

Strong Foundations for a Solid Future

ANNUAL REPORT 2016



PESONA METRO HOLDINGS BERHAD
(957876-T)



Our Vision

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

Our Mission

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





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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting (“6th AGM”) of the Company will be held at **The Zenith, Level M1, Connexion Conference & Event Centre at The Vertical (CCEC The Vertical), No. 8, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur** on **Thursday, 25 May 2017 at 10:30 a.m.** for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 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 RM264,000.00 for the financial year ending 31 December 2017. **(Ordinary Resolution 1)**
3. To approve the payment of Directors’ benefits payable of RM16,000.00 for the financial period from 1 January 2017 to 30 June 2018. **(Ordinary Resolution 2)**
4. To re-elect the following Directors retiring in accordance with Article 82 of the Articles of Association of the Company, comprising part of the Constitution of the Company:
 - (a) Wie Hock Kiong **(Ordinary Resolution 3)**
 - (b) Datuk Hj Subhi Bin Dziyauddin **(Ordinary Resolution 4)**
5. To approve the payment of a single tier final dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2016. **(Ordinary Resolution 5)**
6. To re-appoint Messrs UHY as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration. **(Ordinary Resolution 6)**

AS SPECIAL BUSINESS:

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

7. Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

“**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 Section 2.4 of the Circular to Shareholders dated 28 April 2017 (“the Circular”), with the related parties falling within the classes of persons set out in Section 2.4 of 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 (“AGM”) of the Company, at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed; or
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to this Ordinary Resolution.” **(Ordinary Resolution 7)**



Notice Of Annual General Meeting

(cont'd)

8. Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

“**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors of the Company be and are hereby authorised to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting (“AGM”) of the Company after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting.”

(Ordinary Resolution 8)

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

CLOSURE OF BOOKS

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the Sixth Annual General Meeting, a single tier final dividend of 1.0 sen per ordinary share will be payable on 22 June 2017 to shareholders whose name appear in the Record of Depositors at the close of business on 31 May 2017.

A Depositor shall qualify for entitlement only in respect of:

- a) Shares transferred into the Depositor’s Securities Account before 4.00 p.m. on 31 May 2017 in respect of ordinary shares;
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

LIM HOOI MOOI (MAICSA 0799764)
WONG WAI FOONG (MAICSA 7001358)
SUSIE CHEW WEI WEI (MAICSA 7054172)
Company Secretaries

Kuala Lumpur
Date : 28 April 2017

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 17 May 2017. Only a depositor whose name appears on the Record of Depositors as at 17 May 2017 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.
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 39, Jalan SB Indah 1/19, 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.
9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

Notice Of Annual General Meeting (cont'd)

EXPLANATORY NOTES TO THE AGENDA

(i) **Item 1 of the Agenda**

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

(ii) **Items 2 and 3 of the Agenda – Ordinary Resolution 1 and 2**

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries, shall be approved at a general meeting.

The Directors' fees proposed for the financial year ending 31 December 2017 until the conclusion of the next Annual General Meeting (FYE2017/2018) are calculated based on the number of scheduled Board's and Board Committees' meetings and on assumption that all the Non-Executive Directors will remain in office until the next Annual General Meeting. This resolution is to facilitate payment of the Directors' Fees for FYE2017/2018.

The Board will seek shareholders' approval at the next Annual General Meeting in the event the Directors' fees proposed is insufficient.

Directors benefits includes allowances and other emoluments payable to Directors and in determining the estimated total the Board had considered various factors including the number of scheduled meetings for the Board, Board Committees, Board meetings of subsidiaries and covers the period from 1 January 2017 to 30 June 2018 (the due date for which the next Annual General Meeting should be held).

(iii) **Item 7 of the Agenda – Ordinary Resolution 7**

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 7 is to seek 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 the passing of the Ordinary Resolution until the next Annual General Meeting of the Company.

(iv) **Item 8 of the Agenda – Ordinary Resolution 8**

Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 8 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.

Statement Accompanying Notice Of Annual General Meeting Pursuant To Paragraph 8.27(2) Of The Main Market Listing Requirements Of Bursa Malaysia Securities Berhad

Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

Kindly refer to item (iv) of the Explanatory Notes to the Agenda on this page.



Corporate Information

BOARD OF DIRECTORS

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

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

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

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

Loh Kong Fatt
(Senior Independent Non-Executive Director)

COMPANY SECRETARIES

Wong Wai Foong
(MAICSA 7001358)

Lim Hooi Mooi
(MAICSA 0799764)

Susie Chew Wei Wei
(MAICSA 7054172)

REGISTERED OFFICE

No. 39, Jalan SB Indah 1/19
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia
Tel : +60 3 8941 0818
Fax : +60 3 8941 0817
Website : www.pesona.com.my

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market
Construction Sector

STOCK NAME AND CODE

PESONA *(8311)*
PESONA-WC *(8311-WC)*

AUDITORS

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

REGISTRAR

Tricor Investor & Issuing House Services
Sdn Bhd *(11324-H)*
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

Customer Service Centre
Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel : +60 3 2783 9299
Fax : +60 3 2783 9222

