



PESONA METRO HOLDINGS BERHAD
(957876-T)



Annual Report 2013

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 for excellence by integrating teamwork delivering highest quality and best value project exceeding our customers' expectations within budget and timeliness completion.

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

- P** assionate about our businesses and customers
- E** nthusiastic and excel in our work
- S** atisfy our customers' needs at all times
- O** rganize our work and carry them out professionally
- N** urturing a corporate culture that emphasises on pursuit of excellence through learning, training, knowledge sharing, creativity and timely delivery
- A** lways aware of our obligations to the society and environment. Help those in need, and make good our natural environment



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting ("3rd AGM") of the Company will be held at **Hang Tuah Function Room, Level 3, Mines Wellness Hotel, Jalan Dulang, MINES Resort City, Seri Kembangan, 43300 Selangor Darul Ehsan** on **Wednesday, 18 June 2014 at 10:30 a.m.** for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon. *(Please refer to the Explanatory Notes to the Agenda)*
2. To approve the payment of Directors' Fees of RM168,000 for the financial year ended 31 December 2013. *(Ordinary Resolution 1)*
3. To re-elect the following Directors retiring in accordance with Article 82 of the Articles of Association of the Company:
 - (i) Mr. Wie Hock Beng *(Ordinary Resolution 2)*
 - (ii) Mr. Wie Hock Kiong *(Ordinary Resolution 3)*
4. To re-appoint Messrs UHY as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration. *(Ordinary Resolution 4)*

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolutions:

5. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** *(Ordinary Resolution 5)*

"THAT approval be and is hereby given for the Proposed Renewal of Shareholders' Mandate for the Pesona Metro Holdings Berhad Group of Companies to enter into the categories of recurrent related party transactions of a revenue or trading nature falling within the nature of transactions set out in the table in Section 2 of the Circular to Shareholders dated 26 May 2014 with the related parties falling within the classes of persons set out in Section 2 in the Circular, such transactions which are necessary for the Group's day-to-day operations and carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

AND THAT the authority conferred by such Mandate shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to this Ordinary Resolution."

Notice of Annual General Meeting

(cont'd)

6. **Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965**

(Ordinary Resolution 6)

"**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 are 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. **Proposed Amendments to the Articles of Association of the Company**

(Special Resolution 1)

"**THAT** the following Articles of Association of the Company be hereby amended:-

Existing Article	Proposed Amended Article
<p><u>Article 147</u></p> <p>The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in General Meeting, such statement of financial position, statement of comprehensive income and reports as are referred to in this section. The interval between the close of a financial year of the Company and the issue of the annual audited financial statements together with the Directors' and auditors' reports shall not exceed four (4) months, or such shorter period as my prescribed by the Exchange. A copy of each such documents shall not less than twenty-one (21) days before the date of the Meeting (if it is so agreed by all the members entitled to attend and vote at the Meeting) be sent to every member of the Company. Such documents may be in printed form or in digital format/CD-ROM form or in such other form of electronic media. The requisite number of copies of each such documents as may be required by the Exchange or other stock exchanges(s), if any, sent to each stock exchange provided that this Articles shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent, shall be entitled to receive a copy, free of charge on application at the registered office. In the event that the annual report is sent in CD-ROM form or such of electronic media and a member requires a printed form of such documents, the Company shall send such documents to the member within four (4) market days from the date of receipt of the members' request or such other period as my be prescribed by the Exchange.</p>	<p><u>Article 147</u></p> <p>The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in General Meeting, such as statement of financial position, statement of comprehensive income and reports as are referred to in this section. The interval between the close of a financial year of the Company and the issue of the annual audited financial statements together with the Directors' and auditors' reports shall not exceed four (4) months, or such shorter period as my may prescribed by the Exchange. A copy of each such documents shall not be less than twenty-one (21) days before the date of the Meeting (if it is so agreed by all the members entitled to attend and vote at the Meeting) be sent to every member of the Company. Such documents may be in printed form or in digital format/CD-ROM form or in such other form of electronic media format. The requisite number of copies of each such documents as may be required by the Exchange or other stock exchanges(s) exchange(s), if any, sent to each stock exchange provided that this Articles shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent, shall be entitled to receive a copy, free of charge on application at the registered office. In the event that the annual report is sent in CD-ROM form or such of electronic media electronic format and a member requires a printed form of such documents, the Company shall send such documents to the member within four (4) market days from the date of receipt of the members' request or such other period as my may be prescribed by the Exchange."</p>

Notice of Annual General Meeting

(cont'd)

- To transact any other business of which due notice shall have been given.

By Order of the Board

LIM HOOI MOOI (MAICSA 0799764)
WONG WAI FOONG (MAICSA 7001358)
Company Secretaries

Kuala Lumpur
Date : 26 May 2014

NOTES

- For the purposes of determining a member who shall be entitled to attend and vote at this meeting, the Company shall be requesting the Record of Depositors as at 12 June 2014. Only a depositor whose name appears on the Record of Depositors as at 12 June 2014 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her stead.
- 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(1)(b) of the Companies Act, 1965 shall not apply.
- 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 shareholdings to be represented by each proxy.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA.
- A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under its common seal or under the hand of an officer or attorney duly authorised.
- The Form of Proxy must be deposited at the Company's Registered Office at No. 19, Jalan SB Indah 1/18, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES TO THE AGENDA

Item 1 of the Agenda

This item is meant for discussion only. The provisions of Section 169 of the Companies Act, 1965 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such this Agenda item is not a business which requires a motion to be put to vote by shareholders.

Item 5 of the Agenda – Ordinary Resolution 5 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 5 is to seek a renewal of Shareholders' Mandate to allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature and to enable the Company to comply with Paragraph 10.09, Part E of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The mandate will take effect from the date of passing the Ordinary Resolution until the next Annual General Meeting of the Company.

Item 6 of the Agenda – Ordinary Resolution 6

Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 6 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 circumstances 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 share capital of the Company.

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.

Item 7 of the Agenda – Special Resolution 1

Proposed Amendments to the Articles of Association of the Company

The proposed amendments to the Articles of Association of the Company is to bring the Articles of Association of the Company to be in line with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to enhance administrative efficiency.

Corporate Information

BOARD OF DIRECTORS

Dato' Lee Tuck Fook

Chairman

(Independent Non-Executive Director)

Datuk Hj Subhi Bin Dziauddin

Deputy Chairman

(Non-Independent Non-Executive Director)

Wie Hock Beng

Managing Director

(Non-Independent Executive Director)

Wie Hock Kiong

(Non-Independent Non-Executive Director)

Loh Kong Fatt

(Independent Non-Executive Director)

COMPANY SECRETARIES

Wong Wai Foong

(MAICSA 7001358)

Lim Hooi Mooi

(MAICSA 0799764)

REGISTERED OFFICE

19, Jalan SB Indah 1/18
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia
Tel : +60 3 8941 0818
Fax : +60 3 8941 0817
Website : www.pesona.com.my

AUDIT COMMITTEE

Dato' Lee Tuck Fook *(Chairman)*

Wie Hock Kiong

Loh Kong Fatt

REMUNERATION COMMITTEE

Loh Kong Fatt *(Chairman)*

Dato' Lee Tuck Fook

Wie Hock Kiong

NOMINATION COMMITTEE

Dato' Lee Tuck Fook *(Chairman)*

Wie Hock Kiong

Loh Kong Fatt

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

Main Market

Construction Sector

STOCK NAME AND CODE

PESONA (8311)

AUDITORS

UHY Chartered Accountants (AF1411)

Suite 11.05, Level 11

The Gardens South Tower

Mid Valley City

Lingkar Syed Putra

59200 Kuala Lumpur

Malaysia

Tel : +60 3 2279 3088

Fax : +60 3 2279 3099

REGISTRAR

Tricor Investor Services Sdn Bhd (118401-V)

Level 17, The Gardens North Tower

Mid Valley City, Lingkar Syed Putra

59200 Kuala Lumpur

Malaysia

Tel : +60 3 2264 3883

Fax : +60 3 2282 1886

BANKERS

Alliance Bank Malaysia Berhad

AmBank (M) Berhad

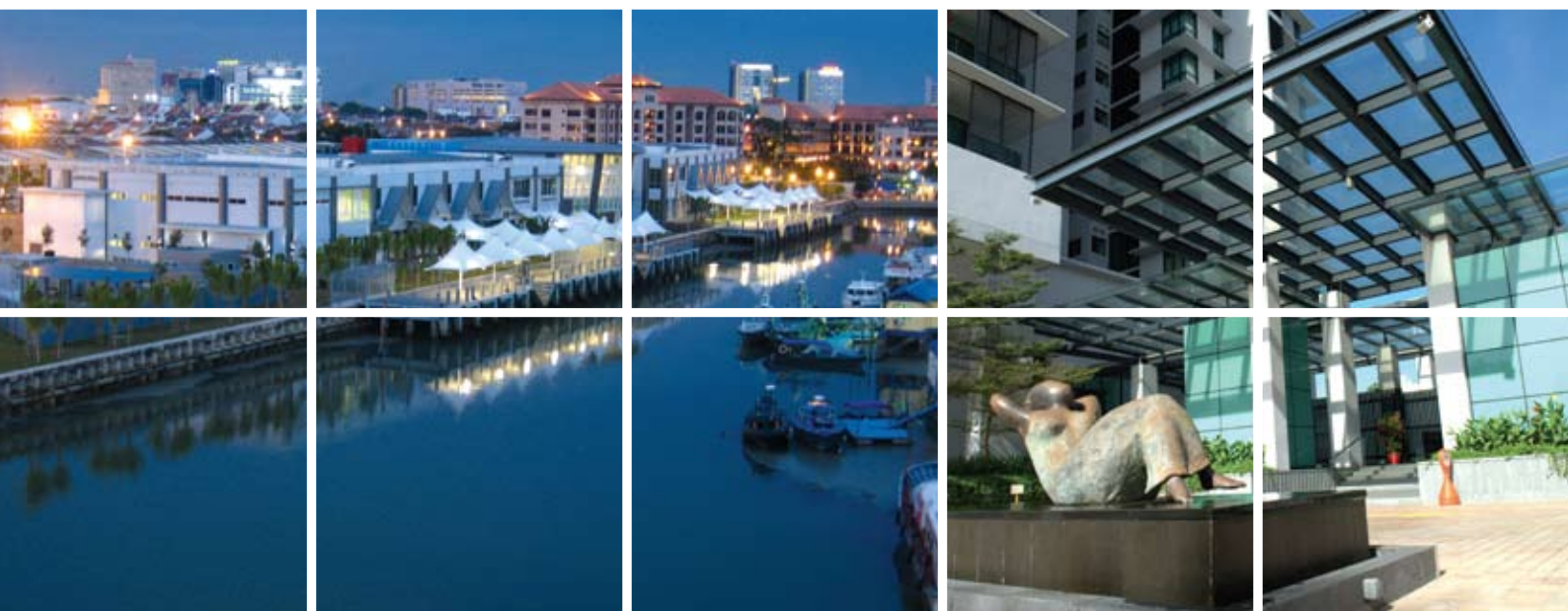
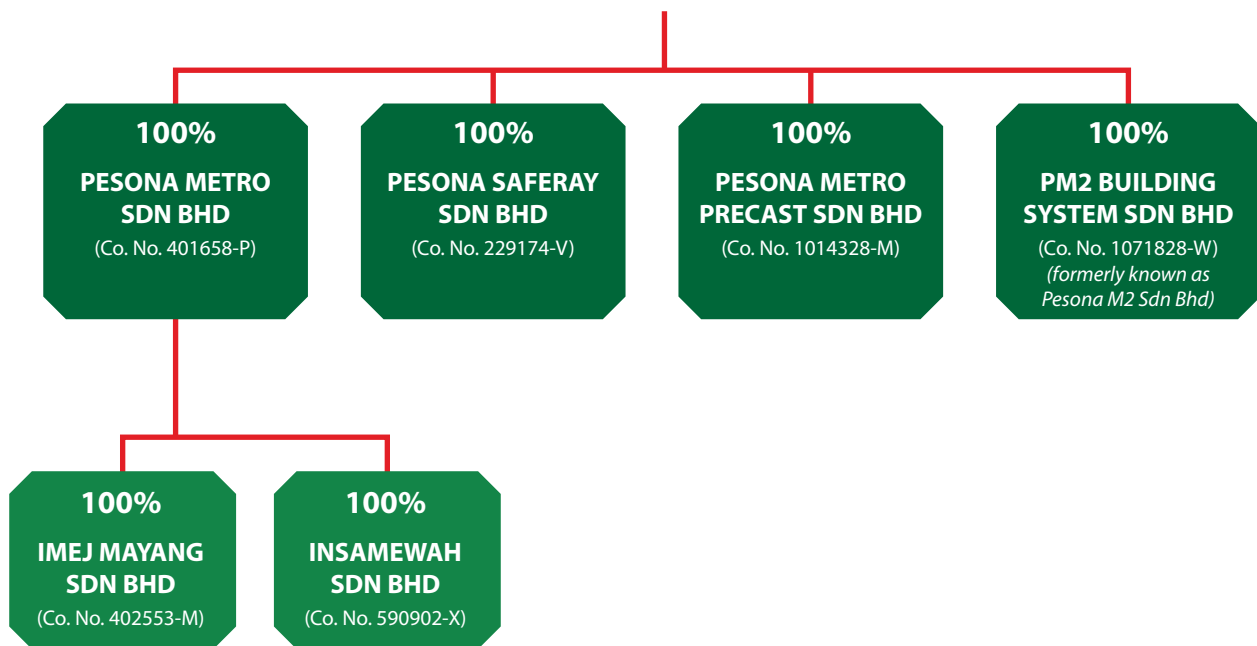
United Overseas Bank (Malaysia) Berhad

Standard Chartered Bank Malaysia Berhad

Corporate Structure



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



Board of Directors



DATO' LEE TUCK FOOK
Chairman



DATUK HJ SUBHI BIN DZIYAUDDIN
Deputy Chairman



WIE HOCK BENG
Managing Director



WIE HOCK KIONG



LOH KONG FATT

Profile of Directors

DATO' LEE TUCK FOOK

Chairman

(Independent Non-Executive Director) – Malaysian, Age 60

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

Dato' Lee 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 Masters Degree in Business Administration from International Management Centre, Buckingham, United Kingdom.

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

From 2002 to 2006, Dato' Lee was the Managing Director of Paracorp Berhad. In 2003, he was appointed as the Executive Director of Malton Group, and was re-designated as its Managing Director in December 2003. He retired from the Board of Malton Berhad in 2009. 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 the Director of Kuala Lumpur Pavilion Sdn Bhd and Makna Mujur Sdn Bhd.

Dato' Lee does not have any family relationship with other Directors and/or major shareholders of the Company. He has no conflict of interest and does not hold any shares in the Company and its subsidiaries. He has no conviction of any offences within the past 10 years.

