUNTS OWING BY/TO SUBSIDIARY COMPANIES

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

Notes to the Financial Statements

cont'd

12. CASH AND CASH EQUIVALENTS

	Group	Company	
	2012	2012	2011
	RM	RM	RM
Fixed deposits with licensed banks	40,791,833	7,613,533	-
Cash and bank balances	10,053,230	81,163	2
	50,845,063	7,694,696	2
Less: Fixed deposits pledged with licensed banks	(19,133,803)	-	-
Cash and cash equivalents	31,711,260	7,694,696	2

The fixed deposits of the Group amounting to RM19,133,803 are pledged to licensed banks as security for banking facilities granted to subsidiary companies.

The interest rates and maturities of deposits range from 2.3% to 3.1% per annum and 1 to 12 months respectively.

13. SHARE CAPITAL

	← Group/Company →			Company		
	2012			2011		
	Par value RM	Number of shares	RM	Par value RM	Number of shares	RM
Authorised						
At 1 January 2012/Date of incorporation	1.00	100,000	100,000	1.00	100,000	100,000
Share split	0.25	300,000	-		-	-
	0.25	400,000	100,000	1.00	100,000	100,000
Created during the financial year/ period	0.25	599,600,000	149,900,000		-	-
At 31 December	0.25	600,000,000	150,000,000	1.00	100,000	100,000

Notes to the Financial Statements

cont'd

13. SHARE CAPITAL cont'd

	← Group/Company →			Company		
	2012			2011		
	Par value RM	Number of shares	RM	Par value RM	Number of shares	RM
Issued and fully paid						
At 1 January 2012/Date of incorporation	1.00	2	2	1.00	2	2
Share split	0.25	6	-	-	-	-
	0.25	8	2	1.00	2	2
Issued during the financial year/ period						
Issued of shares for						
Additional shares issued	0.25	2	*	-	-	-
Acquisition of subsidiary companies	0.25	384,000,000	96,000,000	-	-	-
Share exchange for reverse acquisition	0.25	39,820,438	9,955,110	-	-	-
Private placement	0.25	40,000,000	10,000,000	-	-	-
		463,820,440	115,955,110			
At 31 December	0.25	463,820,448	115,955,112	1.00	2	2

* Represents RM0.50

On 7 August 2012, the Company undertook a share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each in the Company into four (4) shares of RM0.25 each.

On 7 August 2012, the authorised share capital of the Company was increased from RM100,000 to RM150,000,000 by the creation of 599,600,000 new ordinary shares of RM0.25 each.

In addition, the issued and paid-up share capital of the Company was increased from RM2 to RM115,955,112 by the issuance of:

- (i) 2 new ordinary shares of RM0.25 each at par for a total consideration of RM0.50 on 7 August 2012.
- (ii) 384,000,000 new ordinary shares of RM0.25 each at par for a total consideration of RM96,000,000 pursuant to the acquisition of subsidiary companies on 12 September 2012.
- (iii) 39,820,438 new ordinary shares of RM0.25 per share at par for a total consideration of RM9,955,110 for share exchange for the Reverse Takeover Exercise ("RTO") on 28 September 2012.
- (iv) 40,000,000 new ordinary shares of RM0.25 per share at par for a total consideration of RM10,000,000 for private placement on 28 September 2012.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

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 residual assets.

Notes to the Financial Statements

cont'd

14. REVERSE ACQUISITION RESERVE

	Group 2012 RM
Issued and paid up share capital of the Company (legal holding) after reverse acquisition of PMSB	96,000,000
Reversal of PMSB's share capital pursuant to reverse acquisition exercise	(5,000,000)
Reverse acquisition reserve	<u>91,000,000</u>

15. TRADE PAYABLES

	Group 2012 RM
Current	
Trade payables	27,990,307
Retention sum on contracts	7,802,773
	<u>35,793,080</u>
Non-current	
Retention sum on contracts	11,152,860
	<u>46,945,940</u>

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

16. BANK BORROWINGS

	Group 2012 RM
Secured	
Term loans	149,243
Export credit refinancing	1,318,644
Total bank borrowings	<u>1,467,887</u>
Analysed as:	
Repayable within twelve months	1,450,961
Repayable after twelve months	16,926
	<u>1,467,887</u>

Notes to the Financial Statements

cont'd

16. BANK BORROWINGS *cont'd*

The above credit facilities obtained from licensed banks are secured on the following:

Term loan:

- (a) Legal charged over the freehold land and buildings of the Group as disclosed in Note 5; and
- (b) Joint and several guarantee by certain Directors of the Group.