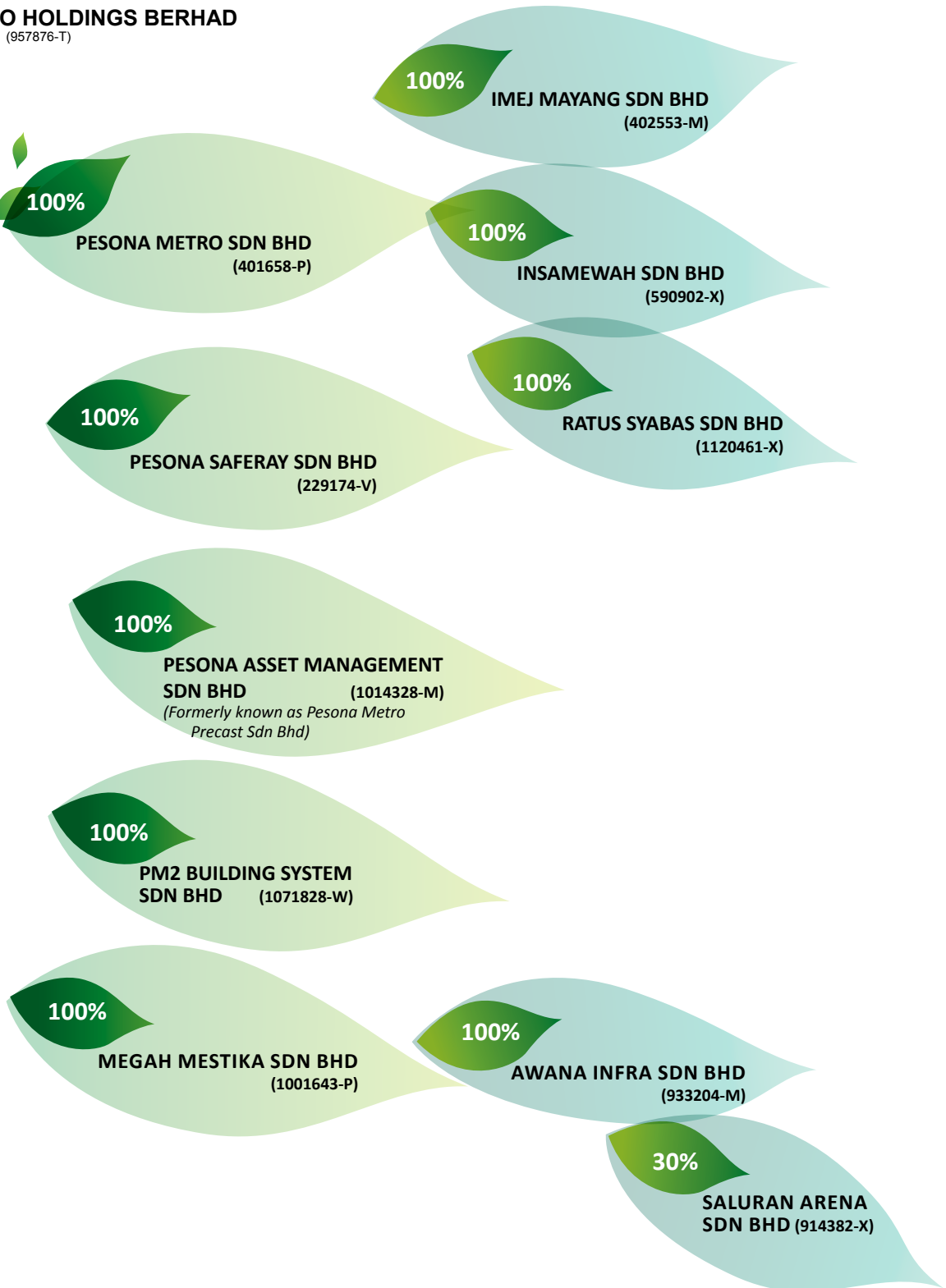
BANKERS

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

Corporate Structure



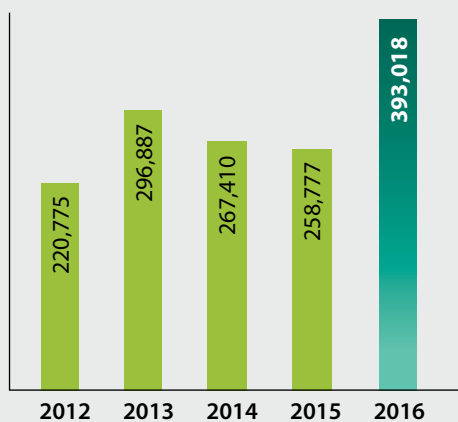
PESONA METRO HOLDINGS BERHAD
(957876-T)



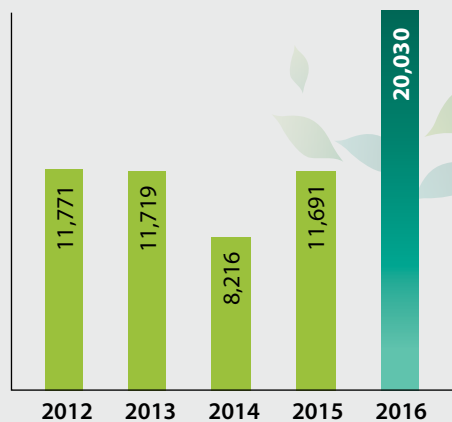
Financial Highlights

In RM '000 (Except otherwise indicated)	2016	2015	2014	2013	2012
Revenue	393,018	258,777	267,410	296,887	220,775
Profit before tax	28,705	16,099	10,658	15,977	17,195
Profit after tax	20,030	11,691	8,216	11,719	11,771
Total assets	348,730	283,511	215,213	181,059	131,132
Share capital	163,684	163,499	127,551	127,551	115,955
Total equity attributable to owners of the parent	143,519	136,391	88,830	85,716	63,483
No. of shares ('000) of RM0.25 each (Unit)	654,735	653,995	510,203	510,203	463,820
Earnings per share (Sen)	3.06	1.79	1.61	2.52	2.91
Net assets per share (Sen)	21.92	20.86	17.41	16.80	13.69
Dividend (Sen)	2.00	1.00	1.00	1.00	1.00

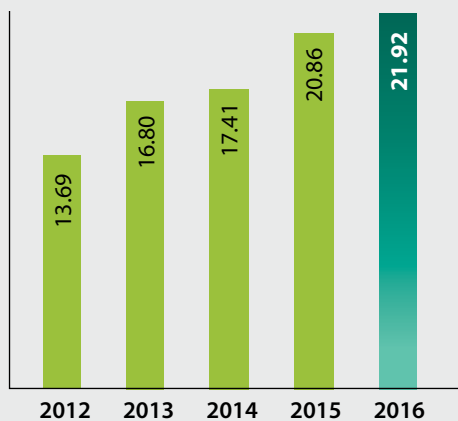
REVENUE
RM '000



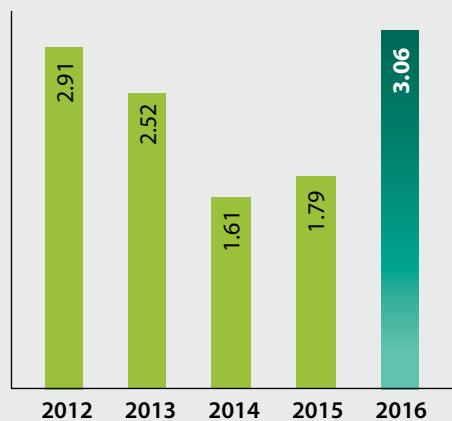
PROFIT AFTER TAX
RM '000



NET ASSETS PER SHARE
SEN



EARNINGS PER SHARE
SEN



Board Of Directors



From left to right:
WIE HOCK BENG (Managing Director), LOH KONG FATT, WIE HOCK KIONG
DATO' SRI LEE TUCK FOOK (Chairman), DATUK HJ SUBHI BIN DZIYAUDDIN (Deputy Chairman)



Profile Of Directors

DATO' SRI LEE TUCK FOOK

Chairman

(Independent Non-Executive Director)

Male, Malaysian, Age 62

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

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

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

He is currently the Managing Director of WCT Holdings Berhad. He is also an Independent Non-Executive Director of SAM Engineering & Equipment (M) Berhad, a company listed on Bursa Malaysia. He was appointed to the board in July 2008 and a member of its Audit & Risk Management Committee. He is also the Executive Director of Pavilion REIT Management Sdn Bhd and a Director of Kuala Lumpur Pavilion Sdn Bhd and Makna Mujur Sdn Bhd.