Dato' Lee attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2013.

DATUK HJ SUBHI BIN DZIYAUDDIN

Deputy Chairman

(Non-Independent Non-Executive Director) – Malaysian, Age 51

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

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

He later joined Puncak Niaga (M) Sdn Bhd ("Puncak Niaga") as the General Manager for Special Projects. His significant achievement during his tenure in Puncak Niaga was 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 the 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. He was also previously a Director of Metronic Global Berhad.

Datuk Hj Subhi does not have any family relationship with other Directors and/or major shareholders of the Company. He has no conflict of interest and does not hold any shares in the Company and its subsidiaries. He has no conviction of any offences within the past 10 years.

Datuk Hj Subhi attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2013.

Profile of Directors

(cont'd)

WIE HOCK BENG

Managing Director

(Non-Independent Executive Director) – Malaysian, Age 42

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

He obtained his Diploma in Civil Engineering from the Federal Institute of Technology Malaysia in 1995. He began his career with Invescor Venture Sdn Bhd and was involved in the construction of Starhill Shopping Centre in Kuala Lumpur. To date, he has over 17 years of working experience in the rehabilitation and beautification of river and dam, constructions of bridge and flyover, roadwork, drainage, industrial, and high-rise as well as low-rise 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 45 of this Annual Report. He has no conviction of any offences within the past 10 years.

Wie Hock Beng attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2013.

WIE HOCK KIONG

Director

(Non-Independent Non-Executive Director) – Malaysian, Age 54

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

Wie Hock Kiong is an engineer by profession with a Bachelor of Science (Hons) Degree in Civil and Structural Engineering from the University of Aberdeen, United Kingdom. He was previously the Chief Executive Officer of Putrajaya Perdana Berhad ("PPB") from 1998 till 2011. He has been overseeing the overall management, development and operations of PPB Group since the commencement of business in 1990 via Putra Perdana Construction Sdn Bhd, a wholly-owned subsidiary company of PPB. 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. He resigned as the CEO of PPB in 2011.

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 45 of this Annual Report. He has no conviction of any offences within the past 10 years.

Wie Hock Kiong attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2013.

Profile of Directors

(cont'd)

LOH KONG FATT

(Independent Non-Executive Director) – Malaysian, Age 60

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

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

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

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

Loh Kong Fatt does not have any family relationship with other Directors and/or major shareholders of the Company. He has no conflict of interest and does not hold any shares in the Company and its subsidiaries. He has no conviction of any offences within the past 10 years.

Loh Kong Fatt attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2013.

Corporate Milestone

The key milestone and achievements of the Group

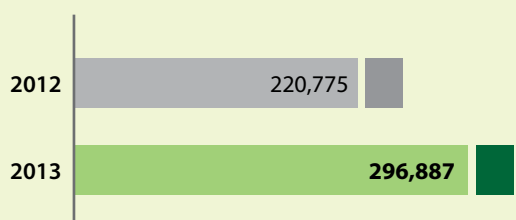
Year	Key Milestone and Achievements
1996	<ul style="list-style-type: none"> • Pesona Metro Sdn Bhd was established and commenced business as a subcontractor.
2002	<ul style="list-style-type: none"> • Secured its first “design and build” project as the main contractor for the Rehabilitation and Beautification of Melaka River Project (Phase 1, 2 & 3) with contract value exceeding RM234 million.
2006	<ul style="list-style-type: none"> • Secured the high-rise building project of Zehn Bukit Pantai, Kuala Lumpur comprising of two blocks of 25-storey luxury condominium. • Secured the rehabilitation and realignment of 3.7 km Sungai Kerayong project in Kuala Lumpur.
2008	<ul style="list-style-type: none"> • Secured the “design and build” of Timah Tasoh Dam project in Perlis.
2009	<ul style="list-style-type: none"> • Won the PAM 2009 Awards, Category 8 (Special Category) for the Melaka River Rehabilitation and Beautification project. • Won the Malaysia Independence Award 2009, Star Category in recognition of its achievements and contributions towards nation building.
2010	<ul style="list-style-type: none"> • Awarded with the 2nd Runner-Up for Super Golden Bull category, under the Golden Bull Award 2010 for achieving the most extraordinary achievement and great eminence in terms of sales performance and business growth, benchmarking and championing the standards of excellence and distinction among all Small and Medium Enterprises (“SMEs”). • Awarded with the Malaysia Independence Award 2010, as Malaysia’s Prominent Property Construction Company. • Awarded with the Best Brands Corporate Branding Award under the Engineering and Construction Category, BrandLaureate-SMEs Chapter Awards 2010.
2011	<ul style="list-style-type: none"> • Awarded with the Special Award for National Contribution under FIABCI Malaysia Property Award 2011, for the Melaka River Rehabilitation and Beautification project (Phase 1, 2 & 3).
2012	<ul style="list-style-type: none"> • Emerged as the Champion in Construction Management Under Design and Build Category and Overall Winner from Jabatan Kerja Raya (“JKR”) for the CIQ Melaka Project. • Listed on the Main Market of Bursa Malaysia Securities Berhad, under the Construction Sector. • The Sastra U-Thant construction project was certified as the 1st condominium construction project in Malaysia to achieve the 5-S certification in Malaysia.
2013	<ul style="list-style-type: none"> • Certificate Of Registration – Operate a Management System That Complies With The Requirements of ISO 14001:2004. • Emerged as the Champion in 2013 Excellence Contractor for Project More Than RM50 Million from JKR for the CIQ Melaka Project. • Awarded “Silver Award of Merit” in the Association of Consulting Engineers Malaysia (“ACEM”) 2013 Award for the Melaka River Rehabilitation & Beautification project. • The Company had on 29 November 2013, acquired the entire issued and paid-up capital of Pesona M2 Sdn Bhd (“PM2”), making it a wholly-owned subsidiary of the Company. PM2 subsequently changed its name to PM2 Building System Sdn Bhd on 15 January 2014.
2014	<ul style="list-style-type: none"> • Pesona Saferay Sdn Bhd was awarded with the “Malaysia Good Design Mark 2013” from Majlis Rekabentuk Malaysia (“MRM”) for its polyurethane architectural moulding, wall plaques and ornaments for the “Architecture and the Environment” category. This is the highest design recognition from the Malaysian Government through MRM which endorses products for their design and quality excellence.

Financial Highlights

In RM '000 (Except otherwise indicated)	31 Dec 2012	31 Dec 2013
Revenue	220,775	296,887
Profit before tax	17,195	15,977
Profit after tax	11,771	11,719
Total assets	131,132	181,059
Share capital	115,955	127,551
Total equity attributable to owners of the parent	63,483	85,716
No. of shares ('000) of RM0.25 each (Unit)	463,820	510,203
Earnings per share (Sen)	2.91	2.52
Net assets per share (Sen)	13.69	16.80
Dividend (Sen)	1.00	1.00

REVENUE

RM '000



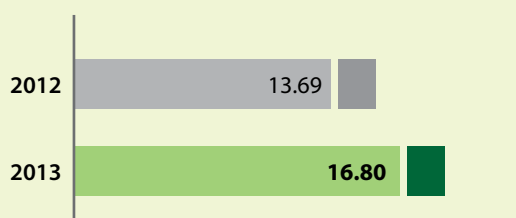
PROFIT AFTER TAX

RM '000



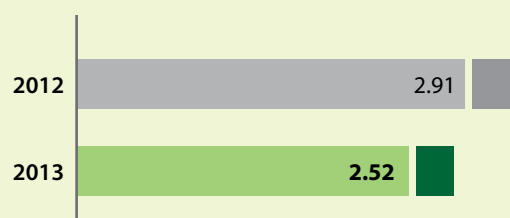
NET ASSETS PER SHARE

SEN



EARNINGS PER SHARE

SEN



Chairman's Statement

*DEAR SHAREHOLDERS,
On behalf of the Board of Directors ("Board"), it gives me great pleasure to present to you the Annual Report and Financial Statement for the financial year ended 31 December 2013.*



FINANCIAL RESULTS

For the year under review, I am pleased to announce that the Group achieved a higher revenue of RM296.9 million with 95% and 5% of revenue contributed by the construction and manufacturing segments respectively. This increase in revenue by RM76.1 million or 34% as compared to the last financial year was mainly contributed by two infrastructure projects - the roadworks along Jalan Persekutuan Laluan 8 & 9, Central Spine Road and the design and build of bridge across railway tracks at Jalan Pelabuhan Klang, and a new building project secured in FY2013, namely the construction and completion of the Suruhanjaya Pilihanraya ("SPR") building in Putrajaya.

Despite the increase in revenue, the Group generated a lower profit before tax of RM16.0 million for the financial year ended 31 December 2013 as compared to RM17.2 million for the last financial year. The decrease is mainly due to the increase in construction cost as a result of higher material prices and labour cost.

Chairman's Statement

(cont'd)

DIVIDEND

In respect of financial year ended 31 December 2012, a single tier final dividend of 1 sen per ordinary share was paid on 28 June 2013, amounting to RM4,638,204.48.

The Board declared a single tier interim dividend of 1 sen per ordinary shares in respect of financial year ended 31 December 2013, amounting to RM5,102,024.48. The dividend was paid on 26 March 2014.



The CIQ Melaka Project emerged as the Champion in Construction Management under the Design and Build Category and Overall Winner from Jabatan Kerja Raya ("JKR") in May 2013.

CORPORATE DEVELOPMENTS

Proposed Private Placement

On 31 October 2013, the Company announced the Proposed Private Placement which entails the issuance of up to 46,382,000 new ordinary shares of RM0.25 each in the Company, representing up to 10% of the Company's existing issued and paid-up share capital of RM115,955,112 ("Proposal").

The Proposal was deemed the most appropriate avenue for the Company to raise funds expeditiously for the purpose of setting up the Industrialised Building System ("IBS") plant and as working capital for sub-contracting expenses for an on-going project.

On 19 November 2013, the Company obtained approval from Bursa Securities for the Proposal. On 18 December 2013, the Board fixed the issue price for placement of this 46,382,000 placement shares at RM0.44 per placement share.

On 24 December 2013, the share placement exercise was completed through the listing of the placement shares on Bursa Securities.

Acquisition of New Company

The Group had on 29 November 2013 acquired the entire issued and paid-up capital of PM2 Building System Sdn Bhd (formerly known as Pesona M2 Sdn Bhd) ("PM2") comprising two ordinary shares of RM1.00 each for a cash consideration of RM2.00.



Our PM2 team attended the training at M2 Emmedue S.p.A in Italy in 1Q2014.

Chairman's Statement

(cont'd)

This company shall be used for the IBS plant which is synergistic to the Group's activities with the aim of improving the quality of projects with less reliance on labour and to reduce construction cost.

The plant is expected to commence operations in May 2014. Further details on the IBS plant are in the Managing Director's Review of Operations from pages 17 to 21.

INDUSTRY TREND AND DEVELOPMENT

In spite of the sluggish global economic environment, the Malaysian economy continued to ride on the strong domestic demand to achieve a growth of 4.7% in 2013 especially led by the robust private sector activities.

The construction industry remained strong mainly driven by the Government's initiatives to introduce housing programmes for the middle-income group as well as to improve transportation infrastructure of the urban and sub-urban areas. These drivers moved the civil engineering and residential sub-sector forward recording a growth of 13.8% in 1H2013. However, this growth moderated in 2H2013 with the completion of some high-impact infrastructure projects bringing to an overall growth of 10.9% for 2013. The encouraging growth in the residential sub-sector was underpinned by the construction of high-end and high-rise properties in Klang Valley, Penang and Johor. In the Civil Engineering sub-sector, activities in infrastructure and oil and gas-related projects boosted the growth.



Gua Musang : Upgrading roadworks along Jalan Laluan 8 (Phase 1, Segment 5), Kelantan.

As an active player in the infrastructure and building construction works, our growth is in tandem with the industry. For FY2013, we secured two building projects namely the *Proposed Construction And Completion Of The Remaining And*



Artist's impression of the student hostels at Universiti Malaysia Perlis, Perlis.

Rectification Works Of Government Office Building And External Works For SPR On Lot 2C10, Precinct 2, Putrajaya and the Design and Build work for the Construction And Completion Of The Government Building Complex in Johor Bahru, Johor. In 1Q2014, we were awarded the Design and Build job for the construction of the facilities and infrastructure for the student hostels for Universiti Malaysia Perlis.

On the manufacturing front, the Malaysian manufacturing sector expanded at a slower pace of 1.9% in 1H2013. However, due to the resilient domestic-oriented industries with the moderate growth in the export-oriented industries, it recorded an overall growth of 2.4% for 2013.

Even though there is no significant growth in our polyurethane products in FY2013, we are slowly gaining momentum and we have put in place a revised marketing strategy and plan to capture more new markets in 2014.



Sastra U-Thant, Ampang, Kuala Lumpur.

Chairman's Statement

(cont'd)



Pesona Saferay participated in the Orlando Home Show Exhibition 2013 in Central Florida, USA.

CORPORATE RESPONSIBILITIES

The Corporate Responsibility Committee was formalised in 2012. The task of the committee is to oversee the Company's environmental, safety and health, corporate social responsibility and workplace policies and programmes.

The same committee carried out a total of seven social or community activities involving all levels of employees in the Group in FY2013. Some other programmes rolled out include talks on environmental issues, recycling programmes as well as giving out scholarships to deserving scholars who are in need of financial assistance.

The details of our corporate responsibility policy and programmes are listed out from pages 22 to 28 in this annual report.

OUTLOOK FOR YEAR 2014

For year 2014, as a result of general increase in prices of goods and services, construction cost is expected to rise in tandem, thus, impacting our profit margin.

Nevertheless, we are confident that we can manage some of the increasing operating cost through cost saving exercises and new revenue generated from our PM2 Plant.

Our construction division will continue to be the main contributor to the Group's revenue. With our good track record and stable financial position, we are confident to secure more new projects in 2014 to add to the order book.



Pesona Saferay's new business partner in Tbilisi, Georgia.

Also, we have intensified our marketing effort to capture new markets in Europe for our polyurethane products. We expect our polyurethane production to pick-up in 2H2014.

Overall, in spite of the many challenges in the market, we expect the performance for the Group in 2014 to be satisfactory.

ACKNOWLEDGEMENTS

On behalf of the Board, I wish to convey my sincere gratitude to all our shareholders for your continued confidence in the Group. My sincere appreciation goes to the Malaysian Government and regulatory authorities for their strong support. I would also like to thank our business partners, clients, bankers, consultants, sub-contractors and suppliers for their collaboration and co-operation.

To our management team and employees, I thank you for your unwavering dedication and time to steadily move the Group forward.

As we venture into new synergistic businesses and growth, I trust that all of our stakeholders will continue to lend us their steadfast support.

DATO' LEE TUCK FOOK

Chairman
22 April 2014

Managing Director's Review of Operations

It has been a year since we went public, and I am pleased to announce that we have achieved good results in 2013 and we are on our path of achieving greater heights, as planned.