Export credit refinancing:

A letter of set-off over pledge of deposits as disclosure in Note 12.

Maturity of bank borrowings is as follows:

	Group 2012 RM
Within one year	
- Term loans	132,317
- Export credit refinancing	1,318,644
	1,450,961
1 - 2 years	
- Term loans	16,926
	1,467,887

Interest rates per annum are as follows:

	%
Term loans	4.90 - 5.10
Export credit refinancing	4.25

17. DEFERRED TAX LIABILITY

	Group 2012 RM
At 1 January 2012	891,875
Recognised in profit and loss	(62,083)
At 31 December 2012	829,792

This is in respect of temporary differences between the carrying amount of property, plant and equipment and their tax base.

Notes to the Financial Statements

cont'd

17. DEFERRED TAX LIABILITY *cont'd*

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

	Group 2012 RM
Unused tax losses	13,099,999
Unabsorbed capital allowances	6,217,788
	<u>19,317,787</u>

18. OTHER PAYABLES

	Group 2012 RM	Company 2012 RM	2011 RM
Other payables	7,313,769	-	-
Accruals	1,509,432	78,000	1,000
Deposits received	65,833	-	-
	<u>8,889,034</u>	<u>78,000</u>	<u>1,000</u>

Included in the other payables is an advances from customers amounting to RM6,897,954.

19. AMOUNT OWING TO A DIRECTOR

This amount is unsecured, interest free and is repayable on demand.

20. REVENUE

	Group Year ended 2012 RM	Company Year ended 2012 RM	Period ended 2011 RM
Construction contracts	173,299,680	-	-
Sale of goods	47,425,240	-	-
Interest income	50,434	50,434	-
Dividend income	-	11,000,000	-
	<u>220,775,354</u>	<u>11,050,434</u>	<u>-</u>

Notes to the Financial Statements

cont'd

21. FINANCE COSTS

	Group Year ended 2012 RM
Interest expenses on:	
Term loans	16,108
Export credit refinancing	66,570
	82,678

22. PROFIT/(LOSS) BEFORE TAX

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

	Group Year ended 2012 RM	Company Year ended 2012 RM	Period ended 2011 RM
Auditors' remuneration			
- statutory audit	96,900	15,000	1,000
- other	15,250	-	-
Depreciation of property, plant and equipment	3,597,246	-	-
Directors' remuneration			
- Fees	70,000	70,000	-
- Salary and other emoluments	340,085	-	-
- EPF	40,680	-	-
Hire of plant and machinery	612,192	-	-
Inventories written off	231,103		
Loss on disposal of other investment resulted from reverse take over exercise	3,098,878	3,098,878	-
Property, plant and equipment written off	127,561	-	-
Rental of premises	621,036	-	-
Gain on foreign exchange			
- realised	(50,322)	-	-
- unrealised	(2,927)	-	-
Rental income	(38,500)	-	-
Gain on disposal of property, plant and equipment	(92,695)	-	-
Fair value adjustment of investment properties	(340,424)	-	-
Reversal of impairment on inventories	(245,707)	-	-
Interest income	(1,202,670)	-	-

Notes to the Financial Statements

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23. TAXATION

	Group	Company	
	Year ended 2012	Year ended 2012	Period ended 2011
	RM	RM	RM
Tax expenses for the financial year/period			
Current tax provision	5,454,833	11,462	-
Underprovision in prior year/period	31,677	-	-
	5,486,510	11,462	-
Deferred tax:			
Relating to origination and reversal of temporary differences	(62,083)	-	-
	5,424,427	11,462	-

Income tax is calculated at the statutory tax rate of 25% (2011: 25%) of chargeable income of the estimated assessable profit/(loss) for the financial year/period.

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

	Group	Company	
	Year ended 2012	Year ended 2012	Period ended 2011
	RM	RM	RM
Profit/(Loss) before tax	17,195,077	5,519,976	(5,878)
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	4,298,769	1,379,994	(1,470)
Income not subject to tax	(151,358)	(2,750,883)	-
Expenses not deductible for tax purposes	1,563,993	1,382,351	1,470
Utilisation of previously unrecognised capital allowances	(318,654)	-	-
Underprovision of income tax expense in prior year	31,677	-	-
Tax expense for the financial year/period	5,424,427	11,462	-

Notes to the Financial Statements

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24. 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 as follows:

	Group 2012
Profit for the financial year (RM)	11,770,650
Weighted average number of ordinary shares in issue	404,556,499
Basic earnings per share (sen)	2.91
The weighted average number of ordinary shares in issue is computed as follow:-	
Share issue pursuant to:	
- additional shares issued	2
- acquisition of subsidiary companies	384,000,000
- shares exchange for the reverse acquisition exercise	10,255,126
- private placement	10,301,371
	404,556,499

The diluted earnings per share is not presented as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

25. STAFF COSTS

	Note	Group 2012 RM
Staff costs (excluding Directors)		11,683,629
Add:		
Secondment of staffs from third party		5,303,362
		16,986,991
Less:		
Capitalised in construction costs	8	(9,470,470)
		7,516,521

Included in the staff costs are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM447,927.