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

Dato' Sri Lee attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2016.



Profile Of Directors

(cont'd)



DATUK HJ SUBHI BIN DZIAUDDIN

Deputy Chairman
(Non-Independent Non-Executive Director)
Male, Malaysian, Age 53

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 played 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 was appointed as 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 5 years.

Datuk Hj Subhi attended four (4) Board Meetings of the Company held during the financial year ended 31 December 2016.



WIE HOCK BENG

Managing Director
(Non-Independent Executive Director)
Male, Malaysian, Age 44

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

He obtained his Diploma in Civil Engineering from the Federal Institute of Technology Malaysia in 1995. He began his career with Invescor Venture Sdn Bhd and was involved in the construction of Starhill Shopping Centre in Kuala Lumpur. To date, he has 25 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 57 of this Annual Report. He has no conviction of any offences within the past 5 years.

Wie Hock Beng attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2016.

Profile Of Directors

(cont'd)



WIE HOCK KIONG

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

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 to 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 57 of this Annual Report. He has no conviction of any offences within the past 5 years.

Wie Hock Kiong attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2016.



LOH KONG FATT

Director
(Senior Independent Non-Executive Director)
Male, Malaysian, Age 63

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 company 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 the 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.

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

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

Loh Kong Fatt attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2016.

Key Senior Management

The Senior Management Team of Pesona Metro consists of three key personnel, namely a Chief Financial Officer and two Chief Operating Officers who are assisting the Managing Director in all operating matters of the Group.

Chong Kien Eng

Male, Aged 45, Malaysian
Chief Financial Officer

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

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

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

He does not hold any directorship in the Company and any public company. He does not have any relationship with any director and/or major shareholder of the Company and has no conflict of interest in the Company. He has no conviction of any offences within the past 5 years.

Ir. Ng Weng Woh

Male, Aged 60, Malaysian
Chief Operating Officer (Infrastructure)

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

His vast experience in the infrastructure segment such as highway and bridge construction, beautification of rivers, flood mitigation of water bodies and railways construction has greatly added value to the Group. His achievements under PMHB includes the flood mitigation work at Timah Tasoh Dam in Perlis, rehabilitation and beautification of Sungai Melaka, construction of the Central Spine Road Expressway at Gua Musang, Port Klang Bridge and the most current West Coast Expressway (Section 6).

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

He does not hold any directorship in the Company and any public company. He also does not have any relationship with any director and/or major shareholder of the Company and has no conflict of interest in the Company. He has no conviction of any offences within the past 5 years.

Soh Choon Guan

Male, Aged 49, Malaysian
Chief Operating Officer (Building)

Soh Choon Guan, a Diploma holder in Technology and Architecture from Tunku Abdul Rahman College, has to-date approximately 30 years of experience in the construction and property development industry in construction and project management.

His vast exposures in both the construction and development industries are backed by his previous employment with IRDK Land Group, Acmar International Group and Ralco Corporation Berhad from liaising with local authorities on land takeover, contracts to setting up of system operating procedure leading to ISO compliance, corporate planning and business development.

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

In 2014, he joined PMHB as the COO for the Building Division in overseeing the Building Division from project planning to execution.

He does not hold any directorship in the Company and any public company. He also does not have any relationship with any director and/or major shareholder of the Company and has no conflict of interest in the Company. He has no conviction of any offences within the past 5 years.



Corporate Milestone

1996

Pesona Metro Sdn Bhd (“PMSB”) was established and commenced business as subcontractor.

2002

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



2008

Secured “Design and Build” project for the Timah Tasoh Dam, Perlis.

2009

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



2005

PMSB won its first “Design and Build” highway project at Jalan Pantai Laluan TI/T3, from Merang to Kuala Besut, Terengganu.



2006

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



2010

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



Corporate Milestone

(cont'd)

2011

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

2012

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



2013

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



PM2 subsequently changed its name to PM2 Building System Sdn Bhd on 15 January 2014.

2014

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

Corporate Milestone (cont'd)

2015

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

2016

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



2017

- The Central Spine Road Package 3 won the Mino Best Project Award (Category 1 - High Volume Road) by the Road Engineering Association of Asia and Australasia ("REAAA") at its 15th REAAA Conference in Bali, Indonesia.

Chairman's Statement



DEAR SHAREHOLDERS,
The year 2016 was a very good year for us at Pesona Metro Holdings Berhad (“PMHB” or “the Group”).

We posted a record financial performance, growing our revenue and profit by 51.9% and 71.3% respectively, delivered a strong operational performance, plus secured a pipeline of contracts amounting to RM2.1 billion which will keep us busy for some time. These accomplishments are all the more noteworthy given they were achieved amidst a highly challenging operating environment. As a result, your Company is today strongly positioned to continue making strong strides forward and to deliver sustainable growth. On behalf of the Board of Directors, it is my privilege to present the Annual Report and Financial Statements of PMHB for the financial year ended 31 December 2016.

DELIVERING COMMENDABLE PERFORMANCE

All in all, 2016 was a significant year for the Group. I am delighted to report that your Company achieved several record-breaking “firsts” in its corporate history. For the first time ever, we successfully secured not just one but two projects exceeding RM400.0 million in contract value. These came in the form of the Eaton Residences and Central Plaza i-City projects valued at RM402.0 million and RM488.0 million respectively. For the first time ever, we achieved zero non-conformance reports (“NCR”) in relation to the SIRIM Green 5-S audit. Our zero NCR achievement for The Mews project in particular underscores our focus in ensuring high quality and effective work environments throughout the Group’s operations. For the first time ever, we also had 10 projects running concurrently in a year, attesting to our team’s solid project management skills. To top it all, the year saw us securing a record order book exceeding RM1.7 billion in value, emphasising the market’s confidence in our capabilities and track record as a trusted construction player.



Chairman's Statement (cont'd)



“ For the financial year ended 31 December 2016, PMHB registered record revenue of RM393.0 million, a commendable RM134.2 million or 51.9% hike in revenue in comparison to the preceding year's revenue. ”

Menara SPR constructed by PMSB won the CIDB QLASSIC Excellence Award 2016 in Category C

SHAREHOLDER VALUE CREATION

In respect of financial year ended 31 December 2016, the Board declared a single tier interim dividend of 1 sen per ordinary share, amounting to RM6.6 million which was paid on 6 October 2016. The Board of Directors is pleased to recommend a single tier final dividend of 1 sen per ordinary share amounting to RM6.6 million in respect of the financial year ended 31 December 2016, which will be subject to the shareholders' approval at the forthcoming Sixth Annual General Meeting. In total, PMHB will have declared a RM13.1 million dividend to our shareholders, representing a 100% increase from our 2015 dividend payout.