Although 2013 has been a challenging year for all of us, but we have also enjoyed our work and made it an eventful one. I am pleased to announce that in 2013, we have attained the accreditation of ISO14001:2004 in May for compliance in Environment Management System and subsequently, OHSAS 18001:2007 in April 2014 for compliance in Occupation Health and Safety management system.

In May 2013, the CIQ Melaka Project won the Excellent Contractor Award for Projects worth over RM50 million by Jabatan Kerja Raya. Subsequently, on 23 June 2013, the Sungai Melaka Rehabilitation and Beautification Project won the Silver Award of Merit for the Association of Consulting Engineers Malaysia ("ACEM") 2013 Award. These accolades indicate that we are on the right path to enhance our credibility as a company that delivers superior results.



PMSB was awarded with the Silver Award of Merit in the Association of Consulting Engineers of Malaysia 2013 for the Melaka River Rehabilitation and Beautification project.

Managing Director's Review of Operations (cont'd)

CONSTRUCTION DIVISION

The overall construction industry in the country remained resilient with a growth of 10.9% in 2013 backed by the ongoing national infrastructure and residential development activities.



Artists Impression of Menara Technip, Jalan Inai, Kuala Lumpur.



Design and build project for a bridge across the railway at Jalan Pelabuhan, Port Klang, Selangor.

Our Construction Division, on the other hand remained prudent to reduce operating cost, in light of the challenges faced in rising raw material prices and wages, as well as a shortage of skilled workers. We endeavour to achieve a higher revenue in 2014 through the securing of new projects and improving operation efficiency.

In FY2013, the group secured two building jobs. The first being the *Proposed Construction And Completion Of The Remaining And Rectification Works Of Government Office Building And External Works For Suruhanjaya Pilihanraya ("SPR") On Lot 2C10, Precinct 2, Putrajaya*. The second was the *Design and Build work for the Construction And Completion Of The Government Building Complex in Johor Bahru, Johor*. In February 2014, Pesona Metro Sdn Bhd ("PMSB") secured another building project for the *designing, construction and completion of the facilities and infrastructure relating to the student hostels for Universiti Malaysia Perlis ("UniMAP")*. These three new projects contributed significantly to our unbilled order book of RM481.0 million as of to date.

In FY2013, we completed and handed over three projects. They are (1) the upgrading roadwork project on Jalan Laluan 8 from Kampung Relong, Pahang to Gua Musang, Kelantan (Phase 1, Segment 5), (2) the subsequent upgrading roadwork project for the East Coast Economic Region project at Jalan Persekutuan Laluan 8 & 9 Central Spine Road (Package 3) from Gua Musang, Kelantan to Kampung Relong, Pahang (Section 3F: Kampung Kubang Rusa – Kampung Sungai Yu) and (3) Construction of Sastra U-Thant: 1 block of 10-storey luxury condominium comprises 126 units at Lorong Ampang 2, Kuala Lumpur. Sastra U-Thant is a high-end condominium located in Taman U-Thant. The 10-storey low density luxury condominium is built with the environment in mind. It is embraced by lush greenery that gives a sense of relaxation and peacefulness. Individual courtyards are constructed perfectly for the cultivation of private vertical gardens that serves to reduce ambient temperatures. The landscape was designed by the award winning landscape architect Karl Prinic.

Our Tender and Contract team went to great length to secure profitable projects. In FY2013, we have tendered for jobs exceeding a total of RM2.0 billion. We are optimistic that with the Group's reputation for quality and cost effectiveness will see PMSB achieve an order book of RM1 billion for FY2014.

Managing Director's Review of Operations (cont'd)

MANUFACTURING DIVISION

Our manufacturing division likewise performed satisfactory in financial year ended 31 December 2013 with a pre-tax profit of RM0.6 million, compared to RM0.5 million the previous financial year. The summaries of achievements for our manufacturing companies are as follows:

Pesona Saferay Sdn Bhd ("Pesona Saferay")

2013 marked a new chapter for Pesona Saferay as the company chartered a couple of breakthroughs in the year. The company continued to maintain its position as the top five manufacturer for polyurethane architecture moulding and decorative items in the world with strong presence in the European market.

Through our increased marketing efforts and strong support from the management after the corporate take-over exercise by Pesona Metro Holdings Berhad ("PMHB"), a Georgian client approached us for business partnership in early 2013. Since then, we have not looked back. We believe that this partnership will open more new gates for us to penetrate Eastern European countries that favour our all-appealing designs.

On the other hand, Pesona Saferay has recaptured the American market which we lost due to global economy downturn in 2008. With perseverance and new marketing strategy, we re-entered this market in 2013 through partnership with one of the top polyurethane product distributors in the country. To date, we have shipped three containers of products to USA.



The manufacturing line of Pesona Saferay's polyurethane architecture moulding and decorative items in Perak.

On 25 February 2014, Pesona Saferay was given the "Malaysia Good Design Mark" recognition for its polyurethane architectural moulding, wall plaques and ornaments for the "Architecture and the Environment" category.

Malaysia Good Design Mark is the highest design recognition from the Malaysian Government through Majlis Rekabentuk Malaysia ("MRM") which endorses products that bear quality in design manufacturing. By having the recognition, it provides good reputation for Pesona Saferay in both trust and assurance in business, besides building product confidence among consumers over the long term.



PM2 Building System Sdn Bhd (formerly known as Pesona M2 Sdn Bhd) ("PM2")

We are really excited about the acquisition of PM2 by PMHB in 4Q2013. This acquisition sees the Group expanding into the manufacturing of modular partition panels that will replace the conventional brick walls and structural system such as bearing walls. This advance building system is a well-established building system developed by M2 Emmedue S.p.A Italy and commonly used in the European and Latin American countries.

Also known as Industrialized Building System ("IBS") popularized by Construction Industry Development Board Malaysia, this panel consists of a double-layered high tensile wire mesh stitched together with an inner layer of expanded polystyrene ("EPS") that forms a solid composite structure that has the same rigidity of common bricks and strong as structural wall due to its composition. This material is light, easily set up and requires less labour to erect the panels. Construction time will be reduced tremendously as brick-laying, carpentry and bar bending works will no longer be required. This will effectively address the labour shortage issues currently besieged the construction industry.

This panel is also highly versatile where it can be shaped into many forms and shape as required by the builder. Due to its flexibility, it has a wide application in the construction industry from sheer wall panels to partition wall, roofing, stairs and high panels. Our PM2 panel factory is expected to commence operations in May 2014. The machinery is semi-automated, thus, requires minimal workers to operate.

Managing Director's Review of Operations (cont'd)

On top of that, this panel is an environmental-friendly product. Its main component is a by-product of petroleum which is stable and non-toxic. It is ozone-friendly because it does not emit CFCs or HCFCs, which are harmful to our environment during the manufacturing process. Most importantly, this product is 100% recyclable. Knowing that rectification work is unavoidable in construction, we now need not worry about the disposal of construction waste which is not easily recycled. The broken pieces of this panel can be collected and sent to our factory to be recycled into brand new pieces.

Its good thermal insulation helps to reduce electricity consumption in air-conditioning, thus serves to reduce our carbon footprint.

Currently, these panels are widely used in the building construction from residential to commercial including vacation houses, hotels, offices and factories especially in Europe, South America and Africa. We foresee that this eco-friendly building material will gain popularity in our country. Meanwhile, we are in the planning stage to obtain green certification for this product and market it to other builders to increase our revenue.

QUALITY, HEALTH & SAFETY

In PMHB, health and safety is highly prioritized. We believe that great work and great ideas come from healthy and motivated employees. Therefore, it is the management's duty to be committed to a safe and conducive working environment for our employees.

Health & Safety ("H&S")

The roles and responsibilities of Health & Safety lie with our H&S Officers. Their main role is to ensure all health and safety measures are studied carefully and implemented no less than the industry's standards.

Our H&S Committee's effort in putting in place the best practices for occupational health and safety management through 2013 paid off when we were accredited with OHSAS18001:2007 in April 2014. This accreditation completes the requirement for us to kick-start the Integrated Management System for PMSB.



The launch of HSE Campaign Programmes 2014 at SPR project site on 12 February 2014.

Integrated Management System ("IMS")

We are proud to announce that PMSB has now obtained all three required management systems to set up its Integrated Management System. With all three ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 in place, we will now embark on the next stage to combine all related components of our business into one system for easier management and operations.

STRATEGIES AND PLANS

Amidst the rising cost of raw material and wages, the Group has put in place new business strategy to move the Group forward towards long term sustainability.

Establishment of Synergistic Business

The Group's penetration into the manufacturing of PM2 panels is our first step to counter the rising construction cost. We believe that the benefits of investing in this technology and setting up of our PM2 factory will outweigh the acquisition and factory start-up cost.

As these panels are more cost efficient and are excellent substitute of bricks, we are not only able to better control raw material cost, but also handling cost, delivery schedules, and raw material quality. Therefore, the acquisition of PM2 will improve our quality of work, better to ensure on-time-delivery, and most importantly increase our revenue as we increase our efficiency.

Managing Director's Review of Operations (cont'd)

Buildings built by using EMMEDUE Advanced M2 Building System:



Apartments "Paradiso Playa" in Pinamar, Argentina.



Boquete in Panama.



Row houses in Ecuador.

OUTLOOK AND PROSPECT

The national construction sector is projected to grow at a moderate pace of 10% in 2014 following the cessation of construction activities in the civil engineering subsector due to completion of several major infrastructure projects. The Group will, however tap on the opportunities arising from other subsector such as residential and non-residential projects which are expected to remain stable under the government's transformation programme.

Our polyurethane architecture moulding and decorative products continue to post a positive outlook with the recapturing of the American market and the new Georgian market. We will continue to explore more European market through roadshows and exhibitions while not neglecting the small but promising market in our home country.

The Group is optimistic that by drawing synergy from the operations of PM2, it will push us another notch higher for a satisfactory financial performance in 2014.

CONCLUSION

I would like to take this opportunity to thank all our employees for their commitment and dedication throughout the years to bring the Group to this new level and onwards to greater achievements. To the Management Team, my sincere gratitude for all their advices and support provided throughout the years in gearing the Group to achieving its goals. With your unwavering effort, we will not be far from achieving our vision—to be the preferred and trusted construction firm in the industry soon.

WIE HOCK BENG

Managing Director
22 April 2014



Pesona Saferay's products used as part of the interior design work of a Yemeni Restaurant at Publika, Kuala Lumpur.

Corporate Responsibility Report

It is our believe that Corporate Responsibility will aid the Group in achieving our mission as well as a guide to what we stand for and will uphold our core values towards our stakeholders. In order to protect the long term shareholder value and sustainability of the Group, our CR activities aim at improving the livelihood of our community, preserving our environment, providing a conducive workplace and maintaining a fair marketplace for all.

In 2013, Pesona Metro Holdings Berhad ("PMHB") intensified its CR efforts and rolled out a list of activities and programmes alongside with its business planning and strategy to maximize its returns towards the stakeholders.



WORKPLACE

Our workforce is made up of a diversified group of dedicated employees from all walks of life. Therefore, it is our aim to create a great workplace that will continue to retain our talents and also attract new ones. This objective is attained not just through reward and career enhancement but also to ensure a conducive and healthy working environment.

OHSAS 18001 : 2007 Accreditation

On 7 March 2014, PMSB was accredited with OHSAS 18001 : 2007 for complying with the occupational health and safety management system by international standards. We now abide by the more stringent health and safety standards set by SIRIM Malaysia to ensure the health and safety of our employees through a standardized manner with proper documentation throughout all construction sites.

Workplace Health and Safety

The nature of our business exposes our employees to a wide range of workplace hazards/risks, especially those at construction and manufacturing sites. The key risk factors faced by them include working at heights, working near dangerous openings, operating heavy equipment, lifting operation, working in confined space and exposure to high levels of noise, dust and also chemicals.

We believe that maintaining a safe and healthy working environment at our workplace is the responsibility of management, staff and all other personnel including consultants, subcontractors and workers. Therefore, in order to prevent any unwanted mishaps, we aim to create a 'safety first' approach where safety demands top priority in every activity. We emphasize and encourage all employees to take responsibility for our own safety, and the safety of those around us as well as the end users of our products. We cultivate this awareness and action through the implementation of Health, Safety and Environment ("HSE") Policy, in-house and external trainings, meetings, talks, conferences, and awareness workshops.

Our core aims and objectives of our HSE Policy are as follows:

1. Adopt a Safety and Health Policy as a condition of employment
2. Comply with all applicable legislation and requirements
3. Educate and instil safe working practices in employees and subcontractors
4. Ensure sound and safe work procedures and instructions are applied and followed at all times, and
5. Prevent incidences, reduce or eliminate work hazards to employees and subcontractors, damage to assets and hamper our operations.

As at 31 December 2013, we have recorded a total manhour of 6,054,771 and zero time-loss injury.

Corporate Responsibility Report (cont'd)

HSE Activities in 2013

1. Training on proper usage of various fire extinguishers and proactive emergency escape methods.



2. Demonstration on proper usage of body harness when working at heights



3. Training on proper usage of grinding machines



4. Safe operations and usage of Gondola



5. CPR and First Aid Training



6. Emergency response and fire evacuation drill by trained ERT.



7. Demonstration on rescue of victim from height



8. Testing of fire fighting system by Jabatan Bomba dan Penyelamat Malaysia



9. Weekly Gotong-royong, fogging and larvae ceding at all construction site



Corporate Responsibility Report (cont'd)

HSE Activities in 2013

10. ISO 18001 training and awareness programme held in October 2013



11. Site Audit



HSE Best Practice

1. Body harness for working at edges and at height
2. Proper methods of fixing pipes at ceiling using mobile scaffolding
3. Completely covered heavy-duty safety netting to prevent falling objects
4. Clean walkway with barrier to prevent tripping/falling over at the perimeter edges
5. Life cage barricades for all lift core openings
6. Beam clam to hold i-beam safely

Trainings and Development

We believe in investing in training and development of our employees. This is to ensure that our employees achieve their full potential to meet market expectations. For FY2013, we clocked in a total of 990 training hours, which is approximately 9.43 hours per employee. We endeavour to clock in more training hours in 2014 to ensure our employees have the skills required to keep up with the developments in technology and to ensure our competitiveness in the industry.

Awards and Encouragement

We introduced the Good Action Award ("GAA") two years ago. This annual award is designed to encourage employees, despite their ranking and location of workplace, to showcase their creativity and perseverance in introducing new ideas or methods in his/her work processes, which in turn, result in excellent work performance and deliverance of high quality products to our clients.

In 2013, eight employees were awarded with the GAA.

Likewise, to encourage good Health, Safety and Environment practices at site, we give recognition to employees and sub-contractors who adhere to our HSE rules and regulations by rewarding them with cash prizes during our annual dinners. In 2013, we have given out 3 prizes according to the employee, construction site and sub-contractor categories respectively.