26. DIVIDEND

Interim tax exempt dividend of RM13,500,000 in respect of the financial year ended 31 December 2012 was declared and paid by a subsidiary company to previous shareholders before the reverse acquisition exercise as disclosed in Note 32.

Notes to the Financial Statements

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27. 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 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 or common significant influence. 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 has related party relationships with its holding company, subsidiary companies, others related parties and key management personnel.

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the financial year:

	2012 RM
Group	
* Other Related parties:	
Disposal of property, plant and equipment	130,000
Progress billing received/receivable	40,255,893
Rentention sum	4,283,797
Company	
Subsidiary Company:	
Dividend income	11,000,000

* The nature and relationship between the Group and the related parties are those companies in which a Director of the Company has financial interest.

- (b) Information regarding outstanding balances arising from related party transactions is disclosed in Notes 7, 11, and 19.
- (c) Information regarding compensation of key management personnel is as follows:

	Group 2012 RM
- Salaries and other emoluments	2,515,540

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

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28. SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four 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
Others	Investment holding and provision of management services

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

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 operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating 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 are made on segment liabilities.

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	Others RM	Adjustments and eliminations RM	Per consolidated financial statements RM
2012					
Revenue					
External sales	206,718,713	14,006,207	50,434	-	220,775,354
Inter-segment	8,073,426	-	11,000,000	(19,073,426)	-
Total revenue	214,792,139	14,006,207	11,050,434	(19,073,426)	220,775,354
Results					
Segment results	23,519,405	1,312,175	8,616,540	(11,000,000)	22,448,120
Interest income	1,158,232	44,438	-	-	1,202,670
Finance costs	(16,108)	(66,570)	-	-	(82,678)
Depreciation of property, plant and equipment	(2,824,162)	(773,084)	-	-	(3,597,246)
Fair value adjustment on investment properties	340,424	-	-	-	340,424
Others non-cash items	(19,883)	2,548	(3,098,878)	-	(3,116,213)
Profit before taxation	22,157,908	519,507	5,517,662	(11,000,000)	17,195,077
Taxation	(5,412,965)	-	(11,462)	-	(5,424,427)
Profit for the financial year	16,744,943	519,507	5,506,200	(11,000,000)	11,770,650

Notes to the Financial Statements

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28. SEGMENTAL INFORMATION *cont'd*

	Construction RM	Manufacturing and trading RM	Others RM	Adjustments and eliminations RM	Per consolidated financial statements RM
Assets					
Segment assets	76,986,032	6,652,963	113,865,734	(117,224,786)	80,279,943
Unallocated assets					50,851,546
Total assets	76,986,032	6,652,963	113,865,734	(117,224,786)	131,131,489

29. FINANCIAL INSTRUMENTS

(a) Classification 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:

	Loans and receivables RM	Financial liabilities at amortised cost RM
Group		
2012		
Financial Assets		
Trade receivables	40,549,370	-
Other receivables	14,371,975	-
Fixed deposits with licensed banks	40,791,833	-
Cash and bank balances	10,053,230	-
Total financial assets	105,766,408	-
Financial Liabilities		
Trade payables	-	46,945,940
Other payables	-	8,889,034
Bank borrowings	-	1,467,887
Total financial liabilities	-	57,302,861

Notes to the Financial Statements

cont'd

29. FINANCIAL INSTRUMENTS *cont'd*

(a) Classification of financial instruments

	Loans and receivables RM	Financial liabilities at amortised cost RM
Company		
2012		
Financial Assets		
Trade receivables	11,000,000	-
Other receivables	4,500	-
Amount owing by a subsidiary company	2,662,509	-
Fixed deposits with licensed banks	7,613,533	-
Cash and bank balances	81,163	-
Total financial assets	21,361,705	-
Financial Liabilities		
Other payables	-	78,000
Amounts owing to subsidiary companies	-	12,720
Total financial liabilities	-	90,720
2011		
Financial Asset		
Cash and bank balances	2	-
Total financial asset	2	-
Financial Liabilities		
Other payables	-	1,000
Amount owing to a Director	-	4,878
Total financial liabilities	-	5,878

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity risk and cash flows risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

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

Notes to the Financial Statements

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29. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management objectives and policies *cont'd*

(i) **Credit risk**

Receivables

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the inability of its customers to make payments when due. The Company's advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

The Group have adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts. The Company only provided loans and advances to wholly-owned subsidiary companies and the results of the subsidiary companies are monitored regularly.