Your Company also continues to create value for our shareholders through the accolades we have received. On 31 May 2016, Group subsidiary Pesona Metro Sdn Bhd ("PMSB") was awarded the Construction Industry Development Board or CIDB Malaysia's QLASSIC Excellence Awards 2016 in Category C for achieving an 81% QLASSIC score for its work on the Elections Commissions Tower or Menara Suruhanjaya Pilihanraya project. The QLASSIC or Quality Assessment System in Construction framework is a CIDB Malaysia-endorsed system to measure and evaluate the quality of construction work on a building. The QLASSIC Award recognises developers and contractors who have achieved a QLASSIC score of 80 and above.

For the financial year ended 31 December 2016, PMHB registered record revenue of RM393.0 million, a commendable RM134.2 million or 51.9% hike in revenue in comparison to the preceding year's revenue. The increase was mainly attributable to contributions from ongoing residential building projects in Cyberjaya and Kuala Lumpur. Revenue contributions also came in from the government complex project in Johor and the Universiti Malaysia Perlis ("UniMAP") student hostels project in Perlis, both of which were completed over the course of the year.

We turned in a higher profit before tax ("PBT") of RM28.7 million, representing a RM12.6 million or 78.3% increase in PBT over 2015's figure. The increase came on the back of higher revenue contributions from projects and the recognition of project financing interest charged to a customer. However, this increase was offset by the higher depreciation charges as a result of higher capital expenditure on construction equipment as well as the operating loss incurred by the Manufacturing Division.

The details of the operational and financial performance of PMHB are spelt out in the Management Discussion and Analysis section of this Annual Report.

Chairman's Statement

(cont'd)



Topping up ceremony at Third Avenue, Cyberjaya

On 23 March 2017, the Central Spine Road Package 3 project built by us received the Mino Best Project Award (Category 1 – High Volume Road) by the Road Engineering Association of Asia and Australasia or REAAA at the 15th REAAA Conference in Bali, Indonesia. This award, which was introduced in 2016, recognises recently constructed road and/or bridge projects in the Asian and Australasia regions.

KEY CORPORATE DEVELOPMENTS IN 2016

We remain focused on diversifying our businesses to secure recurring revenue streams for the Group and to ensure sustainable growth.

In 2015, we embarked on the acquisition of SEP Resources (M) Sdn Bhd ("SEP") for a purchase consideration of RM29.15 million. The Proposed Acquisition entailed a 22.5-year concession to undertake the planning, designing, financing, constructing, equipping, installing, completing, testing and commissioning of the facilities and infrastructure including providing asset management services for student hostels at UniMAP in Perlis.



SIRIM Green 5S Audit at The Mews Project Site in Kuala Lumpur

On 9 August 2016, PMHB entered into a supplemental agreement ("SA") with the Vendors. Pursuant to the sale of shares agreement ("SSA") and SA, the Purchase Consideration for the entire equity interest of SEP shall remain at RM29.15 million. However, the Purchase Consideration shall now be satisfied in two phases. Under Phase 1, the allotment and issuance of 27,650,000 First Tranche Consideration Shares in favour of the Vendors' nominee, SEP Capital, is to take place within six months from the First Tranche completion date with an aggregate value of all the First Tranche Consideration Shares of RM19,355,000. Under Phase 2, the allotment and issuance of 11,850,000 Second Tranche Consideration Shares in favour of the Vendors' nominee, SEP Capital, is to be implemented with an aggregate value of all the Second Tranche Consideration Shares of RM8,295,000.

On 2 December 2016, the Group's shareholders approved the proposed acquisition of SEP. Accordingly, Phase 1 of the acquisition of SEP is targeted to be completed by end of 2017 and will contribute to the Group's revenue upon the completion of the acquisition.

OUR COMMITMENT TO RESPONSIBLE PRACTICES

Your Board of Directors understands that good governance translates into good business and we remain committed to upholding and implementing strong standards of corporate governance as well as robust risk management and internal control measures throughout our organisation. These essential components of our business are helping ensure the sustainable, long-term growth of our businesses, bolstering investor confidence, protecting our corporate reputation and ensuring continued shareholder value creation.

Your Board also recognises that we have a responsibility to secure the Group's future and to ensure sustainable value creation for our shareholders. In line with this, we continue to prioritise responsible management and sustainable development across the Group. Our inaugural Sustainability Statement on pages 28 to 40 of this Annual Report underscores our commitment to upholding responsible management and sustainable development on the Economic, Environmental and Social or EES fronts. By ensuring sustainable progress throughout the Group, we are providing the momentum for our businesses to strengthen their operational efficiencies and deliver long-term growth.

Chairman's Statement

(cont'd)

MOVING FORWARD

Global economic activity is set to pick up in 2017 touching 3.4% growth in comparison to 2016's growth of 3.2%. In Malaysia, economic growth is projected to rise between 4.3% and 4.8% in 2017 (2016: 4.2%) on the back of gradual economic recovery and resilient domestic demand. The growth momentum of the Malaysian construction industry too is expected to strengthen moderately in 2017 (growing from 7.4% in 2016 to 8% in 2017).

Amidst strengthening economic conditions and the many opportunities in the market, PMHB is confident of strengthening itself even as we purposefully implement sustainable and economically viable measures. These measures include continued investment in construction equipment and machinery as well as securing higher profit margin infrastructure projects for our Construction Division. At the same time, we will closely monitor the depreciation of the Ringgit and mitigate rising operational costs that may affect our performance.

The Group will also continue to work hard to leverage on the long-term projects that we have procured. The UniMAP project is expected to start generating income upon the completion of the acquisition and our order book currently has projects that will carry us into 2019. As at 31 December 2016, we have an outstanding order book of RM2.1 billion, comprising 10 on-going construction projects which are expected to contribute to the Group's revenue stream over the next three years.

To ensure sustainable business growth, we will focus our efforts on generating more regular income as well as diversifying our business so as to reduce our reliance on the construction business which is cyclical. Barring any unforeseen circumstances, the Board is confident that the Group will deliver another satisfactory performance in 2017.

“ PMHB is confident of strengthening itself even as we purposefully implement sustainable and economically viable measures. ”



Student hostels at Universiti Malaysia Perlis

ACKNOWLEDGEMENTS

The Group wishes to acknowledge all who have played a part in our success. On behalf of the Board of PMHB, my utmost appreciation goes to you, our valued shareholders, for your unwavering trust and confidence in the Group. I also wish to express my deep gratitude to our valued customers and clients, bankers, government departments and agencies, vendors, suppliers and all other parties who continue to lend the Group their steadfast support and kind cooperation.