Corporate Responsibility Report (cont'd)

Sports Club

We have set up a Sports Club to serve as a common platform to enable employees of all levels to interact with each other in a casual atmosphere. Through this, employees from both sites and headquarters get a chance to mingle and create a stronger bond with one another.



Throughout 2013, the Sports Club Committee organised the following activities to spur interactions among the employees:

1. Weekly futsal sessions
2. Weekly badminton sessions
3. Bowling Tournament
4. Futsal JKPP Tournament



Besides friendly sporting activities, we hold a weekly gotong-royong in collective pursuit of house-keeping. This is organised by Headquarter administration to ensure a clean and hazard-free workplace at all times. Employees will set aside an hour before the end of every working Saturday to clean up and tidy up their respective work station, adhering to the 5-S procedures.

COMMUNITY

We are also constantly engaged in philanthropic activities, by volunteering our time and funds to assist the less fortunate. We take these philanthropic activities seriously as we believe it will create compassionate employees, sensitive to their social environment, while encourage bonding with each other from all levels.

For the year under review, we visited three charity organisations and supported them with daily necessities and also funds to upkeep for their daily operations.

Persatuan Insan Istimewa Cheras, Selangor

Home and training centre for children with special needs such as Down syndrome, spastic, autistic and hyperactivity.



Corporate Responsibility Report (cont'd)

PJ Caring Home, Selangor

A home for the mentally ill group who are homeless or from the poor income group. This home is the first of its kind to adopt the "open concept" where residents are encouraged to mingle and interact with the public through short trips to nearby shops or local coffee shops.



Yayasan Sunbeam Home, Kuala Lumpur

A non-governmental, self-supporting multi-racial home for the displaced, misplaced, abused and neglected children of single-parents.



Corporate Responsibility Report (cont'd)

Scholarship

In view of the plight of many deserving yet financially challenged scholars in our society, we have started giving out scholarships to the outstanding students since 2011 to pursue their tertiary education. By 2013, we have sponsored four deserving undergraduates to pursue their education in local universities. We are very pleased with this sponsorship programme and we look forward to supporting more such students, whom we believe will be contributing their talents back to society upon completion of their studies.



ENVIRONMENT

As a builder and manufacturer, we are highly aware that we make significant impact to the environment in our daily operations, through the waste generated, and energy and resources consumed. Therefore, we aim to reduce the damage to our natural environment via various protective measures.

ISO 14001 : 2004 Accreditation

In May 2013, PMSB was accredited with ISO 14001 : 2004 for complying with the requirements of an environmental management system of international standards. Therefore, our stakeholders can be assured that our operations are guided by international standard operating procedures throughout the supply chain, and that our company is committed to respecting and reducing any harm to our natural environment. Not only that, but there are also cost savings incurred from reduced wastage which will be channelled back to the company and stakeholders, thus improving efficiency and better margins.

Green Building Material

In response to the call to reduce environmentally harmful effects in this industry, we started producing PM2 panels to replace conventional bricks for structural walls in our construction projects. We are currently in the progress of obtaining green certification for this product and it is our very first step into introducing a green building material that is 100% recyclable and non-toxic.



Corporate Responsibility Report (cont'd)

Waste Management

Waste is one of the most impactful areas which we are seriously looking into. It is our target to reduce waste generated especially from our construction site during rectification and demolition stages. For this purpose, we sort out waste more prudently to ensure we maximize recycling possibilities. Besides, we also persistently emphasize on improving our job accuracy to reduce the need for rework or corrections, which end up as unnecessary waste in the landfill.

We also organise monthly recycling programme for all our staff by encouraging them to collect recyclable items from our workplace and homes such as paper, aluminium cans, bottles and other materials. These items will then be sent to the Taiwan Buddhist Tzu Chi Foundation Malaysia for recycling.



Statement on Corporate Governance

The Board of Directors ("Board") 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. The Board guides and monitors the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group.

Key responsibilities of the Board 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 programme. 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 day-to-day management of the Group delegated to the Managing Director. This formal structure of delegation is further cascaded by the Managing Director to the senior management team within the Group. 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 between the Board, 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 the 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, community).

Statement on Corporate Governance (cont'd)

BOARD RESPONSIBILITIES (cont'd)

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 Board Charter can be viewed in the Company's website.

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 responsibilities is set out in pages 22 to 28 of this Annual Report.

COMPOSITION OF THE BOARD

The Board was formed on 8 August 2012. Currently, it has five members, comprising one non-independent executive Director, two non-independent non-executive Directors and two independent non-executive Directors. Two 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 8 to 10 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 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 composition 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 a suitable female candidate who best fit the Company's needs to be appointed as 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 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 2013 were:

Board of Directors	5 meetings
Audit Committee	5 meetings
Nomination Committee	1 meeting
Remuneration Committee	1 meeting

Statement on Corporate Governance

(cont'd)

BOARD MEETINGS (cont'd)

The composition of the Board and the attendance of each 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	5/5
Datuk Hj Subhi bin Dziauddin	Deputy Chairman	Non-Independent and Non-Executive	5/5
Wie Hock Beng	Managing Director	Non-Independent and Executive	5/5
Wie Hock Kiong	Director	Non-Independent and Non-Executive	5/5
Loh Kong Fatt	Director	Independent and Non-Executive	5/5

INFORMATION FOR THE BOARD

The Directors are provided with adequate Board reports on a timely manner prior to the Board meetings 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 issues. 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 provides that the tenure of an independent director should not exceed a cumulative term of nine years.

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 as 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. The Nomination Committee had undertaken an assessment of its independent Directors during its meeting.

Statement on Corporate Governance

(cont'd)

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 number 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.

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 non-executive Director. The composition of the Nomination Committee is as follows:

Dato' Lee Tuck Fook (*Chairman*)
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. There was no new appointment of new directors during the financial year. The Nomination Committee will look into the criteria to be used in the selection process when the need arises.

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 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.

Statement on Corporate Governance

(cont'd)

BOARD COMMITTEES (cont'd)

Nomination Committee (cont'd)

Meetings of the Nomination Committee are held as and when necessary, and at least once a year. During the financial year, the Nomination Committee met once 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.

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 and the criteria used for selection 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 its duties and to give sufficient commitment, time and attention to the affairs of the Company.

The Board is supported by suitably qualified and competent Company Secretaries. The Company Secretaries have the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed.

Statement on Corporate Governance

(cont'd)

DIRECTORS' TRAINING

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

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

Name of conference, seminar and training programme

- Goods and Services Act
- Risk Management.

The Company has adopted educational/training programmes 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.

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 2013 are as follows:

	Non-executive Directors RM'000	Executive Directors RM'000	Total RM'000
Directors' fees	168	-	168
Salaries	-	420	420
Bonuses	-	210	210
Employees provident fund contribution	-	78	78
Benefits in kind & allowances	-	19	19
Total	168	727	895

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 RM700,001 to RM750,000	-	1

Statement on Corporate Governance

(cont'd)

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

Related Party Transactions

Directors recognise 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 transactions are reviewed as part of the annual internal audit plan. The Audit Committee reviews all related party transactions and conflict of interest situation which arise within the Group that may challenge the Group's integrity. Details of the related party transactions are set out in Note 28 to the 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 a 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

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.

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.

Statement on Corporate Governance (cont'd)

RECOGNISE AND MANAGE RISKS (cont'd)

Internal Audit Function (cont'd)

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, Company websites and investor relations.

The Annual Reports have comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide investor 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 core businesses and operations of the Group, 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 investor relation matters is:

Wie Hock Beng

Managing Director

Telephone Number : +60 3 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 platforms to meet investors and address their concerns. The Board, senior management and external auditors attend all such meetings. Registered shareholders are also invited to attend and participate actively in these meetings, including clarifying and questioning the Company's strategic directions, business operations, performances 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 Audit Committee was established by the Board of Directors ("Board") of Pesona Metro Holdings Berhad on 8 August 2012.

OBJECTIVE

The Audit Committee was established to act as a Committee of the Board 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 members, all of whom must be non-executive Directors, with majority of them being independent Directors.
2. At least one 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 in every three years.

Audit Committee Report

(cont'd)

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 which may challenge the Board's integrity.

Audit Committee Report (cont'd)

FUNCTIONS (cont'd)

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.
4. To review the Group's quarterly financial results and full year financial statements, prior to the approval by the Board 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 times a year.
2. The quorum for each meeting shall be in the presence of two members and majority must be independent Directors.
3. The Managing Director, the Chief Financial Officer and the Internal Auditors shall normally attend the meetings. Other Board members and employees may attend the meetings by invitation from 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.

The Audit Committee held five meetings during the financial year ended 31 December 2013 which were attended by all the members as shown below:-

Audit Committee Member	Attendance
Dato' Lee Tuck Fook	5/5
Wie Hock Kiong	5/5
Loh Kong Fatt	5/5

Audit Committee Report

(cont'd)

SUMMARY OF ACTIVITIES

Activities carried out by the Audit Committee during the financial year ended 31 December 2013 included the following:-

- a) Reviewed the financial statements for the financial year ended 31 December 2012 with the External Auditors and made recommendations to the Board for approval.
- b) Reviewed with the External Auditors in the absence of management and the executive Director, the extent of assistance rendered by management and issues and reservations arising from the audit.
- c) Reviewed the quarterly unaudited results with the management and made recommendations to the Board for approval and release to Bursa Securities.
- d) Reviewed the adequacy and the scope of internal audit plan and results of the internal audits and ensured corrective actions were taken in addressing the issues reported by the Internal Auditors.
- e) Reviewed all the recurrent related party transactions to ensure the transactions entered into were at arm's length, on normal commercial terms and within the limit approved by the shareholders during the last meeting.

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 period under review.

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

2. BOARD RESPONSIBILITY

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

The Board is also aware that a sound internal control system provides reasonable and not absolute assurance that the Company will not be hindered in achieving its business objectives in the ordinary course of business. It should also be appreciated that the whole system of internal control is designed to manage and control risks appropriately rather than a definitive system designed for the total avoidance of risks or for eliminating the risk of failure. For the financial year ended 31 December 2013, the Company has undertaken processes to review its risk management framework.

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

3. CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK

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

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

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

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

- a) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks through the internal audit review; and
- b) Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Statement on Risk Management and Internal Control (cont'd)

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 the management. It also reviews the internal controls in the key activities of the Group's business based on the risk profiles of the business units in the Group. In addition, the internal auditors carry out periodic assignments to ensure the policies and procedures established by the Board are complied with by the management. All reports and findings arising from these reviews are discussed primarily with the respective process custodians prior to a formal report being presented to the Audit Committee.

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

In the year under review and based on the Audit Plan 2014, the following areas are the internal audit compliance reviews undertaken by the auditors:

- 1) Project Tender Cycle
- 2) Pre-Construction
- 3) Construction
- 4) Production
- 5) Operational Risk Management

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

5. OTHER KEY INTERNAL CONTROL ELEMENTS

- Clearly defined terms of reference, authorities and responsibilities of the various committees which include the Audit Committee, Nomination Committee and Remuneration Committee.
- Well defined organisational 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 meets regularly with senior management to consider the Group's financial performance, business initiatives and other management and corporate issues.

Statement on Risk Management and Internal Control (cont'd)

5. OTHER KEY INTERNAL CONTROL ELEMENTS (cont'd)

- There are regular Board meetings and Board papers are distributed in advance to all Board members who are entitled to receive and access all necessary and relevant information. Decisions of the Board are only made after the required information is made available and deliberated on by the Board. The Board maintains complete and effective control over the strategies and direction of the Group.
- The Audit Committee reviews the effectiveness of the Group's system of internal control on behalf of the Board. The Audit Committee comprises of non-executive members of the Board, who are independent Directors. The Audit Committee is not restricted in any way in the conduct of its duties and has unrestricted access to the internal and external auditors of the Company and to all employees of the Group. The Audit Committee is also entitled to seek other third party independent professional advice deemed necessary in the performance of its responsibility.
- The Audit Committee reviews all the internal control issues identified by the external and internal auditors and action taken by the management in respect of the findings arising therefrom. The internal audit reports directly to the Audit Committee. Findings are communicated to the management and the Audit Committee with recommendations for improvement and subsequently follow up to ensure all agreed recommendations are implemented. The internal audit plan is structured on risk based approach and is reviewed and approved by the Audit Committee.
- Review of all proposals for material capital and investment opportunities by the senior management and approval for the same by the Board prior to expenditure being committed.
- There are sufficient reports generated in respect of the business and operating units to enable proper review of the operational, financials and regulatory environment. Management Accounts are prepared timely and on a monthly basis and is reviewed by the Managing Director and senior management.
- The professionalism and competency of staff are enhanced through a structured training and development programme. A performance appraisal system is in place with established key performance indicators to measure and review staff performance on an annual basis.
- The decision of the Board in appointing Audex Governance Sdn Bhd to manage the internal audit functions of the Company on an outsourced basis will ensure greater independence and accountability.

6. CONCLUSION

For the financial year ended 31 December 2013, the Board is of the opinion that there is no significant weakness in the system of internal control, contingencies, or uncertainties that could result in material loss and adversely affect the Group. The Group continues to take necessary measures to strengthen its internal control structure and the management of risks.

The total cost incurred in managing the Internal Audit function was 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 2013 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 policies and with usage of reasonable and prudent judgement and estimates.

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

In compliance with the several responsibilities of the Directors, the Directors present the financial statements of the Company and the Group for the financial year ended 31 December 2013 as set out on pages 48 to 108 of this Annual Report.

Additional Information

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2013, there was no issuance of options, warrants and convertible securities.

UTILISATION OF PROCEEDS

On 23 December 2013, the Company issued 46,382,000 new PMHB Shares pursuant to the Private Placement exercise at an issue price of RM0.44 per share. The proceeds of RM20.408 million raised is to be utilized as follows:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation RM'000	%
Setting up of the Industrialised Building System ("IBS") plant	10,000	2,844	Within 24 months	-	-
Working capital	10,258	-	Within 12 months	-	-
Private placement expenses *	150	153	Within 1 month	(3)	(2)
Total	20,408	2,997		(3)	(2)

Note:-

* The actual expenses incurred pursuant to the Private Placement is higher than the amount budgeted and thus, the deficit was funded out of the portion allocated for working capital.

NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors by the Company for the year ended 31 December 2013 was RM3,000.00.

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

In addition to the details of RRPT as disclosed in Note 28 of the financial statements, the transaction with related party during the financial year are as detailed below:-

Type of transactions	Related Parties
Progress 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*
Progress 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.

The above recurrent related party transactions are of revenue or trading in nature and are entered into in the ordinary course of business. The shareholders' mandate was obtained on 14 June 2013.

Additional Information

(cont'd)

REVALUATION OF LANDED PROPERTY

The Group adopts the fair value approach for this investment property and valuations are done as and when applicable.

SHARE BUY-BACKS

There was no share buy-backs.