Credit risk concentration

At the reporting date, approximately 80% of the Group's trade receivables were due from 3 major customers which contribute from construction segment.

Financial guarantee

A subsidiary company provides bank guarantees issued by licensed banks for the purposes of construction projects. The maximum exposure of credit risk amounts to RM59,751,052. The financial guarantee has not been recognised since the fair value on initial recognition was not material as the bank guarantee is secured by the fixed deposits with licensed banks.

The Company has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts. The Company only provided loans and advances to wholly-owned subsidiary companies and the results of the subsidiary companies are monitored regularly.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's maximum exposure to credit risk. No financial assets carry a significant exposure to credit risk except as disclosed in Note 7.

(ii) **Liquidity risk**

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting its financial obligations as they fall. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

Notes to the Financial Statements

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29. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management objectives and policies *cont'd*

(ii) Liquidity risk *cont'd*

The following table analyses the remaining contractual maturity for non-derivative 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	3 - 5 years RM	Total Contractual Cash Outflow RM	Total Carrying Amount RM
Group					
2012					
Trade payables	35,793,080	7,903,413	3,249,447	46,945,940	46,945,940
Other payables	8,889,034	-	-	8,889,034	8,889,034
Bank borrowings	1,454,913	16,950	-	1,471,863	1,467,887
Total undiscounted financial liabilities	46,137,027	7,920,363	3,249,447	57,306,837	57,302,861
Company					
2012					
Other payables	78,000	-	-	78,000	78,000
Amounts owing to subsidiary companies	12,720	-	-	12,720	12,720
Total undiscounted financial liabilities	90,720	-	-	90,720	90,720
2011					
Other payables	1,000	-	-	1,000	1,000
Amount owing to a Director	4,878	-	-	4,878	4,878
Total undiscounted financial liabilities	5,878	-	-	5,878	5,878

The Group is exposed to foreign currency risk on transaction that are denominated in foreign currency primarily United States Dollar (USD).

The Group has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

Notes to the Financial Statements

cont'd

29. FINANCIAL INSTRUMENTS *cont'd*

(c) Market risks

(i) Foreign currency exchange risk

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Group 2012 RM
Trade receivables	1,980,204
Cash at banks	456,760
	2,436,964

Sensitivity analysis for foreign currency exchange risk

The following table demonstrates the sensitivity of the Group's profit net of tax to be reasonably possible change in the key foreign currency against the functional currency of the Group, with all other variables held constant.

	Group 2012 Effect to profit or loss RM
USD/RM	
-Strengthened 5%	121,848
-Weakended 5%	(121,848)

(ii) Interest rate risk

The Group and the Company exposed to interest rate risk arises primarily from financing through interest bearing financial assets and financial liabilities. The Group's and the Company's policy is to obtain the financing with the most favourable interest rates in the market.

The Group and the Company constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

Notes to the Financial Statements

cont'd

29. FINANCIAL INSTRUMENTS *cont'd*

(c) Market risks *cont'd*

(ii) Interest rate risk *cont'd*

The carrying amounts of the Group and the Company's financial instruments that are exposed to interest rate risk are as follows:

	2012 RM
Financial Asset	
Group	
Fixed deposits with licensed banks	40,791,833
Company	
Fixed deposits with licensed banks	7,613,533
Financial Liability	
Group	
Bank borrowings	1,467,887

Interest rate risk sensitivity analysis

A change in 1% interest rate on financial assets and liabilities of the Group and of the Company which have variable interest rate at the end of the financial year would have increase/(decreased) profit before taxation and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2012 Effect to profit or loss RM
Group	
Interest rate increased by 1%	393,239
Interest rate decreased by 1%	(393,239)
Company	
Interest rate increased by 1%	76,135
Interest rate decreased by 1%	(76,135)

Notes to the Financial Statements

cont'd

29. FINANCIAL INSTRUMENTS *cont'd*

(d) Fair value of financial instruments

Financial instrument at fair value

As the financial assets and liabilities of the Group and the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

Financial instrument other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The carrying amounts of short term receivables and payable, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

The carrying amounts of the financial liabilities of the Group at the reporting date reasonably approximate their fair values except as follows:

	Group 2012	
	Carrying amount	Fair value
	RM	RM
Financial liabilities		
Bank borrowings	16,926	16,105

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table:

Loans and borrowings

The 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.