A big thank you to the many external partners that continue to work with us and whose support has been crucial to our success. To the management teams and employees of our subsidiaries and our associate companies, please accept my heartfelt gratitude for your worthy support and cooperation. We certainly look forward to enjoying a mutually beneficial relationship with all of you for many years to come.

To our loyal employees and management team, please accept my sincere thanks for your diligence, commitment to excellence and resilience, especially amidst the year's challenges. To my esteemed colleagues on the Board, thank you for your insights and wise counsel that continue to help steer PMHB smartly forward. As we continue on our journey to new heights to success, we ask that all our stakeholders continue to lend us their staunch support. Thank you.

DATO' SRI LEE TUCK FOOK

Chairman

18 April 2017

Management Discussion And Analysis

“ The Group’s Construction Division under Pesona Metro Sdn Bhd (“PMSB”) is the main contributor to the Group’s overall performance, accounting for 98.8% of the Group’s revenue in 2016. ”

OVERVIEW OF THE BUSINESS

PMHB is an investment holding company with core business activities in the construction of residential and commercial buildings and infrastructure works. The Group’s Construction Division under Pesona Metro Sdn Bhd (“PMSB”) is the main contributor to the Group’s overall performance, accounting for 98.8% of the Group’s revenue in 2016. The project portfolio of PMSB includes the construction of high-rise luxury residential buildings, commercial buildings for offices and malls, infrastructure works for the construction of highways as well as rehabilitation and beautification of rivers.

The Manufacturing Division plays a supporting role to the Construction Division. It comprises two subsidiaries namely, Pesona Saferay Sdn Bhd (“PSSB”) and PM2 Building System Sdn Bhd (“PM2”). PSSB produces polyurethane products for overseas markets, while PM2 manufactures and supplies the expanded polystyrene EPS panels to the Industrialised Building System (“IBS”) arena and green building segment.

STRATEGIC OBJECTIVES

The Group’s primary goal is to deliver sustainable operations that will consistently reward stakeholders with value added returns including high quality products and a good dividend payout.

Near-term Strategies

In the near-term, the Group will continue focus its efforts on its core construction business by managing and delivering its projects without delay. The Group’s internal target for 2017 is to replenish the order book by RM500.0 million to ensure full utilisation of its resources and equipment.

On the manufacturing front, PM2 is riding on the IBS initiative that is being driven by the Construction Industry Development Board (“CIDB”) to secure new projects that will utilise PM2’s IBS offering. At the same time, the Group is also looking into various options to divest PSSB’s polyurethane business which has been making losses these past three years.



Artist's impression of Central Plaza i-City Mall , Selangor

Management Discussion And Analysis (cont'd)



Third Avenue, Cyberjaya



Carpark Block for Pantai Ayer Keroh Hospital, Melaka

Long-term Strategies

For the long-term, PMHB will continue to grow its construction division, while diversifying into construction-related concessionaire activities that will provide recurring income and consistent cash flows. This will include private-finance initiatives such as the management of student hostels for public universities and participation in expressway concessionaires.

The Group has also been mapping out a pathway to venture into property development activities that will provide a consistent stream of construction projects for PMSB. The initial focus will be to secure affordable housing projects for government servants under the Perumahan Penjawat Awam 1Malaysia or PPA1M scheme and Rumah Mampu Milik and medium cost housing projects. Given that market conditions in the property development segment are not at their best currently, the Group is taking a less risky route by securing such government projects. This will serve as a stepping stone for other property development ventures when the market picks up.

2016's OPERATING ENVIRONMENT

In 2016, the world economy recorded 3.15% growth – the lowest growth rate since the Global Financial Crisis of 2007-2008. Global trade continued to moderate on the back of subdued global demand and low commodity prices. International financial markets continued to experience heightened uncertainty with significant reversal of capital flows from emerging economies. This was driven by unexpected political developments in the advanced economies such as the UK and the US, as well as by the macroeconomic policies adopted by these economies.

“ The Group's primary goal is to deliver sustainable operations that will consistently reward stakeholders with value added returns including high quality products and a good dividend payout. ”

In Malaysia, the economy continued to face headwinds from the higher cost of living amidst soft employment conditions. In tandem with this, business and consumer sentiments were affected by a combination of global and domestic factors, including intensified volatility in financial markets and the significant underperformance of the Ringgit. However, despite considerable external and domestic headwinds, the Malaysian economy still managed to register growth of 4.2% (2015: 5.0%).

The construction sector recorded a moderate 7.4% growth in 2016 (2015: 8.2%). The quicker pace of expansion in the civil engineering and residential sub-sectors was somewhat offset by a decline in non-residential activity. Growth in the civil engineering sub-sector was propelled by higher activity in existing multi-year projects, particularly in the petrochemical, transportation and utilities fronts. Meanwhile, growth in the residential sub-sector was driven by large property launches in the previous years, while activity in the special trade sub-sector continued to be supported by early and end-works activity. In the non-residential sub-sector, growth was weighed down by slower activity in the commercial property segment amidst an oversupply of office and retail space.

Management Discussion And Analysis (cont'd)



KPJ Specialist Hospital Bandar Dato' Onn in Johor Bahru

Artist's impression of Universiti Sultan Zainal Abidin (UniSZA) Teaching Hospital, Terengganu



“ The division achieved a revenue of RM389.5 million and profit after tax (“PAT”) of RM23.4 million in 2016, a 52.3% and 146.3% rise in revenue and PAT respectively from the preceding year’s revenue of RM255.7 million and PAT of RM9.5 million. ”

In 2016, the construction industry continued to face the challenge of a shortage of manpower particularly in relation to skilled workers such as carpenters, bricklayers and plasterers. The introduction of a more stringent foreign workers policy coupled with the minimal wages policy introduced recently has forced the industry to only look at employing registered foreign workers with the appropriate permits and documentation such as CIDB Green Cards. The shortage of onsite general workers has compelled construction companies to revise their business strategies and methodologies in order to remain resilient. To ensure the PMHB maintains its edge among stiff competition, it has laid down specific strategies to remain profitable as spelt out in the “Prospects and Outlook” section of this Management Discussion & Analysis.

2016 FINANCIAL PERFORMANCE

For the year in review, the Group turned in its highest revenue and profit before tax (“PBT”) to date. The year’s revenue of RM393.0 million and PBT of RM28.7 million were a commendable 51.9% and 78.3% increase respectively over the previous year’s revenue and PBT of RM258.8 million and RM16.1 million respectively.

For the year ended 31 December 2016, the Group generated a net cash flow of RM29.0 million from operating activities. The trade receivables increased by RM33.0 million, mainly due to the project financing granted for the upcoming acquisition of the concessionaire asset. Excluding the RM91.0 million due from the concessionaire holder, the balance of trade receivables was within the credit terms.