SANCTIONS AND/OR PENALTIES

In the financial year ended 31 December 2013, 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 2013.

PROFIT GUARANTEE

During the financial year, there were no profit guarantees provided by the Company.

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 2013.

DEPOSITORY RECEIPT PROGRAMME

During the financial year ended 31 December 2013, the Company did not sponsor any Depository Receipt Programme.



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Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

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
Net profit for the financial year	11,719,228	4,840,890

DIVIDENDS

In the previous year, a single tier final dividend of RM0.01 per ordinary share, amounting to RM4,638,204 in respect of the financial year ended 31 December 2012 was paid on 28 June 2013.

A single tier interim dividend of RM0.01 per ordinary share, amounting to RM5,102,025 in respect of the financial year ended 31 December 2013 was paid on 26 March 2014.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid up share capital from RM115,955,112 to RM127,550,612 through private placement of 46,382,000 new ordinary shares of RM0.25 per share at an issue price of RM0.44 per share for working capital purposes.

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.

Directors' Report

(cont'd)

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 in office since the date of the last report are as follows:

Dato' Lee Tuck Fook
Datuk Hj Subhi Bin Dziauddin
Wie Hock Beng
Wie Hock Kiong
Loh Kong Fatt

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 RM0.25 each			
	At 1.1.2013	Acquired	Disposed	At 31.12.2013
Direct interest:				
Wie Hock Beng	8	-	-	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' BENEFITS

Since the end of the previous financial year, 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 28 to the financial statements.

Directors' Report

(cont'd)

DIRECTORS' BENEFITS (cont'd)

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 financial position and statements of comprehensive income of the Group and of 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 provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and
 - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have 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; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading, or
 - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (d) 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.
- (e) In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature, occurred in the interval between the end of the financial year and the date of this report.

Directors' Report

(cont'd)

SIGNIFICANT EVENTS

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

SUBSEQUENT EVENT

Subsequent event subsequent to the financial year is disclosed in Note 33 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 22 April 2014.

WIE HOCK BENG

KUALA LUMPUR

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 55 to 107 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 2013 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in page 108 to the financial statements 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 22 April 2014.

WIE HOCK BENG

DATUK HJ SUBHI BIN DZIYAUDDIN

KUALA LUMPUR

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 55 to 108 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 on 22 April 2014)

CHONG KIEN ENG @ TEO KIEN ENG

Before me,

MOHAN A.S. MANIAM W521
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 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 55 to 107.

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 is 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 108 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 MATTER

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

KUALA LUMPUR
22 April 2014

NG WEE TEIK

Approved Number: 1817/12/14 (J)
Chartered Accountant

Statements Of Financial Position

As At 31 December 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Non-Current Assets					
Property, plant and equipment	4	16,500,934	12,817,668	-	-
Investment properties	5	1,640,000	1,560,000	-	-
Investment in subsidiary companies	6	-	-	100,243,725	100,193,725
Trade receivables	7	7,164,553	4,494,933	-	-
		25,305,487	18,872,601	100,243,725	100,193,725
Current Assets					
Amounts due from contract customers	8	2,140,938	8,270,588	-	-
Inventories	9	3,537,337	2,710,342	-	-
Trade receivables	7	45,689,397	36,054,437	-	11,000,000
Other receivables	10	14,965,936	14,371,975	5,000	4,500
Amounts owing by subsidiary companies	11	-	-	5,536,470	2,662,509
Tax recoverable		730,612	6,483	7,288	-
Fixed deposits with licensed banks	12	80,711,615	40,791,833	35,615,978	7,613,533
Cash and bank balances		7,977,219	10,053,230	565,990	81,163
		155,753,054	112,258,888	41,730,726	21,361,705
Total Assets		181,058,541	131,131,489	141,974,451	121,555,430
Equity					
Share capital	13	127,550,612	115,955,112	127,550,612	115,955,112
Share premium	14	8,659,138	-	8,659,138	-
Reverse acquisition reserve	15	(91,000,000)	(91,000,000)	-	-
Retained profits		40,506,539	38,527,540	603,297	5,502,636
Total Equity		85,716,289	63,482,652	136,813,047	121,457,748
Non-Current Liabilities					
Trade payables	16	6,778,405	11,152,860	-	-
Hire purchase payables	17	330,854	-	-	-
Bank borrowings	18	-	16,926	-	-
Deferred tax liabilities	19	789,641	829,792	-	-
		7,898,900	11,999,578	-	-
Current Liabilities					
Amounts due to contract customers	8	25,721,454	8,011,950	-	-
Trade payables	16	44,216,302	35,793,080	-	-
Other payables	20	16,278,635	8,889,034	5,161,404	78,000
Amounts owing to subsidiary companies	11	-	-	-	12,720
Hire purchase payables	17	78,073	-	-	-
Bank borrowings	18	1,148,857	1,450,961	-	-
Tax payable		31	1,504,234	-	6,962
		87,443,352	55,649,259	5,161,404	97,682
Total Liabilities		95,342,252	67,648,837	5,161,404	97,682
Total Equity and Liabilities		181,058,541	131,131,489	141,974,451	121,555,430

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

Statements Of Comprehensive Income

For The Financial Year Ended 31 December 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Revenue	21	296,887,419	220,775,354	5,366,634	11,050,434
Cost of sales		(268,106,698)	(189,108,081)	-	-
Gross profit		28,780,721	31,667,273	5,366,634	11,050,434
Other income		2,781,314	2,320,898	-	-
Administrative expenses		(15,521,404)	(16,710,416)	(524,466)	(5,530,458)
Finance costs	22	(63,464)	(82,678)	-	-
Profit before taxation	23	15,977,167	17,195,077	4,842,168	5,519,976
Taxation	24	(4,257,939)	(5,424,427)	(1,278)	(11,462)
Net profit for the financial year, representing total comprehensive income for the financial year		11,719,228	11,770,650	4,840,890	5,508,514
Earnings per share (sen)					
Basic	25	2.52	2.91		
Dilution		N/A	N/A		

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

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2013

Group	Note	Attributable to Owners of the Parent				Total RM
		Non-Distributable		Distributable		
		Share Capital RM	Share Premium RM	Reverse Acquisition Reserve RM	Retained Profits RM	
At 1 January 2013		115,955,112	-	(91,000,000)	38,527,540	63,482,652
Net profit for the financial year		-	-	-	11,719,228	11,719,228
Total comprehensive income for the financial year		115,955,112	-	(91,000,000)	50,246,768	75,201,880
Transactions with owners:						
Issued of shares for private placement	13,14	11,595,500	8,659,138	-	-	20,254,638
Dividends	27	-	-	-	(9,740,229)	(9,740,229)
Total transactions with owners		11,595,500	8,659,138	-	(9,740,229)	10,514,409
At 31 December 2013		127,550,612	8,659,138	(91,000,000)	40,506,539	85,716,289

Group	Note	Attributable to Owners of the Parent				Total RM
		Non-Distributable		Distributable		
		Share Capital RM	Share Premium RM	Reverse Acquisition Reserve RM	Retained Profits RM	
At 1 January 2012		2	-	-	40,256,890	40,256,892
Net profit for the financial year		-	-	-	11,770,650	11,770,650
Arising from reverse acquisition exercise		-	-	(91,000,000)	-	(91,000,000)
Total comprehensive income for the financial year		-	-	(91,000,000)	11,770,650	(79,229,350)
Transactions with owners:						
Issued of shares for:	13					
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
Dividends	27	-	-	-	(13,500,000)	(13,500,000)
Total transactions with owners		115,955,110	-	-	(13,500,000)	102,455,110
At 31 December 2012		115,955,112	-	(91,000,000)	38,527,540	63,482,652

* Represents RM0.50

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2013 (cont'd)

	Note	Share Capital RM	Non- Distributable Share Premium RM	Distributable Retained Profits RM	Total RM
Company					
At 1 January 2013		115,955,112	-	5,502,636	121,457,748
Net profit for the financial year		-	-	4,840,890	4,840,890
Total comprehensive income for the financial year		115,955,112	-	10,343,526	126,298,638
Transactions with owners:					
Issued of shares for private placement	13,14	11,595,500	8,659,138	-	20,254,638
Dividends		-	-	(9,740,229)	(9,740,229)
Total transactions with owners		11,595,500	8,659,138	(9,740,229)	10,514,409
At 31 December 2013		127,550,612	8,659,138	603,297	136,813,047
Company					
At 1 January 2012		2	-	(5,878)	(5,876)
Net profit for the financial year		-	-	5,508,514	5,508,514
Total comprehensive income for the financial year		2	-	5,502,636	5,502,638
Transactions with owners:					
Issued of shares for:	13				
Additional shares issued		*	-	-	*
Acquisition of subsidiary companies		96,000,000	-	-	96,000,000
Share exchange for reverse acquisition purpose exercise		9,955,110	-	-	9,955,110
Private placement		10,000,000	-	-	10,000,000
Total transactions with owners		115,955,110	-	-	115,955,110
At 31 December 2012		115,955,112	-	5,502,636	121,457,748

* Represents RM0.50

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2013

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash Flows From Operating Activities				
Profit before taxation	15,977,167	17,195,077	4,842,168	5,519,976
Adjustments for:				
Depreciation of property, plant and equipment	3,344,789	3,597,246	-	-
Inventories written down	133,700	214,534	-	-
Inventories written off	188,648	16,569	-	-
Interest expenses	63,464	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	95,502	127,561	-	-
Dividend income	-	-	(5,000,000)	(11,000,000)
Fair value adjustment on investment properties	(80,000)	(340,424)	-	-
Gain on disposal of property, plant and equipment	(375,028)	(92,695)	-	-
Interest income	(1,354,971)	(1,253,104)	(366,634)	(50,434)
Reversal of inventories written down	(498,000)	(245,707)	-	-
Unrealised gain on foreign exchange	(20,026)	(2,927)	-	-
Operating profit/(loss) before working capital changes	17,475,245	22,397,686	(524,466)	(2,431,580)
Changes in working capital:				
Inventories	(651,343)	(364,615)	-	-
Receivables	(12,898,541)	9,782,241	(500)	(4,500)
Payables	6,336,343	6,845,062	(18,621)	77,000
Amount owing by/to customers on contracts	23,839,154	(13,526,925)	-	-
Amounts owing by/to subsidiary companies	-	-	(2,886,681)	12,720
Amount owing to a Director	-	(4,878)	-	(4,878)
	16,625,613	2,730,885	(2,905,802)	80,342
Cash generated from/(used in) operations	34,100,858	25,128,571	(3,430,268)	(2,351,238)
Interest received	1,354,971	1,253,104	366,634	50,434
Interest paid	(63,464)	(82,678)	-	-
Tax refund	11,203	67,888	-	-
Tax paid	(6,537,625)	(4,510,288)	(15,528)	(4,500)
	(5,234,915)	(3,271,974)	351,106	45,934
Net cash generated from/(used in) operating activities	28,865,943	21,856,597	(3,079,162)	(2,305,304)

Statements Of Cash Flows

For The Financial Year Ended 31 December 2013 (cont'd)

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	4(b)	(8,090,085)	(3,338,404)	-	-
Proceeds from disposal of property, plant and equipment		1,780,450	364,300	-	-
Additions of investment in subsidiary companies		-	(2)	(50,000)	(2)
Dividends received		-	-	16,000,000	-
Net cash (used in)/generated from investing activities		(6,309,635)	(2,974,106)	15,950,000	(2)
Cash Flows From Financing Activities					
Repayment of hire purchase payables		(29,967)	-	-	-
Repayment of bank borrowings		(319,030)	(1,342,532)	-	-
Proceeds from issuance of shares		20,254,638	10,000,000	20,254,638	10,000,000
Decrease of fixed deposits pledged with licensed banks		1,238,865	1,110,415	-	-
Dividend paid		(4,638,204)	(13,500,000)	(4,638,204)	-
Net cash generated from/(used in) financing activities		16,506,302	(3,732,117)	15,616,434	10,000,000
Net increase in cash and cash equivalents		39,062,610	15,150,374	28,487,272	7,694,694
Cash and cash equivalents at beginning of the financial year		31,711,260	16,557,959	7,694,696	2
Effect of exchange translation difference on cash and cash equivalents		20,026	2,927	-	-
Cash and cash equivalents at end of the financial year		70,793,896	31,711,260	36,181,968	7,694,696
Cash and cash equivalents at end of the financial year comprises:					
Fixed deposits with licensed banks		80,711,615	40,791,833	35,615,978	7,613,533
Cash and bank balances		7,977,219	10,053,230	565,990	81,163
		88,688,834	50,845,063	36,181,968	7,694,696
Less: Fixed deposits pledged with licensed banks		(17,894,938)	(19,133,803)	-	-
		70,793,896	31,711,260	36,181,968	7,694,696

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, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

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.

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.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act 1965 in Malaysia.

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

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

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119 (2012)	Employee Benefits (as amended by IASB in June 2011)
MFRS 127 (2012)	Separate Financial Statements (as amended by IASB in May 2011)
MFRS 128 (2012)	Investments in Associates and Joint Ventures (as amended by IASB in May 2011)
MFRS 3	Business Combinations (IFRS 3 issued by IASB in March 2004)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)
IC Interpretation 20	Stripping Costs in the Production of A Surface Mine
Amendments to MFRS 1	Government Loans
Amendments to MFRS 7	Disclosure - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
Amendments to MFRSs contained in the document entitled "Annual Improvements 2009 – 2012 Cycle"	

Notes To The Financial Statements

(cont'd)

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

The effects of the adoption of applicable MFRSs and amendments to MFRSs above are summarised below:

(a) *MFRS 10 Consolidated Financial Statements and MFRS 11 Joint Arrangements*

Under MFRS 10, an investor controls an investee when the investor has:

- (i) The power by investor over an investee;
- (ii) Exposure, or rights, to variable returns from investor's involvement with the investee; and
- (iii) Ability to affect those returns through its power over investee.

This new control model differs from how previously companies were assessed to be a subsidiary. Under MFRS 127, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

Upon adoption of the two new MFRSs, the Group has reviewed the relationships with its investments in other entities to assess whether the conclusion to consolidate is different under MFRS 10 than under MFRS 127, and noted no material differences were found for any of the investments.

(b) *MFRS 12 Disclosure of Interests in Other Entities*

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

(c) *MFRS 127 Separate Financial Statements (as amended by IASB in May 2011)*

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, joint controlled entities and associates in separate financial statements. This standard affects disclosures only and has no impact on the Group's financial position or performance.

Notes To The Financial Statements

(cont'd)

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(d) *MFRS 128 Investments in Associates and Joint Ventures (as amended by IASB in May 2011)*

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates. This standard affects disclosures only and has no impact on the Group's financial position or performance.