Notes to the Financial Statements

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30. MATERIAL LITIGATION

The Group has not engaged in any material litigation which will have a material effect on the business or financial position of the Group except the following:

- (i) **Pembinaan Kota Laksamana (Melaka) Sdn. Bhd. vs 1) Pesona Metro Sdn. Bhd. (1st Defendant), 2) Pentadbir Tanah Melaka Tengah (2nd Defendant), 3) Pengarah Tanah Dan Galian Negeri Melaka (3rd Defendant), 4) Kerajaan Negeri Melaka (4th Defendant), 5) Yg Bahagia Datuk Bandar Majlis Bandaraya Melaka Bersejarah (5th Defendant) 6) Pengarah Jab. Kerjaraya Cawangan Pengkalan Udara & Maritim (6th Defendant), 7) Kementerian Dalam Negeri (7th Defendant) Malacca High Court Writ Summons No.: 21-1-2011**

Pembinaan Kota Laksamana (Melaka) Sdn. Bhd. ("PKLSB") lodged a claim in the High Court, Malacca High Court Writ Summons No.: 21-1-2011 on 12 February 2011. The Company is appointed contractor of 6th Defendant for the purposes of the project "Pembinaan Kompleks CIQ Imigresen Dan Jeti Penumpang Di Muara Sungai Melaka" ("the Project") situated at PT 824 Kaw. Bandar XLI, Daerah Melaka Tengah ("PT 824").

The Plaintiff claimed in the following in their suit:-

- (a) RM200 million in damages from the Defendants' act of trespass into the Plaintiff's land;
- (b) Loss suffered by the Plaintiff amounting to RM23,321,748 due to Plaintiff's failure to proceed with the sales transaction with a 3rd party purchaser, Syarikat Dong Hyuk Construction Co. Ltd.;
- (c) General and aggravated damaged;
- (d) Interest at the rate of 8% per annum calculated on RM200 million from the date of trespass until full settlement;
- (e) Interest at the rate of 8% per annum calculated on the general and aggravated damaged from judgment date until full settlement;
- (f) Interest at the rate of 8% per annum calculated on RM23,321,748 from judgment date until full settlement; and
- (g) Other relief deemed by the Court to be appropriate.

The Company has on 25 March 2013, received a notification that the above suit has been withdrawn by the Plaintiff namely Pembinaan Kota Laksamana (Melaka) Sdn Bhd against all defendants including PMSB (1st Defendant) on 21 March 2013 following a private amicable settlement agreement between the Plaintiff with Pentadbir Tanah Negeri Melaka (2nd Defendant), Pengarah Tanah & Galian Negeri Melaka (3rd Defendant) and Kerajaan Negeri Melaka (4th Defendant). Arising from the private settlement agreement, the case is now officially closed.

- (ii) **PMSB vs Midaco (M) Sdn. Berhad ("Midaco") Kota Bharu High Court Civil No.: 22-52-2011**

PMSB lodged a claim in the High Court, Kota Bharu, vide High Court Civil No. 22-52-2011 on 15 March 2011. PMSB filed an action against Midaco for recovery of RM1,989,900, being the sum paid to 3rd party, Omega Concorf Sdn. Berhad ("Omega") for the rectification of the defective works by Midaco.

On 13 October 2011, PMSB filed an application to set aside the Memorandum of Appearance and Notice of Appointment, and to strike out the Statement of Defence on basis that Messrs Foo Say Ghee & Zamzuri ("M/s FSG") has no authority and/or lacked the authority to represent Midaco. The application is pending hearing date from Court. If the said application is allowed, judgement in default will be entered against Midaco for the said Sum with interest and costs. In the event it is dismissed, the above suit will go for trial.

On 7 February 2012, the Judge dismissed the application to strike out Defendant's defence. On 20 February 2012, PMSB had filed appeal to the Court of Appeal against the dismissal of its application to strike out Midaco's defence. Pending the appeal being fixed for hearing by the Court of Appeal, the case is now waiting for the High Court to fix the next case management date to set the matter down for trial.