Over the course of the year, the Group incurred capital expenditure (“CAPEX”) amounting to approximately RM40.0 million to cater for the requirements of the projects which it had secured for the year under review. In line with the increase in project-related CAPEX, the Construction Division’s depreciation charges increased by 55.0%.

In tandem with the higher value of projects secured, the Group’s short-term working capital requirements also increased in a similar manner. As such, the Group secured RM60.0 million in short-term project financing facilities from banks to support its operating cash flow.



Artist's impression of Eaton Residences, Kuala Lumpur

Management Discussion And Analysis (cont'd)

PERFORMANCE OF THE BUSINESS SEGMENTS

CONSTRUCTION DIVISION

Financial Overview

Amidst the external headwinds buffeting the domestic economy, the construction sector continued to outpace the other economic sectors in 2016. The Group's Construction Division under PMSB, continued to be the main contributor to the Group's overall performance accounting for 98.8% of the Group's revenue in 2016. The division achieved a revenue of RM389.5 million and profit after tax ("PAT") of RM23.4 million in 2016, a 52.3% and 146.3% rise in revenue and PAT respectively from the preceding year's revenue of RM255.7 million and PAT of RM9.5 million. The division's solid performance was attributable to a stable stream of income from both government and commercial projects.

Performance Highlights

The year saw the Group's construction arm bringing several projects to full completion. This included design and construction works on Phase II of a government complex in Johor Bahru; as well as the design, construction and completion of the facilities and infrastructure relating to student hostels for UniMAP.

As at 31 December 2016, the Group had an outstanding order book of RM2.1 billion (2015: RM0.8 billion) comprising 10 on-going construction projects which are expected to contribute to the Group's revenue stream over the next three years.

Project Status as at 31 December 2016:

	Project Description	Physical Work Completed as at 31 December 2016	Targeted Completion Date
1	Pantai Hospital Ayer Keroh Carpark, Melaka	98.5%	May 2017
2	The Mews, Kuala Lumpur	87.7%	June 2017
3	Third Avenue, Cyberjaya	60.6%	September 2017
4	Gua Musang, Seksyen 3E2, Pahang	53.5%	March 2018
5	KPJ Specialist Hospital Bandar Dato' Onn, Johor Bahru	51.0%	September 2017
6	Residensi Gen, Kuala Lumpur	22.0%	May 2019
7	UniSZA Teaching Hospital, Terengganu	3.9%	September 2019
8	Central Plaza I-City Mall, Shah Alam, Selangor	1.7%	June 2018
9	Eaton Residences, Kuala Lumpur	1.2%	June 2020
10	West Coast Expressway, Selangor	0.0%	March 2019



The Mews, Kuala Lumpur

Management Discussion And Analysis (cont'd)

“ PMSB successfully secured its first two projects exceeding RM400.0 million in contract value and procured jobs from overseas clients ”

Moving Forward

The market conditions for the year 2017 will remain challenging given the continuing external and domestic headwinds. Nevertheless, the Construction Division will continue to take measures to mitigate challenges and capitalise on opportunities. To date, the Construction Division has submitted several tenders for hospital jobs, high-rise commercial buildings and roadworks and is awaiting the outcome of these tenders.

Given the outstanding order book, 2017 is expected to be a better year for the Group with six on-going projects which will be at the peak of their respective construction cycles at the end of 2017 and early 2018. These projects will continue to contribute positively towards the Group's coffers for another two years thereafter.

As PMSB had successfully secured its first two projects exceeding RM400.0 million in contract value and procured jobs from overseas clients for its Eaton Residences, Residensi Gen and Central Plaza i-City Mall projects, the Company is now confident of positioning itself in the high-value project segment and clinching jobs from renowned local and overseas clients.

MANUFACTURING DIVISION

Financial Overview

The Manufacturing Division faced a very challenging year with minimal activity taking place for the year under review. Its revenue increased by 26% to RM3.4 million from RM2.7 million previously while the division posted a loss after tax of RM2.8 million, a 212.0% reduction from a PAT of RM2.5 million previously.

Performance Highlights

PSSB, which produces polyurethane products for the international markets, continued to chalk up losses for the third consecutive year due to low demand from overseas clients. Meanwhile, PM2, which produces expanded polystyrene EPS panels to meet Malaysia's stringent Green Building Index criteria and IBS technology requirements, completed two projects in the first quarter of 2016 which generated revenue for the division.

Moving Forward

Given PSSB's poor performance and challenging global market conditions, the Group will be looking to divest this subsidiary over the course of 2017. PM2 on the other hand, will continue to explore potential projects that will benefit from its IBS technology and green building expertise offerings.



Package 3E2 Gua Musang, Pahang



Work in progress at Residensi Gen, Kuala Lumpur

Management Discussion And Analysis

(cont'd)

BUSINESS RISKS

As PMHB ventures forth, it may be exposed to certain anticipated or known risks that may have a material effect on its operations, performance, financial condition, and liquidity. Aligning with Bursa Malaysia's new disclosure requirements, these risks and the strategies to mitigate such risks are outlined below.

KEY RISKS FOR PMHB			
KEY AREA	RISK	DESCRIPTION	MITIGATION MEASURES
Strategic	Over-reliance on construction segment	99% of the Group's revenue is generated from the Construction Division. This over-dependence on one business segment is highly risky for the Group should the industry fail to perform in the market due to certain economic sentiments.	The Group is diversifying into other businesses such as the concessionaire and property development businesses. These will serve as potential safety nets for the Group should the construction industry fail to perform.
External	Volatility of material prices	Due to the volatility of prices for steel bars, diesel and petrol, the Group is exposed to financial losses which may erode its profit margins.	<p>The Group monitors the material prices on daily basis.</p> <p>During tenders, the Group also negotiates for a Price Fluctuation Clause to safeguard itself in times of sudden price hikes in the market.</p> <p>Close monitoring and accurate planning of materials by Site Quantity Surveyors and Contract Managers enable the Group to avoid unplanned orders.</p>
Operational	Poor performance by subcontractors	Due to the lack of planning and coordination by subcontractors, the Company's overall performance may be affected by delays, unplanned abortive works and risk of project cost overrun.	<p>The Group increases the frequency of audits on the progress of work and issues warning letters leading to back-charges whenever necessary to ensure the subcontractors deliver as promised.</p> <p>The Group also extends the involvement of consultants such as the architectural, civil and structural supervision team to monitor and supervise the work quality and work progress closely.</p> <p>Weekly on-site coordination and progress updates are also held for both subcontractors and the project management team.</p>

Management Discussion And Analysis

(cont'd)