(e) *MFRS 13 Fair Value Measurement*

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

(f) *MFRS 119 Employee Benefits (as amended by IASB in June 2011)*

The adoption of the revised MFRS 119 has affected the accounting treatment of certain items such as the timing of the recognition of actuarial gains and losses arising from defined benefit plans and the presentation of changes in defined benefit liability or asset. The key changes include:

Actuarial gains and losses (renamed as 'remeasurements') are recognised immediately in other comprehensive income, and are not subsequently recycled to statement of profit or loss. The corridor approach for accounting for unrecognised actuarial gains in prior years is discontinued.

Past service costs, whether unvested or already vested, are recognised immediately in the statement of profit or loss as incurred and the annual defined benefit costs in the statement of profit or loss will include net interest expense / income on the defined benefit asset / liability

The adoption of this revised MFRS 119 has resulted in changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. This change in accounting policy has been accounted for retrospectively.

(g) *MFRS Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income*

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (e.g. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (e.g. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

Notes To The Financial Statements

(cont'd)

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

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

		Effective dates for financial periods beginning on or after
Amendment to MFRSs 10, 12 and 127	Investment Entity	1 January 2014
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedging	1 January 2014
Amendments to MFRS 119	Defined Benefits Plans: Employee Contributions	1 July 2014
IC Interpretation 21	Levies	1 January 2014
Amendments to MFRSs contained in the document entitled "Annual Improvements 2010 – 2012 Cycle"		1 July 2014
Amendments to MFRSs contained in the document entitled "Annual Improvements 2011 – 2013 Cycle"		1 July 2014
Amendment to MFRS 7	Mandatory Date of MFRS 9 and Transition Disclosures	To be announced
MFRS 9 (IFRS 9 (2009))	Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 (IFRS 9 (2010))	Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced

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

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company except as mentioned below:

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.

Notes To The Financial Statements

(cont'd)

2. BASIS OF PREPARATION (cont'd)

(b) Functional and presentation currency

The 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 of the 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.

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 period are set out below.

Useful lives of property, plant and equipment (Note 4)

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 2013, 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 (Note 6)

The carrying values of investment in subsidiary companies 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 (Note 9)

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.

Notes To The Financial Statements

(cont'd)

2. BASIS OF PREPARATION (cont'd)

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

Impairment of loans and receivables (Notes 7 and 10)

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 (Notes 8 and 21)

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.

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.

Notes To The Financial Statements

(cont'd)

2. BASIS OF PREPARATION (cont'd)

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

Income taxes (Note 24)

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the financial period in which such determination is made.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, which have been prepared in accordance with the Group's accounting policies, and are all drawn up to the same reporting period.

(i) *Subsidiary companies*

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

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less any impairment losses, 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) *Consolidation*

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Changes in the Company owners' ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid is recognised directly in equity.

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Consolidation (cont'd)

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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 business combination. The consideration transferred for acquisition of a subsidiary company is the fair value of the assets transferred, 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 profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(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.

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currency translation and balances (cont'd)

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

(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.

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

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 ⅓ - 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.

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.

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Leases (cont'd)

(ii) Operating lease (cont'd)

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

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

(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 reporting period 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 reporting period 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 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.

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.

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)

The Group and the Company classify their financial assets as loan and receivables.

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.

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 of financial assets

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) *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.

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Financial Liabilities (cont'd)

(ii) *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.

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 of financial liabilities

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.

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Construction Contracts (cont'd)

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.

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.

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.

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment of assets (cont'd)

(ii) *Financial assets*

All financial assets, other than investment in subsidiary 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.

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 comprise cash in hand, bank balances and deposits with banks 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 pledged deposits.

(l) Share capital

(i) *Ordinary shares*

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of 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.

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Share capital (cont'd)

(ii) *Distribution of non-cash assets to owners of the Company*

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the shares to be distributed. At the end of the reporting period and on the settlement date, the Group reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Group settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

(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.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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).

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Revenue recognition (cont'd)

(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.

(v) Rental income

Rental income is recognised on an accrual basis.

(q) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(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.

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Notes To The Financial Statements

(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Building RM	Long term leasehold land and building RM	Motor vehicle RM	Office equipment RM	Furniture and fittings RM	Plant and machinery RM	Computer RM	Mould RM	Renovation RM	Total RM
Group 2013											
Cost											
At 1 January 2013	980,251	139,214	1,499,184	9,266,461	713,212	1,728,839	10,949,465	1,599,866	8,514,597	163,125	35,554,214
Additions	2,390,735	-	-	1,745,516	112,680	48,618	3,782,803	181,118	175,526	91,983	8,528,979
Disposal	-	-	-	(2,172,086)	(3,100)	-	(1,538,963)	-	-	-	(3,714,149)
Written off	-	-	-	(4,013)	(131,806)	(21,111)	(221,314)	(417,474)	(31,772)	-	(827,490)
At 31 December 2013	3,370,986	139,214	1,499,184	8,835,878	690,986	1,756,346	12,971,991	1,363,510	8,658,351	255,108	39,541,554
Accumulated depreciation											
At 1 January 2013	-	11,637	166,188	6,044,347	535,828	1,543,810	4,784,768	1,355,689	7,662,413	145,532	22,250,212
Charges for the financial year	-	3,036	16,874	1,448,245	86,922	94,611	1,263,642	165,242	248,268	17,949	3,344,789
Disposal	-	-	-	(1,734,534)	(2,790)	-	(571,403)	-	-	-	(2,308,727)
Written off	-	-	-	(803)	(107,770)	(20,331)	(156,324)	(416,328)	(30,432)	-	(731,988)
At 31 December 2013	-	14,673	183,062	5,757,255	512,190	1,618,090	5,320,683	1,104,603	7,880,249	163,481	22,554,286
Accumulated impairment loss											
At 1 January/31 December 2013	-	-	-	-	-	-	486,334	-	-	-	486,334
Carrying amount											
At 31 December 2013	3,370,986	124,541	1,316,122	3,078,623	178,796	138,256	7,164,974	258,907	778,102	91,627	16,500,934

Notes To The Financial Statements

(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land		Long term leasehold land and building		Motor vehicle		Office equipment		Furniture and fittings		Plant and machinery		Computer		Mould		Renovation		Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
Group																					
2012																					
Cost																					
At 1 January 2012	1,480,177	889,103	1,499,184	1,499,184	8,975,084	680,156	1,738,145	9,525,147	1,478,223	8,269,829	165,140	34,700,188									
Additions	-	-	-	-	1,291,383	68,017	37,263	1,468,188	193,136	280,417	-	3,338,404									
Transferred to investment properties	(499,926)	(749,889)	-	-	-	-	-	-	-	-	-	(1,249,815)									
Disposal	-	-	-	-	(815,296)	(13,675)	-	-	-	-	-	(828,971)									
Written off	-	-	-	-	(184,710)	(21,286)	(46,569)	(43,870)	(71,493)	(35,649)	(2,015)	(405,592)									
At 31 December 2012	980,251	139,214	1,499,184	1,499,184	9,266,461	713,212	1,728,839	10,949,465	1,599,866	8,514,597	163,125	35,554,214									
Accumulated depreciation																					
At 1 January 2012	-	38,840	149,315	149,315	5,023,927	457,071	1,412,996	3,830,734	1,219,068	7,245,411	141,240	19,518,602									
Charges for the financial year	-	3,036	16,873	16,873	1,663,428	102,735	173,315	982,736	198,873	450,161	6,089	3,597,246									
Transferred to investment properties	-	(30,239)	-	-	-	-	-	-	-	-	-	(30,239)									
Disposal	-	-	-	-	(549,436)	(7,930)	-	-	-	-	-	(557,366)									
Written off	-	-	-	-	(93,572)	(16,048)	(42,501)	(28,702)	(62,252)	(33,159)	(1,797)	(278,031)									
At 31 December 2012	-	11,637	166,188	166,188	6,044,347	535,828	1,543,810	4,784,768	1,355,689	7,662,413	145,532	22,250,212									
Accumulated impairment loss																					
At 1 January/31 December 2012	-	-	-	-	-	-	-	486,334	-	-	-	486,334									
Carrying amount																					
At 31 December 2012	980,251	127,577	1,332,996	1,332,996	3,222,114	177,384	185,029	5,678,363	244,177	852,184	17,593	12,817,668									

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 77 years (2012: 78 years).
- (b) The aggregate additional cost for the property, plant and equipment of the Group during the financial year under hire purchase arrangement and cash payment are as follows:

	Group	
	2013 RM	2012 RM
Aggregate costs	8,528,979	3,338,404
Less: Hire purchase arrangement	(438,894)	-
Cash payments	8,090,085	3,338,404

- (c) Included in the property, plant and equipment of the Group are acquired under hire purchase with carrying amount as follows:

	Group	
	2013 RM	2012 RM
Plant and machinery	371,762	-
Motor vehicle	108,333	-
	480,095	-

- (d) As at 31 December 2012, 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

	Group	
	2013 RM	2012 RM
At 1 January	1,560,000	-
Transfer from property, plant and equipment	-	1,219,576
Change in fair value recognised in profit or loss	80,000	340,424
At 31 December	1,640,000	1,560,000
At fair value		
Freehold land and buildings	1,640,000	1,560,000

Notes To The Financial Statements

(cont'd)

5. INVESTMENT PROPERTIES (cont'd)

(a) Investment properties under leases

- (i) As at 31 December 2012, 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

The investment properties are valued annually at fair value based on market values determined by independent qualified valuers. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

(c) Income and expenses recognised in profit or loss

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

	Group	
	2013 RM	2012 RM
Rental income	42,000	24,500

(d) Investment properties pledged as securities to financial institutions

Investment properties of the Group amounting to Nil (2012: RM1,560,000) have been pledged to secure banking facilities granted to the Group as disclosed in Note 18.

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2013 RM	2012 RM
Unquoted shares, at cost		
In Malaysia	100,243,725	100,193,725

Notes To The Financial Statements

(cont'd)

6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

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

Name of company	Effective interest		Principal activities
	2013 %	2012 %	
Direct holding:			
Pesona Metro Sdn. Bhd.	100	100	Engage in construction work
Pesona Saferay Sdn. Bhd.	100	100	Manufacturing and trading of polyurethane products
Pesona Metro Precast Sdn. Bhd.	100	100	Dormant
PM2 Building System Sdn. Bhd. (Formerly known as Pesona M2 Sdn. Bhd.)	100	-	Dormant
Indirect holding:			
Subsidiary companies of Pesona Metro Sdn. Bhd.:			
Imej Mayang Sdn. Bhd.	100	100	Trading and supply of ready- mixed concrete
Insamewah Sdn. Bhd.	100	100	Trading in construction materials

- (i) On 14 May 2013, Pesona Metro Precast Sdn. Bhd. ("PMPSB"), a wholly-owned subsidiary of the Company has increased its paid-up share capital from 2 to 50,000 ordinary shares of RM1.00 each. The Company has subscribed all its shareholdings in PMPSB by way of cash.
- (ii) On 29 November 2013, the Company has acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in PM2 Building System Sdn. Bhd. ("PBSSB"), a company incorporated in Malaysia for a total cash consideration of Ringgit Malaysia Two (RM2) only. Consequently, PBSSB become a wholly-owned subsidiary of the Company. The financial statement of PBSSB was consolidated in the Group's financial statements based on the management account.

Notes To The Financial Statements

(cont'd)

7. TRADE RECEIVABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non-current				
Retention sums				
- third parties	2,252,270	-	-	-
- related parties	4,912,283	4,494,933	-	-
	7,164,553	4,494,933	-	-
Current				
Trade receivables				
- third parties	29,246,759	15,912,454	-	-
- related parties	10,060,015	11,350,350	-	-
Dividend receivables	-	-	-	11,000,000
	39,306,774	27,262,804	-	11,000,000
Retention sums				
- third parties	1,470,340	5,215,900	-	-
- related parties	4,912,283	3,575,733	-	-
	6,382,623	8,791,633	-	-
	45,689,397	36,054,437	-	11,000,000
	52,853,950	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 (2012: 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 the end of the financial year is as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Neither past due nor impaired	31,805,334	26,114,132	-	11,000,000
<i>Past due not impaired:</i>				
Less than 30 days	3,774,753	496,894	-	-
31 to 60 days	3,720,525	-	-	-
More than 60 days	6,162	651,778	-	-
	7,501,440	1,148,672	-	-
Retention sums	13,547,176	13,286,566	-	-
	52,853,950	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 2013, trade receivables of the Group amounting to RM6,942,438 (2012: RM1,148,672) 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	
	2013 RM	2012 RM
Within one year	6,382,623	8,791,633
Between one to two years	7,164,553	4,494,933
	13,547,176	13,286,566

8. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2013 RM	2012 RM
Construction cost incurred to date	499,267,614	340,043,745
Add: Attributable profits	60,772,533	59,891,859
	560,040,147	399,935,604
Less: Progress billings	(583,620,663)	(399,676,966)
	(23,580,516)	258,638
Represented as:		
Amount due from contract customers	2,140,938	8,270,588
Amount due to contract customers	(25,721,454)	(8,011,950)
	(23,580,516)	258,638
Retention sum included in the progress billings	13,547,176	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	
		2013 RM	2012 RM
Hire of plant and machinery		746,348	785,982
Rental of premises		649,529	686,529
Secondment of staffs	26	4,630,170	4,634,024
Staff costs			
- Salaries and other emoluments	26	6,097,444	4,499,416
- EPF	26	397,634	337,030

9. INVENTORIES

	Group	
	2013 RM	2012 RM
At net realisable values:		
Raw materials	803,965	865,628
Work-in-progress	1,267,553	1,089,499
Finished goods	1,465,819	755,215
	3,537,337	2,710,342

The Group has written off and written down slow moving obsolete inventories amounting to RM188,648 (2012: RM16,569) and RM133,700 (2012: RM214,534) respectively during the financial year. The amount written down has been included in cost of sales. The reversal of inventories written down amounting to RM498,000 (2012: RM245,707) was made during the financial year when the related inventories were sold above their carrying amounts.

10. OTHER RECEIVABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Other receivables	9,845,624	12,907,980	-	-
Less: Accumulated impairment loss	(75,333)	(75,333)	-	-
	9,770,291	12,832,647	-	-
Deposits	4,654,929	1,357,897	5,000	4,500
Prepayments	540,716	181,431	-	-
	14,965,936	14,371,975	5,000	4,500

Included in the other receivables are advances to sub-contractors amounting to RM5,758,536 (2012: RM9,654,413) and advance payment made to acquiring property, plant and equipment amounting to RM2,787,218 (2012: RM230,454).

Notes To The Financial Statements

(cont'd)

11. AMOUNT OWING BY/(TO) SUBSIDIARY COMPANIES

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

12. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits of the Group amounting to RM16,465,605 (2012: RM17,704,470) and RM1,429,333 (2012: RM1,429,333) respectively are pledged to licensed banks as security for bank guarantee and the securities for export credit facilities granted to the Group as disclosed in the Note 18.

The interest rates of deposits range from 2.55% to 3.50% (2012: 2.3% to 3.1%) per annum and mature with 12 months (2012: 12 months) respectively.