Notes to the Financial Statements

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31. CAPITAL MANAGEMENT

The Group's management manage 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 Company 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 Company level, which comprises shareholders' funds, cash and cash equivalents, bank borrowings.

	Group 2012 RM
Total loans and borrowings	1,467,887
Less: Cash and cash equivalents	(31,711,260)
Net debt	(33,179,147)
Total equity	63,482,652
Gearing ratio	N/A

32. SIGNIFICANT EVENTS

During the financial year, the following significant events took place for the Company and its subsidiary companies:

- (a) On 7 August 2012, the Company undertook a share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each in the Company into four (4) shares of RM0.25 each.
- (b) Reverse Acquisition Exercise

The Company had entered into a Restructuring Agreement which involves:

- (i) The Company proposes to acquire the entire equity interest in Pesona Metro Sdn Bhd ("PMSB") comprising 5,000,000 the Company's shares from the Wie Hock Beng and Chak May Teng ("the Vendors") of PMSB and its two (2) wholly owned subsidiary companies, Imej Mayang Sdn Bhd ("IMSB") and Insamewah Sdn Bhd ("ISB") (collectively known as "PMSB Group") for a total purchase consideration of RM96,000,000 to be satisfied entirely via the allotment and issuance of 384,000,000 new shares to the Vendors at an issue price of RM0.25 each ("Proposed Acquisition").

As the Proposed Acquisition is intended to result in a reverse take-over of Mithril Berhad ("MB") by PMSB via the Company, the parties to the Restructuring Agreement and the Acquisition Sales and Purchase Agreement have agreed to the issuance of the Company's shares to satisfy the purchase consideration for the Proposed Acquisition.

- (ii) MB proposes to undertake a share exchange of the entire issued and paid-up share capital of MB of RM9,955,110 comprising 39,820,438 MB Shares for 39,820,438 new shares of the Company at an issue price of RM0.25 per share on the basis of one (1) the Company's Share for every one (1) existing MB Share held after the Proposed Capital Reduction and Proposed Consolidation of MB.
- (iii) The Company proposes to undertake an issuance of up to 40,000,000 new shares to identified investors at an issue price of RM0.25 per share. The final issue size and basis of allocation will be determined by the Board of the Company prior to the implementation of the Proposed Restructuring Scheme after taking into account, amongst others, the demand for the shares and prevailing market conditions

Notes to the Financial Statements

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32. SIGNIFICANT EVENTS *cont'd*

(b) Reverse Acquisition Exercise *cont'd*

- (iv) It is proposed that the entire issued and paid-up share capital of MB be de-listed from the Official List of the Main Market of Bursa Securities and that the entire issued and paid-up share capital of the Company be admitted to the Official List of the Main Market of Bursa Securities in place of MB ("Proposed Transfer of Listing Status").
- (v) The Company proposes to dispose its entire issued and paid-up share capital of MB comprising 39,820,438 MB Shares after the Proposed Scheme of Arrangement with Shareholders to Crest Corporate Services Sdn Bhd ("CCSSB"), a special purpose vehicle at a disposal consideration for a nominal cash consideration of RM2.00 ("Proposed Disposal").

The exercise was completed and the Company has successfully listed on Main Market of Bursa Securities on 10 October 2012.

33. COMPARATIVE INFORMATION

(a) Group

The Company was incorporated on 19 August 2011 for implementation of the Reverse Acquisition Exercise as disclosed in Note 32, which was completed in the current financial year. These are the first set of consolidated financial statements of the Group and have been prepared in accordance with reverse acquisition under MFRS 3 Business Combinations, where the financial statements of the Company and its subsidiary companies have been included in the consolidated financial statements as if they have been in effect since the beginning of the current financial year, i.e. 1 January 2012, hence, no comparative figures are presented.

(b) Company

The comparative figures for the Company's financial statements of previous period are for the financial period from 19 August 2011 (date of incorporation) to 31 December 2011. As there reflect the results for less than 12 months, these are not comparable to the current financial year's results.

34. CAPITAL COMMITMENTS

	Group RM
Approved and contracted:	
- Acquisition of land for store purpose	2,305,000

35. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and the Company for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 16 April 2013.