KEY RISKS FOR PMHB			
KEY AREA	RISK	DESCRIPTION	MITIGATION MEASURES
Operational	Shortage of construction materials	Lack of proper internal planning and coordination.	Construction materials procurement processes are centralised and monitored on a weekly basis.
Operational	Personal injuries and accidents	Construction works, particularly for high-rise buildings, inherently result in a higher frequency of personal injuries.	<p>All workers and subcontractor workers are briefed daily during the Safety Awareness Talk (Toolbox Meeting) before the start of work on the importance of observing all safety measures required at sites as set out in the Project Occupational Safety and Health ("POSH") Plan.</p> <p>The Hazard Identification Risk Assessment and Risk Control Measures or HIRARC is carried out for every critical task to ensure all safety risks are mitigated.</p> <p>At least two Health & Safety personnel are stationed at each site to constantly assist, advice, audit and inspect activities to ensure all aspects of the Group's safety measures are observed.</p> <p>Inspections on machinery and equipment, and weekly internal trainings for workers are to be heeded as stated in the POSH Plan.</p> <p>Monthly Safety Committee Meetings by project are held to update and review the safety practices and incidences at site.</p>

OUTLOOK AND PROSPECTS

Moving forward, global economic activity is set to pick up in 2017 touching 3.4% growth in comparison to 2016's growth of 3.15%. The advanced economies are projected to make small steps up, while activities in emerging markets and developing economies will continue to drive global growth. However, at the same time global risks remain significant and difficult to predict. In Malaysia, domestic demand is expected to remain the anchor of economic growth in 2017. While ongoing investment into sizeable long-term infrastructure projects in both the public and private sectors is expected to provide a certain degree of resiliency, private investment growth will likely be limited by the lack of investment in the oil and gas industry, the relative slowdown in the property market, rising business costs and Ringgit volatility. On the whole, economic growth is projected to rise between 4.3% and 4.8% in 2017 (2016: 4.2%) on the back of gradual economic recovery and resilient domestic demand.

The growth momentum of the Malaysian construction industry too is expected to strengthen moderately in 2017 (growing from 7.4% in 2016 to 8% in 2017). This growth, however, is dependent on the effective implementation of various projects identified under the 11th Malaysia Plan and the Economic Transformation Programme, along with the continued execution of various public-private partnership projects. All these will provide ample opportunities for local companies with strong financial backing. A surge of investments by companies from China too bodes well for the nation's economic future.

Moving forward, to ensure the sustainable growth of its businesses, PMHB will continue to leverage on its short-term and long-term strategic objectives. The Group currently has no plans to expand outside of Peninsular Malaysia. It will maintain a strong focus on the domestic market and will set its sights on strengthening its position by bolstering its human capital, improving construction standards, implementing effective cash flow management, ensuring the timely delivery of projects as well as undertaking specific measures to position itself in the preferred contractor category.



Management Discussion And Analysis (cont'd)



Artist's impression of *Residensi Gen*, Kuala Lumpur

These measures will include ensuring the SIRIM Green 5-S methodology is implemented at all sites and headquarters from 2017 onwards. In 2016, three PMSB project sites received SIRIM Green 5-S certification with The Mews, Kuala Lumpur project site leading the way with zero non-conformance reports ("NCRs"). The Group's target is to ensure all its projects receive SIRIM Green 5-S certification with zero NCRs.

PMHB is also ensuring that it stays relevant to its clients and the market by upgrading its ISO standards. PMSB is currently improving its Quality Management System by migrating to the new ISO 9001:2015 standard. This latest version has higher criteria which requires more stringent risk management disclosure and higher accountability by top management in the area of quality management.

To ensure that PMSB is on the cutting edge of innovation, it has begun implementing Building Information Modelling or BIM technology into its work processes. BIM is an intelligent 3D model-based process that equips architecture, engineering, and construction professionals with the insights and tools to more efficiently plan, design, construct, and manage buildings and infrastructure.

The CIDB has made it mandatory for construction industry players to use BIM within government projects worth over RM100.0 million by the year 2020. Recognising that the use of BIM will help optimise project efficiencies and bring about significant cost and time savings, the CIDB has set up a BIM Centre of Excellence to help industry stakeholders, including architects, consultants and civil engineers, gain a better understanding of BIM practices. The BIM initiative lines up with the Construction Industry Transformation Programme formulated by the CIDB in collaboration with the Ministry of Works to help steer the construction industry towards higher productivity and sustainability. BIM submission for the architectural and engineering segments will be made mandatory by 2017 and 2018 respectively.

The year 2016 saw the Group incorporating BIM technology into its building construction management activities to capitalise on the benefits of BIM. The technology is helping to mitigate clashes in design coordination, thereby reducing rework and wastage as a whole. The Group is confident that its early adoption of BIM technology will give it a competitive advantage over other players.

Based on these measures and a host of others, PMHB expects to maintain the good momentum achieved thus far and deliver another satisfactory performance in 2017.



Pesona Metro's new Head Office at Seri Kembangan, Selangor

Sustainability Report



OUR COMMITMENT TO CREATING SUSTAINABLE VALUE

Pesona Metro Holdings Berhad (“PMHB” or the “Group”) continues to progressively transform itself. From its core business of undertaking infrastructure works as well as constructing residential and commercial buildings, the Group has today diversified into manufacturing and is moving into concessionaire activities. As the Group goes about its daily business, it recognises the need to create long-term shared value for its stakeholders and to secure the future of PMHB. As such, we are committed to upholding responsible management and sustainable development on the Economic, Environmental and Social fronts. By ensuring sustainable progress across the Group’s operations, PMHB is providing the drive for its businesses to strengthen their operational efficiencies and create sustainable value.



Sustainability Report (cont'd)

APPROACHING SUSTAINABILITY MATTERS

Scope and Methodology

This inaugural Sustainability Statement underscores PMHB's commitment to undertaking business in a responsible and sustainable manner through its Economic, Environmental and Societal or EES performance. Covering the period 1 January to 31 December 2016, it focuses on the business sustainability activities of a specific component of the PMHB Group, namely Pesona Metro Sdn Bhd ("PMSB" or "the company") which is the primary contributor towards the Group's revenue. This Sustainability Statement is to be read in conjunction with the rest of PMHB's 2016 Annual Report, which highlights other financial and non-financial aspects of the Group's business.

Existing and Prospective Practices

Sustainable practices have long been embedded within the daily operations of the Group. This is evident in the Group's existing framework that is based on the four Corporate Responsibility ("CR") pillars of the Workplace, Community, Environment and Marketplace. This CR framework, with its focus on providing a conducive workplace, improving the livelihood of the community, preserving the environment and maintaining a fair marketplace for all, has been in place since 2012 in line with Bursa Malaysia's Listing Requirements. It has served the Group well in its efforts to protect long-term shareholder value and business sustainability.