13. SHARE CAPITAL

	Group/Company					
	Par Value RM	2013 Number of shares	2013 Amount RM	Par Value RM	2012 Number of shares	2012 Amount RM
Authorised						
At 1 January	0.25	600,000,000	150,000,000	1.00	100,000	100,000
Share split	0.25	-	-	0.25	300,000	-
	0.25	600,000,000	150,000,000	0.25	400,000	100,000
Created during the financial year	0.25	-	-	0.25	599,600,000	149,900,000
At 31 December	0.25	600,000,000	150,000,000	0.25	600,000,000	150,000,000
Issued and fully paid						
At 1 January	0.25	463,820,448	115,955,112	1.00	2	2
Share split	0.25	-	-	0.25	6	-
	0.25	463,820,448	115,955,112	0.25	8	2
Issued during the financial year						
Issued of shares for:						
Additional shares issued	0.25	-	-	0.25	2	*
Acquisition of subsidiary companies	0.25	-	-	0.25	384,000,000	96,000,000
Share exchange for reverse acquisition	0.25	-	-	0.25	39,820,438	9,955,110
Private placement	0.25	46,382,000	11,595,500	0.25	40,000,000	10,000,000
	0.25	46,382,000	11,595,500	0.25	463,820,440	115,955,110
At 31 December	0.25	510,202,448	127,550,612	0.25	463,820,448	115,955,112

* Represents RM0.50

Notes To The Financial Statements

(cont'd)

13. SHARE CAPITAL (cont'd)

During the financial year, the Company increased its issued and paid up share capital from RM115,955,112 to RM127,550,612 through private placement of 46,382,000 new ordinary shares of RM0.25 per share at an issue price of RM0.44 per share for working capital purposes.

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's residual assets.

14. SHARE PREMIUM

Share premium arose from private placement issue of 46,382,000 shares of RM0.44 each at a premium of RM0.19 per share in 23 December 2013, net of share issue expenses amounting to RM8,659,138.

15. REVERSE ACQUISITION RESERVE

	Group	
	2013 RM	2012 RM
Issued and paid up share capital of the Company (legal holding) after reverse acquisition of Pesona Metro Sdn. Bhd.	96,000,000	96,000,000
Reversal of PMSB's share capital pursuant to reverse acquisition exercise	(5,000,000)	(5,000,000)
Reverse acquisition reserve	91,000,000	91,000,000

16. TRADE PAYABLES

	Group	
	2013 RM	2012 RM
Non-current		
Retention sum on contracts	6,778,405	11,152,860
Current		
Trade payables	28,240,989	27,990,307
Retention sum on contracts	15,975,313	7,802,773
	44,216,302	35,793,080
	50,994,707	46,945,940

The normal trade credit terms granted to the Group range from 30 to 60 days (2012: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.

Notes To The Financial Statements

(cont'd)

17. HIRE PURCHASE PAYABLES

	Group	
	2013 RM	2012 RM
Minimum lease payments:		
Within one year	103,140	-
Between one to two years	103,140	-
Between two to five years	268,497	-
	474,777	-
Less: Future finance charges	(65,850)	-
Present value of minimum lease payments	408,927	-
Present value of minimum lease payments:		
Within one year	78,073	-
Between one to two years	84,114	-
Between two to five years	246,740	-
	408,927	-
Analysed as:		
Repayable within twelve months	78,073	-
Repayable after twelve months	330,854	-
	408,927	-

The hire purchase liabilities bears effective interest rate range from 3.2% to 3.6% (2012: Nil) per annum.

18. BANK BORROWINGS

	Group	
	2013 RM	2012 RM
Secured		
Term loan	-	149,243
Export credit refinancing	1,148,857	1,318,644
Total bank borrowings	1,148,857	1,467,887
Analysed as:		
Repayable within twelve months	1,148,857	1,450,961
Repayable after twelve months	-	16,926
	1,148,857	1,467,887

Notes To The Financial Statements

(cont'd)

18. BANK BORROWINGS (cont'd)

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

Term loan:

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

The term loan was fully settled during the financial year and the investment properties were consequently discharge as pledged assets.

Export credit refinancing:

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

Maturity of bank borrowings is as follows:

	Group	
	2013 RM	2012 RM
Within one year		
- Term loan	-	132,317
- Export credit refinancing	1,148,857	1,318,644
	1,148,857	1,450,961
Between one to two years		
- Term loan	-	16,926
	1,148,857	1,467,887
Interest rates per annum are as follows:		
	%	%
Term loan	5.10	4.90 - 5.10
Export credit refinancing	4.25	4.25

19. DEFERRED TAX LIABILITIES

	Group	
	2013 RM	2012 RM
At 1 January	829,792	891,875
Recognised in profit or loss (Note 24)	(40,151)	(62,083)
At 31 December	789,641	829,792

Notes To The Financial Statements

(cont'd)

19. DEFERRED TAX LIABILITIES (cont'd)

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

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

	Group	
	2013 RM	2012 RM
Unused tax losses	13,099,999	13,099,999
Unabsorbed capital allowances	5,671,953	5,664,781
	18,771,952	18,764,780

Deferred tax assets have not been recognised in respect of the above items as it is not probable that future taxable profits will be available against which they may be utilised.

20. OTHER PAYABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Other payables	8,758,339	7,313,769	-	-
Accruals	2,315,658	1,509,432	59,379	78,000
Dividends payable	5,102,025	-	5,102,025	-
Deposits received	102,613	65,833	-	-
	16,278,635	8,889,034	5,161,404	78,000

Included in the other payables of the Group are advances from customers amounting to RM6,919,577 (2012: RM6,897,954).

21. REVENUE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Construction contracts	237,707,924	173,299,680	-	-
Sale of goods	58,812,861	47,425,240	-	-
Interest income	366,634	50,434	366,634	50,434
Dividend income	-	-	5,000,000	11,000,000
	296,887,419	220,775,354	5,366,634	11,050,434

Notes To The Financial Statements

(cont'd)

22. FINANCE COSTS

	Group	
	2013 RM	2012 RM
Interest expenses on:		
Term loans	3,089	16,108
Export credit refinancing	49,010	65,974
Hire purchase	10,911	-
Other	454	596
	63,464	82,678

23. PROFIT BEFORE TAXATION

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Auditors' remuneration				
- statutory audit				
- current year	93,000	88,900	25,000	4,000
- underprovision in prior year	34,600	8,000	21,000	8,000
- other	59,500	15,250	3,000	3,000
Depreciation of property, plant and equipment	3,344,789	3,597,246	-	-
Directors' remuneration				
- Fees	168,000	70,000	168,000	70,000
- Salary and other emoluments	833,245	368,085	-	-
- EPF	101,620	40,680	-	-
Hire of plant and machinery	97,350	45,800	-	-
Inventories written down	133,700	214,534	-	-
Inventories written off	188,648	16,569	-	-
Loss on disposal of other investment resulted from reverse take over exercise	-	3,098,878	-	3,098,878
Property, plant and equipment written off	95,502	127,561	-	-
Rental of premises	676,878	621,036	-	-
Gain on foreign exchange				
- realised	(247,240)	(50,322)	-	-
- unrealised	(20,026)	(2,927)	-	-
Rental income	(66,000)	(38,500)	-	-
Fair value adjustment of investment properties	(80,000)	(340,424)	-	-
Gain on disposal of property, plant and equipment	(375,028)	(92,695)	-	-
Reversal of inventories written down	(498,000)	(245,707)	-	-
Interest income	(1,354,971)	(1,253,104)	(366,634)	(50,434)

Notes To The Financial Statements

(cont'd)

24. TAXATION

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Tax expenses for the financial year				
Current tax provision	4,254,818	5,454,833	1,112	11,462
Underprovision in prior year	43,272	31,677	166	-
	4,298,090	5,486,510	1,278	11,462
Deferred tax: (Note 19)				
Relating to reversal of temporary differences	(30,654)	(62,083)	-	-
Overprovision in prior year	(9,497)	-	-	-
	(40,151)	(62,083)	-	-
	4,257,939	5,424,427	1,278	11,462

Income tax is calculated at the statutory tax rate of 25% (2012: 25%) of chargeable income of the estimated assessable profit for the financial year.

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit before taxation	15,977,167	17,195,077	4,842,168	5,519,976
Taxation at statutory tax rate of 25% (2012: 25%)	3,994,292	4,298,769	1,210,542	1,379,994
Income not subject to tax	(417,787)	(151,358)	(1,338,236)	(2,750,883)
Expenses not deductible for tax purposes	645,866	1,563,993	128,806	1,382,351
Utilisation of previously unrecognised capital allowances	-	(318,654)	-	-
Deferred tax assets not recognised	1,793	-	-	-
Underprovision of income tax expense in prior year	43,272	31,677	166	-
Overprovision of deferred tax expense in prior year	(9,497)	-	-	-
Tax expense for the financial year	4,257,939	5,424,427	1,278	11,462

The Group has estimated unused tax losses and unutilised capital allowances of RM13,099,999 (2012: RM13,099,999) and RM5,671,953 (2012: RM5,664,781) respectively carried forward available for set-off against future taxable profit subject to guidelines issued by the tax authority.

Notes To The Financial Statements

(cont'd)

25. 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	
	2013 RM	2012 RM
Basic Earnings Per Share		
Net profit for the financial year (RM)	11,719,228	11,770,650
Weighted average number of ordinary shares in issue	464,964,114	404,556,499
Basic earnings per share (sen)	2.52	2.91

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

	Group	
	2013 RM	2012 RM
As at 1 January	463,820,448	-
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	1,143,666	10,301,371
As at 31 December	464,964,114	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.

26. STAFF COSTS

	Note	Group	
		2013 RM	2012 RM
Staff costs (excluding Directors)		15,290,543	11,683,629
Add:			
Secondment of staffs from third party		5,298,600	5,303,362
		20,589,143	16,986,991
Less:			
Capitalised in construction costs	8	(11,125,248)	(9,470,470)
		9,463,895	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 RM752,873 (2012: RM447,927).

Notes To The Financial Statements

(cont'd)

27. DIVIDENDS

	Group/Company	
	2013 RM	2012 RM
A single tier final dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2012 paid on 28 June 2013	4,638,204	-
A single tier interim dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2013 paid on 26 March 2014	5,102,025	-
A single tier interim dividend of RM2.70 per ordinary share in respect of the financial year ended 31 December 2012 paid on 10 May 2012	-	13,500,000
	9,740,229	13,500,000

28. 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 and the Company have related party relationships with its subsidiary company, others related parties and key management personnel.

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

	2013 RM	2012 RM
Group		
* Other Related Parties:		
Disposal of property, plant and equipment	-	130,000
Progress billing received/receivable	75,477,184	40,255,893
Retention sum	1,753,900	4,283,797
Company		
Subsidiary Company		
Dividend income	5,000,000	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.*

Notes To The Financial Statements

(cont'd)

28. RELATED PARTY DISCLOSURES (cont'd)

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

	Group	
	2013 RM	2012 RM
Short-term employee benefits		
- Salaries and other emoluments	3,581,734	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.

29. 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 and building system
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 is made on segment liabilities.

No geographical segment reporting was made as the Group's activities were carried out within Malaysia.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

Notes To The Financial Statements

(cont'd)

29. SEGMENTAL INFORMATION (cont'd)

	Construction RM	Manufacturing and trading RM	Others RM	Adjustments and eliminations RM	Per consolidated financial statements RM
2013					
Revenue					
External sales	283,120,770	13,400,015	366,634	-	296,887,419
Inter-segment	10,779,290	-	5,000,000	(15,779,290)	-
Total revenue	293,900,060	13,400,015	5,366,634	(15,779,290)	296,887,419
Results					
Segment results	17,106,130	893,581	4,475,534	(5,000,000)	17,475,245
Interest income	942,594	45,743	366,634	-	1,34,971
Finance costs	(3,089)	(60,375)	-	-	(63,464)
Depreciation of property, plant and equipment	(2,845,935)	(498,854)	-	-	(3,344,789)
Fair value gain on investment properties	80,000	-	-	-	80,000
Other non-cash items	280,428	194,776	-	-	475,204
Profit before taxation	15,560,128	574,871	4,842,168	(5,000,000)	15,977,167
Taxation	(4,256,964)	303	(1,278)	-	(4,257,939)
Net profit for the financial year	11,303,164	575,174	4,840,890	(5,000,000)	11,719,228
Assets					
Additions to non-current assets	7,862,301	746,678	-	-	8,608,979
Segment assets	75,086,922	9,834,262	105,785,195	(107,676,263)	83,030,116
Unallocated assets	50,919,921	2,310,269	36,189,256	-	89,419,446
Total assets	133,869,144	12,891,209	141,974,451	(107,676,263)	181,058,541
Non-cash expenses/(income)					
Inventories written down	-	133,700	-	-	133,700
Inventories written off	-	188,648	-	-	188,648
Property, plant and equipment written off	93,000	2,502	-	-	95,502
Gain on disposal of property, plant and equipment	(373,428)	(1,600)	-	-	(375,028)
Reversal of inventories written down	-	(498,000)	-	-	(498,000)
Unrealised gain on foreign exchange	-	(20,026)	-	-	(20,026)
	(280,428)	(194,776)	-	-	(475,204)

Notes To The Financial Statements

(cont'd)

29. SEGMENTAL INFORMATION (cont'd)

	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	8,566,106	(11,000,000)	22,397,686
Interest income	1,158,232	44,438	50,434	-	1,253,104
Finance costs	(16,108)	(66,570)	-	-	(82,678)
Depreciation of property, plant and equipment	(2,824,162)	(773,084)	-	-	(3,597,246)
Fair value gain on investment properties	340,424	-	-	-	340,424
Other 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)
Net profit for the financial year	16,744,943	519,507	5,506,200	(11,000,000)	11,770,650
Assets					
Additions to non-current assets	3,372,041	306,787	-	-	3,678,828
Segment assets	73,613,991	6,346,176	113,865,734	(117,224,786)	76,601,115
Unallocated assets	41,100,136	2,056,714	7,694,696	-	50,851,546
Total assets	118,086,168	8,709,677	121,560,430	(117,224,786)	131,131,489
Non-cash expenses/(income)					
Inventories written down	-	214,534	-	-	214,534
Inventories written off	-	16,569	-	-	16,569
Loss on disposal of other investment resulted from reverse acquisition exercise	-	-	3,098,878	-	3,098,878
Property, plant and equipment written off	112,578	14,983	-	-	127,561
Gain on disposal of property, plant and equipment	(92,695)	-	-	-	(92,695)
Reversal of inventories written down	-	(245,707)	-	-	(245,707)
Unrealised gain on foreign exchange	-	(2,927)	-	-	(2,927)
	19,883	(2,548)	3,098,878	-	3,116,213

Notes To The Financial Statements

(cont'd)

30. 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	Other financial liabilities at amortised cost RM	Total RM
Group			
2013			
Financial Assets			
Trade receivables	52,853,950	-	52,853,950
Other receivables	14,965,936	-	14,965,936
Fixed deposits with licensed banks	80,711,615	-	80,711,615
Cash and bank balances	7,977,219	-	7,977,219
Total financial assets	156,508,720	-	156,508,720
Financial Liabilities			
Trade payables	-	50,994,707	50,994,707
Other payables	-	16,278,635	16,278,635
Hire purchase payables	-	408,927	408,927
Bank borrowings	-	1,148,857	1,148,857
Total financial liabilities	-	68,831,126	68,831,126
2012			
Financial Assets			
Trade receivables	40,549,370	-	40,549,370
Other receivables	14,371,975	-	14,371,975
Fixed deposits with licensed banks	40,791,833	-	40,791,833
Cash and bank balances	10,053,230	-	10,053,230
Total financial assets	105,766,408	-	105,766,408
Financial Liabilities			
Trade payables	-	46,945,940	46,945,940
Other payables	-	8,889,034	8,889,034
Bank borrowings	-	1,467,887	1,467,887
Total financial liabilities	-	57,302,861	57,302,861

Notes To The Financial Statements

(cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
Company			
2013			
Financial Assets			
Other receivables	5,000	-	5,000
Amount owing by subsidiary companies	5,536,470	-	5,536,470
Fixed deposits with licensed banks	35,615,978	-	35,615,978
Cash and bank balances	565,990	-	565,990
Total financial assets	41,723,438	-	41,723,438
Financial Liabilities			
Other payables	-	5,161,404	5,161,404
Total financial liability	-	5,161,404	5,161,404
2012			
Financial Assets			
Trade receivables	11,000,000	-	11,000,000
Other receivables	4,500	-	4,500
Amount owing by subsidiary companies	2,662,509	-	2,662,509
Fixed deposits with licensed banks	7,613,533	-	7,613,533
Cash and bank balances	81,163	-	81,163
Total financial assets	21,361,705	-	21,361,705
Financial Liabilities			
Other payables	-	78,000	78,000
Amount owing to subsidiary companies	-	12,720	12,720
Total financial liabilities	-	90,720	90,720

(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.