Supplementary Information

On the Disclosure of Realised and Unrealised Profits or Losses

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The following analysis of realised and unrealised retained profits/ (accumulated losses) of the Group and of the Company at 31 December 2012 is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The retained profits/(accumulated losses) of the Group and of the Company as at 31 December 2012 is analysed as follows:

	Group	Company	
	2012	2012	2011
	RM	RM	RM
Retained earnings/(Accumulated losses)			
- Realised	36,551,047	5,502,636	(5,878)
- Unrealised	1,170,216	-	-
Less: Consolidated adjustments	806,277	-	-
	38,527,540	5,502,636	(5,878)

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

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 @ 31.12.2012 RM
Head Office (3 Floors)	2,131.25	5,717.57	Leasehold 99 years expiring on 05.01.2091 (Balance 78 years)	No.19,19A & 19B, Jalan SB Indah 1/18, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	20/08/2003	15 years	1,332,995.43
Investment Property (1½ Floor)	1,668.40	2,142.02	Freehold	No.9 - PT 9078, Jalan Industri Putra 1, Precinct 14, 62050 Putrajaya.	28/08/2007	3 years	780,000.00
Investment Property (1½ Floor)	1,668.40	2,142.02	Freehold	No.11- PT 9077, Jalan Industri Putra 1, Precinct 14, 62050 Putrajaya.	28/08/2007	3 years	780,000.00
Temporary Open Warehouse	216,171.61	216,171.61	Freehold	Lot 4627, Jalan Broga Besar, 71750 Broga, Negeri Sembilan.	03/08/2009		1,107,828.57

Analysis of Shareholdings

as at 30 April 2013

Authorised Share Capital	:	RM150,000,000 divided into 600,000,000 ordinary shares of RM0.25 each
Paid-up Share Capital	:	RM115,955,112 divided into 463,820,448 ordinary shares of RM0.25 each
Class of Shares	:	Ordinary shares of RM0.25 each fully paid.
Voting Right	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Total Shareholdings	%
Less Than 100 shares	6,002	50,966	0.01
100 To 1,000 shares	3,553	1,274,749	0.27
1,001 To 10,000 shares	1,437	5,461,672	1.18
10,001 To 100,000 shares	753	27,294,798	5.88
100,001 To Less Than 5 % of issued shares	165	123,674,263	26.66
5% and above of issued shares	2	306,064,000	66.00
Total	11,912	463,820,448	100.00

SUBSTANTIAL SHAREHOLDERS

According to the register to be kept under section 69L of the Companies act, 1965, the following are the substantial shareholders of the Company:-

Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Wie Hock Beng	8	*	306,064,000 [#]	66.0
Wie Hock Kiong	-	-	306,064,000 [#]	66.0
Sincere Goldyear Sdn Bhd	82,560,000	17.8	-	-
Kombinasi Emas Sdn Bhd	223,504,000	48.2	-	-

Notes:-

[#] Deemed indirect interest held pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings in Sincere Goldyear Sdn Bhd and Kombinasi Emas Sdn Bhd.

* negligible

Analysis of Shareholdings

as at 30 April 2013

cont'd

DIRECTORS' SHAREHOLDINGS

Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Lee Tuck Fook	-	-	-	-
Datuk Hj Subhi Bin Dziauddin	-	-	-	-
Wie Hock Beng	8	*	306,064,000 [#]	66.0
Wie Hock Kiong	-	-	306,064,000 [#]	66.0
Loh Kong Fatt	-	-	-	-

Notes:-

[#] Deemed indirect interest held pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings in Sincere Goldyear Sdn Bhd and Kombinasi Emas Sdn Bhd.

* negligible

THIRTY (30) LARGEST SHAREHOLDERS

No.	Shareholders	No. of Shares	%
1	Kombinasi Emas Sdn Bhd	223,504,000	48.19
2	Sincere Goldyear Sdn Bhd	82,560,000	17.80
3	Constant Uptrend Holdings Sdn Bhd	21,504,000	4.64
4	Country Diary Sdn Bhd	18,432,000	3.97
5	Wie Hock Kow	8,000,000	1.72
6	Ikatan Generasi Sdn Bhd	6,378,000	1.38
7	MAA Group Berhad	4,197,257	0.90
8	A.A Anthony Nominees (ASING) Sdn Bhd (UOB Kay Hian Pte Ltd for Braford Securities Ltd)	4,000,000	0.86
9	M1 Capital Sdn Bhd	3,387,400	0.73
10	MAA Group Berhad	2,457,403	0.53
11	Chong Kien Eng @ Teo Kien Eng	2,200,000	0.47
12	Avenue Serimas Sdn Bhd	1,826,000	0.39
13	Chang Yoke Chai	1,600,000	0.34
14	Araneum Sdn Bhd	1,516,080	0.33
15	Tan Boon Yong	1,409,000	0.30
16	Edward Carl Gilnert Davies	1,363,700	0.29
17	AIBB Nominess (Tempatan) Sdn Bhd (Pledged Securities Account for The Suan Im)	1,200,000	0.26
18	Nor Ashikin Binti Khamis	1,113,720	0.24
19	M & A Nominee (Tempatan) Sdn Bhd (Pledged Securities Account for Loke Yeu Loong)	1,100,000	0.24

Analysis of Shareholdings

as at 30 April 2013

cont'd

THIRTY (30) LARGEST SHAREHOLDERS *cont'd*

No.	Shareholders	No. of Shares	%
20	Excel Corporate Solutions Sdn Bhd	1,000,000	0.22
21	Kok Fatt Kong	1,000,000	0.22
22	Looi Chin Choong	1,000,000	0.22
23	Mak Yoke Theng	1,000,000	0.22
24	Maybank Securities Nominees (Tempatan) S/B <i>(Pledged Securities Account for Azrui Nizam bin Itam {Margin})</i>	939,560	0.20
25	Biaxis (M) Sdn Bhd	925,000	0.20
26	Kok Fatt Kong	900,000	0.19
27	Tan Wai Heng	800,080	0.17
28	Goh Kok Siang	800,000	0.17
29	JF Apex Nominees (Tempatan) Sdn Bhd <i>(Pledged Securities Account for Chan Chee Who {STA 1})</i>	800,000	0.17
30	Kamarudin bin Meranum	732,020	0.16
		397,645,220	85.72

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PESONA METRO HOLDINGS BERHAD
 (Company No. 957876-T)
 (Incorporated in Malaysia under the Companies Act, 1965)

FORM OF PROXY

No. of ordinary shares held
CDS Account No.

(Before completing this form please refer to the notes below)

*I/*We _____ NRIC/PassportNo./Company No. _____
(Full name in Block Letters)

of _____
(Full address)

Being a member/members of PESONA METRO HOLDINGS BERHAD ("PMHB") hereby appoint the following person(s):-

Name of proxy, NRIC No. & Address	No. of shares to be represented by proxy	%
1.		
2.		

Or failing *him/her, the Chairman of the meeting as *my/our proxy/proxies to attend and vote for *me/us and on my/our behalf at the Second Annual General Meeting ("2nd AGM") of PMHB to be held on Friday, 14 June 2013 at Perdana Ballroom, Palm Garden Hotel, IOI Resort, 62502 Putrajaya at 10.30 a.m. and at any adjournment thereof.

Item	Agenda	Resolution	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and the Auditors thereon.			
2.	To approve the payment of Directors' Fees of RM70,000.	1		
3.	To sanction the declaration of a single tier final dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2012.	2		
4.	i) To re-elect Dato' Lee Tuck Fook	3		
	ii) To re-elect Datuk Hj Subhi Bin Dziyauddin	4		
	iii) To re-elect Wie Hock Kiong	5		
	iv) To re-elect Wie Hock Beng	6		
	v) To re-elect Loh Kong Fatt	7		
5.	To re-appoint Messrs UHY Chartered Accountants as the Company's Auditors for the ensuring year and to authorize the Board of Directors to fix their remuneration.	8		
Special Business				
6.	Authority to Issue Shares	9		

(Please indicate with an "x" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion).

In case of a vote taken by a show of hands, the First-named Proxy shall vote on *my/our behalf

As witness my hand this _____ day of _____ 2013.

 Signature/Common Seal of Shareholder(s)
 Contact Tel: _____

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Company Secretary

PESONA METRO HOLDINGS BERHAD

(Company No. 957876-T)

19, Jalan SB Indah 1/18
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan

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Notes:

- (1) For the purposes of determining a member who shall be entitled to attend and vote at the 2nd AGM, the Company shall be requesting the Record of Depositors as at 10 June 2013. Only a depositor whose name appears on the Record of Depositors as at 10 June 2013 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her stead.
- (2) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote at his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy and the provisions of Section 149(l)(b) of the Companies Act 1965 shall not apply.
- (3) Where a member appoints more than one (1) proxy to attend at the same meeting the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- (4) Where a member is an exempt authorized nominee as defined under the Central Depositories Act, which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account") it may appoint multiple proxies in respect of each omnibus account it holds.
- (5) The instrument appointing shall be in writing under the hand of the appointer or his attorney authorized in writing or if the appointer is a corporation either its common seal or under the hand of an officer or attorney duly authorized.
- (6) The Form of Proxy must be deposited at the Company's Registered Office at 19, Jalan SB Indah 1/18, Taman Sg Besi Indah, 43300 Seri Kembangan, Selangor not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.