Notes To The Financial Statements

(cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

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

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.

(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 exposure to credit risk arises principally from 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 86% (2012: 80%) of the Group's trade receivables were due from 4 (2012: 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 RM81,573,796 (2012: 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.

Notes To The Financial Statements

(cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

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

(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.

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	2 - 5 years RM	Total Contractual Cash Outflow RM	Total Carrying Amount RM
Group					
2013					
Trade payables	44,216,302	2,707,906	4,070,499	50,994,707	50,994,707
Other payables	16,278,635	-	-	16,278,635	16,278,635
Hire purchase payables	103,140	103,140	268,497	474,777	408,927
Bank borrowings	1,148,857	-	-	1,148,857	1,148,857
Total undiscounted financial liabilities	61,746,934	2,811,046	4,338,996	68,896,976	68,831,126
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

Notes To The Financial Statements

(cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

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

(ii) Liquidity risk (cont'd)

	On demand or within 1 year RM	Total Contractual Cash Outflow RM	Total Carrying Amount RM
Company			
2013			
Other payables	5,161,404	5,161,404	5,161,404
Total undiscounted financial liability	5,161,404	5,161,404	5,161,404
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

(c) Market risks

(i) Foreign currency exchange risk

The Group is exposed to foreign currency risk on transactions 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.

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

	Group	
	2013 RM	2012 RM
Trade receivables	1,980,756	1,980,204
Cash and bank balances	486,679	456,760
	2,467,435	2,436,964

Notes To The Financial Statements

(cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

(c) Market risks (cont'd)

(i) Foreign currency exchange risk (cont'd)

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	
	2013	2012
	RM	RM
Effect to profit or loss		
USD/RM		
- Strengthened 5%	123,372	121,848
- Weakened 5%	(123,372)	(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.

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

	2013	2012
	RM	RM
Group		
Financial Asset		
Fixed deposits with licensed banks	80,711,615	40,791,833
Financial Liability		
Bank borrowings	1,148,857	1,467,887
Company		
Financial Asset		
Fixed deposits with licensed banks	35,615,978	7,613,533

Notes To The Financial Statements

(cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

(c) Market risks (cont'd)

(ii) Interest rate risk (cont'd)

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.

	2013 RM	2012 RM
Effect to profit or loss		
Group		
Interest rate increased by 1%	795,628	393,239
Interest rate decreased by 1%	(795,628)	(393,239)
Company		
Interest rate increased by 1%	356,160	76,135
Interest rate decreased by 1%	356,160)	(76,135)

(d) Fair value of financial instruments

Financial instrument at fair value

As the financial assets and liabilities of the Group and of 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

Notes To The Financial Statements

(cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

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

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

	Carrying amount RM	Fair value RM
2013		
Financial liability		
Hire purchase payable	330,854	305,228
2012		
Financial liability		
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.

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 Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

	2013 RM	Group 2012 RM
Total loans and borrowings	1,557,784	1,467,887
Less: Cash and cash equivalents	(70,793,896)	(31,711,260)
Net debt	(69,236,112)	(30,243,373)
Total equity	85,716,289	63,482,652
Gearing ratio	N/A	N/A

The gearing ratio is not applicable as the cash and cash equivalents of the Group are sufficient to settle the outstanding debts.

Notes To The Financial Statements

(cont'd)

32. SIGNIFICANT EVENTS

During the financial year, the following significant events took place for the Company:

- (i) On 14 May 2013, PMPSB, a wholly-owned subsidiary of the Company has increased its paid-up share capital from 2 to 50,000 ordinary shares of RM1.00 each. The Company has subscribed all its shareholdings in PMPSB by way of cash.
- (ii) On 29 November 2013, the Company has acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in PBSSB, a company incorporated in Malaysia for a total cash consideration of Ringgit Malaysia Two (RM2) only. Consequently, PBSSB become a wholly-owned subsidiary of the Company.
- (iii) On 23 December 2013, the Company increased its issued and paid up share capital from RM115,955,112 to RM127,550,612 through private placement of 46,382,000 new ordinary shares of RM0.25 per share at an issue price of RM0.44 per share for working capital purposes.

33. SUBSEQUENT EVENT

On 9 January 2014, PBSSB, the wholly-owned subsidiary has increased its authorised share capital from RM400,000 to RM5,000,000 by the creation of 4,600,000 new ordinary shares of RM1 each. The issued and paid up share capital of PBSSB has been increased from RM2 to RM2,500,000 by issued of 2,499,998 new ordinary shares of RM1 each. The Company has subscribed all its shareholding in PBSSB by way of capitalisation of advances.

34. CAPITAL COMMITMENTS

	Group	
	2013 RM	2012 RM
Approved and contracted:		
- Acquisition of land for store purpose	-	2,305,000
- Acquisition of property, plant and equipment	8,065,963	-
	8,065,963	2,305,000

35. CONTINGENT LIABILITIES

Capital Habitat Builder Sdn Bhd ("CHBSB") Vs Pesona Metro Sdn Bhd ("PMSB")

CHBSB lodged a claim in the High Court, Kuala Lumpur vide High Court Civil No: 22C-53-11/2013 on 12 September 2013 against PMSB for the recovery of RM2,315,045, being the subcontractor claim for the brickworks, plastering, cement rendering and skim coating works pursuant for the subcontractor agreement.

On 11 October 2013, PMSB has counter issues a letter of demand to CHBSB to claims that PMSB had overpaid a sum of RM933,387 to CHBSB.

The Court has fixed the case for full trial on 19 June 2014. The management is of the view that there is no merit to the claim. Hence, no additional provision has been made in the financial statements.

36. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 22 April 2014.

Notes To The Financial Statements

(cont'd)

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 2013 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 2013 is analysed as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Retained earnings				
- Realised	38,470,170	36,551,047	603,297	5,502,636
- Unrealised	1,230,092	1,170,216	-	-
Less: Consolidated adjustments	806,277	806,277	-	-
	40,506,539	38,527,540	603,297	5,502,636

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 @ 31/12/2013 (RM)
Head Office (3 Floors)	2,131.25	5,717.57	Leasehold 99 years expiring on 05.01.2091 (Balance 77 years)	No.19,19A & 19B, Jalan SB Indah 1/18, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	20/8/2003	16 years	1,316,122
Investment Property (1½ Floors)	1,668.40	2,142.02	Freehold	No.9 - PT 9078, Jalan Industri Putra 1, Precinct 14, 62050 Putrajaya.	28/8/2007	4 years	820,000
Investment Property (1½ Floors)	1,668.40	2,142.02	Freehold	No.11- PT 9077, Jalan Industri Putra 1, Precinct 14, 62050 Putrajaya.	28/8/2007	4 years	820,000
Store	216,171.61	-	Freehold	Lot 4627 , Jalan Broga Besar, 71750 Broga, Negeri Sembilan.	3/8/2009	-	1,104,792
Store	215,891.75	-	Freehold	Lot 4628 , Jalan Broga Besar, 71750 Broga, Negeri Sembilan.	23/10/2012	-	2,390,735

Analysis of Shareholdings

as at 16 April 2014

Authorised Share Capital	:	RM150,000,000 divided into 600,000,000 ordinary shares of RM0.25 each
Paid-up Share Capital	:	RM127,550,612 divided into 510,202,448 ordinary shares of RM0.25 each
Class of Shares	:	Ordinary shares of RM0.25 each
Voting Right	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Total Shareholdings	%
Less Than 100 shares	6,004	51,247	0.01
100 To 1,000 shares	3,353	1,188,547	0.23
1,001 To 10,000 shares	1,345	5,311,187	1.04
10,001 To 100,000 shares	667	23,568,496	4.62
100,001 To Less Than 5% of issued shares	171	198,018,971	38.81
5% and above of issued shares	2	282,064,000	55.29
Total	11,542	510,202,448	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 [#]	59.99
Wie Hock Kiong	-	-	306,064,000 [#]	59.99
Sincere Goldyear Sdn Bhd	82,560,000	16.18	-	-
Kombinasi Emas Sdn Bhd	223,504,000	43.81	-	-

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

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 [#]	59.99
Wie Hock Kiong	-	-	306,064,000 [#]	59.99
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

Analysis of Shareholdings

as at 16 April 2014 (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS

No.	Shareholders	No. of Shares	%
1	Kombinasi Emas Sdn Bhd	211,504,000	41.45
2	Sincere Goldyear Sdn Bhd	70,560,000	13.83
3	Chin Guek Hong	23,191,000	4.55
4	Country Dairy Sdn Bhd	18,432,000	3.61
5	Advance Harvest Sdn Bhd	18,191,000	3.57
6	Constant Uptrend Holdings Sdn Bhd	15,776,500	3.09
7	SJ Sec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Kombinasi Emas Sdn Bhd (SMT)</i>	8,000,000	1.57
8	SJ Sec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Sincere Goldyear Sdn Bhd (SMT)</i>	8,000,000	1.57
9	Wie Hock Kow	8,000,000	1.57
10	Ikatan Generasi Sdn Bhd	6,733,000	1.32
11	JF Apex Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Choy Sen @ Chin Kim Sang (Margin)</i>	5,340,000	1.05
12	SJ Sec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chong Loong Men (SJ8)</i>	4,600,000	0.90
13	Lim Tian Keong	4,545,000	0.89
14	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chin Boon Long</i>	4,092,003	0.80
15	Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Sincere Goldyear Sdn Bhd (ROF2 Margin)</i>	4,000,000	0.78
16	Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Kombinasi Emas Sdn Bhd (ROF2 Margin)</i>	4,000,000	0.78
17	SJ Sec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chin Boon Long (SJ8)</i>	3,141,900	0.62
18	Kan Fui Man	2,500,000	0.49
19	Chang Yock Chai	2,100,000	0.41
20	JF Apex Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Firstwide Success Sdn Bhd (Margin)</i>	1,740,000	0.34
21	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chin Yin Seong</i>	1,700,000	0.33
22	JF Apex Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Nextplus Fortune Sdn Bhd (Margin)</i>	1,685,000	0.33

Analysis of Shareholdings

as at 16 April 2014 (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

No.	Shareholders	No. of Shares	%
23	Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Choy Sen @ Chin Kim Sang (ROF2 Margin)</i>	1,680,700	0.33
24	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Wong Fai Tat (CCTS)</i>	1,645,000	0.32
25	Mohamed Adlan Bin Ahmad Tajudin	1,341,500	0.26
26	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Kwan Aik Kiat</i>	1,290,400	0.25
27	AMSEC Nominees (Tempatan) Sdn Bhd <i>Yap Siew Yoon (8972-1101)</i>	1,100,000	0.22
28	Excel Corporate Solutions Sdn Bhd	1,000,000	0.20
29	Fong Moh Cheek @ Fong Mow Kit	1,000,000	0.20
30	Tan Wan Koon	1,000,000	0.20
		437,889,003	85.83



PESONA METRO HOLDINGS BERHAD

(957876-T)

(Incorporated in Malaysia under the Companies Act, 1965)

FORM OF PROXY

No. of ordinary shares held
CDS Account No.

*I/*We _____ NRIC/ Passport No./ 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 on *my/our behalf at the Third Annual General Meeting ("3rd AGM") of PMHB to be held at **Hang Tuah Function Room, Level 3, Mines Wellness Hotel, Jalan Dulang, MINES Resort City, Seri Kembangan, 43300 Selangor Darul Ehsan** on **Wednesday, 18 June 2014 at 10:30 a.m.** and at any adjournment thereof.

Resolutions	For	Against
Ordinary Resolutions		
1. To approve the payment of Directors' Fees of RM168,000.		
2. To re-elect Mr. Wie Hock Beng as Director.		
3. To re-elect Mr. Wie Hock Kiong as Director.		
4. To re-appoint Messrs UHY as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration.		
5. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
6. Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
Special Resolution		
1. Proposed Amendments to the Articles of Association of the Company.		

(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).

Where two (2) proxies are appointed, please indicate below the proportion of your shareholdings to be represented by each proxy.

First named proxy _____ %
 Second named proxy _____ %
 _____ %
 _____ %

As witness my hand this _____ day of _____ 2014.

Signature/Common Seal of Member(s)

Contact Tel: _____

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Company Secretary

PESONA METRO HOLDINGS BERHAD

(957876-T)

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

1st Fold Here

Notes:

1. For the purposes of determining a member who shall be entitled to attend and vote at this meeting, the Company shall be requesting the Record of Depositors as at 12 June 2014. Only a depositor whose name appears on the Record of Depositors as at 12 June 2014 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(1)(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 shareholdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA.
6. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
7. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under its common seal or under the hand of an officer or attorney duly authorised.
8. The Form of Proxy must be deposited at the Company's Registered Office at No. 19, Jalan SB Indah 1/18, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.



PESONA METRO HOLDINGS BERHAD
(957876-T)

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