In line with Bursa Malaysia's new reporting requirements relating to a company's EES performance, the Group is now at the early stages of developing a formal sustainability policy that will encompass the respective EES areas. As this is the Group's first consolidated Sustainability Statement, it has not been subjected to external assurance. The aim is to streamline the Group's sustainability data collection and monitoring activities and to seek external assurance in due course.



Scaffolding Awareness Training

Sustainability Governance

PMHB's Board of Directors and our Key Senior Management recognise the importance of pursuing an agenda that upholds good EES practices. They are committed to investing in measures that promote the sustainable growth of the Group's businesses and which will create value for the Group's shareholders. While thus far, only the CR Framework has been adopted by the Board and executed by Key Senior Management and the Managing Director, the plan going forward is to draw up a sustainability roadmap and put in place a committee to spearhead the Group's sustainability agenda.

In the meanwhile, on the ground, these teams are tasked with overseeing sustainability matters (as per the 4 CR pillars) and for reporting directly to the Managing Director:

Workplace Pillar	General Staff Welfare (HR Department) Occupational Health and Safety (Safety Department)
Community Pillar	Sports Club (CSR Division)
Environment Pillar	5-S Department
Marketplace Pillar	HOPs/HODs and Corporate Communications



All workers are required to attend the morning Toolbox Meeting

Sustainability Report

(cont'd)

MATERIAL SUSTAINABILITY MATTERS / KEY RISKS

The Group has yet to undertake a formal materiality analysis to determine what topics are of importance to our external and internal stakeholders. However, we have identified several risks in key areas that may have a direct or indirect impact on the Group's ability to create, preserve or erode EES value. These risks and the initiatives to mitigate the impact of these risks are highlighted in the Management Discussion and Analysis ("MD&A") section on pages 20 to 27 of this Annual Report.

STAKEHOLDER ENGAGEMENT ACTIVITIES

As PMHB's businesses and its markets evolve, the Group finds itself engaging with an expanding number of different stakeholder groups. Continuous stakeholder engagement is a fundamental component of PMHB's sustainability strategy and the Group is committed to undertaking ongoing activities in this area. By engaging with its many stakeholders, the Group is able to respond to their different expectations, meet their evolving needs and build enduring ties with them. The Stakeholder Engagement Matrix below outlines the stakeholder engagement activities that the Group implemented in 2016:

Stakeholder Engagement Matrix

Stakeholder	Key Area of Focus	Platforms and Tools Utilised
Shareholders / Bankers and Investors	Business direction of the Group and key corporate developments	<ul style="list-style-type: none"> Regular shareholder communications including financial quarterly results through the announcements on Bursa Malaysia and PMHB's corporate website Annual General Meetings / Extraordinary General Meetings Periodic engagements with equity analysts and fund managers
Government / Regulators and Policy Makers	Regulation, compliance and strong relationships	<ul style="list-style-type: none"> Meetings, participations in seminars and workshops, site visits, and case studies activities
Customers, Suppliers and Industry Peers / Partners	Business direction, procurement, knowledge sharing and safety procedures	<ul style="list-style-type: none"> Meetings, site visits, participations in seminars and networking lunches/dinners
Employees	Human capital development, safety, governance, corporate developments	<ul style="list-style-type: none"> Regular communications via email blasts and intranet or eBoard. Site and toolbox meetings Training and development initiatives Social activities via the recreational club namely Pesona Metro Sports Club. Voluntary participation in CSR programmes
Local Communities	Education and social assistance	<ul style="list-style-type: none"> Monthly recycling activities with NGO and nearby community.



Sustainability Report

(cont'd)

UPHOLDING GOOD ECONOMIC PRACTICES

Business Strategy

The PMHB Group continues to refine its strategic direction to ensure the sustainable growth of its core businesses. This is enabling the Group to cater to the evolving economic and business environments as well as employ specific tactics to meet the ever-changing demands of its customers. For insights into the Group's overall strategic direction plus its financial and operational performance, please refer to the MD&A section.

Strengthening the Market Ecosystem

PMHB acknowledges that the total marketplace ecosystem is important to its sustainable growth. The Group remains committed to engaging in initiatives that are helping to establish and strengthen ties with its customers, suppliers, industry peers and other stakeholders in the marketplace. The Group continues to undertake activities that are making a tangible impact and creating value in the sectors, markets and communities in which it operates.



Project staff at KPJ Specialist Hospital Bandar Dato' Onn project site attending a training conducted by SIRIM



A typical site meeting with client and consultants

Today, the construction industry not only generates millions of jobs for the nation but it also keeps the country's economy moving through the purchase of raw materials from local and foreign suppliers. Pesona Metro Sdn Bhd or PMSB has over the years been enlarging its workforce to cope with the increasing number of projects awarded to the company. From a workforce of 20 employees some two decades ago, PMSB's workforce today comprises approximately 330 employees. Aside from its own employees (both permanent and on a contract basis), PMSB also employs general workers with special skills in specific trades such as carpenters, bar benders, electricians and special trade workers to assist with the construction work at its sites.

The Group also places priority in sourcing for local raw materials such as cement, steel and wood before reaching out to overseas suppliers. This is opening up opportunities and generating wealth for local producers. At the same time, this makes the Group less dependent on foreign suppliers and less vulnerable to external macroeconomic factors.

The Group is doing its bit to elevate the local construction industry by constantly injecting new methodologies into its projects. These include the investment of its in-house IBS modular system and expanded polystyrene ("EPS") wall panels at project sites such as Menara Technip and the UniMAP Student Hostel.

PMHB's adoption of Building Information Modelling ("BIM") technology in its various projects is today giving it a competitive edge over other construction players. The use of BIM is being driven by the local regulatory authority, the Construction Industry Development Board ("CIDB") Malaysia and is set to become mandatory in all government projects in the near future.



An EMS Internal Audit at Head Office

Sustainability Report (cont'd)

The Group's BIM team was formed in 2016 as part of the Engineering & Technical Department. The team supports projects sites that are leveraging on BIM technology. Through BIM 3D modelling and coordination, potential clashes in construction can now be easily detected and monitored at the planning stage, the earliest stage of a project. Through BIM, the Group is able to produce a clash-free construction model thus helping to mitigate construction error downtime and rework at site. This is also helping to reduce the generation of construction waste due to reduced rework on-site.

Transparent Marketplace Practices

The Group has rolled out a set of values and several policies to guide it in its day-to-day operations and to ensure its workforce upholds transparency and good marketplace behaviour. These include the following:

- A Code of Conduct emphasising business ethics and employee integrity;
- The Statement on Corporate Governance which spells out the governance of the Board of Directors is published in the Group's Annual Report, while the Board Charter is published on its website;
- The Open Tender Policy is applied to all sub-contractor awards where three out of five committee members must be present at the opening of the Tender Box. One of the three committees must be from a department other than the Tender and Contract Department to ensure non-biased decisions are made.

UPHOLDING GOOD ENVIRONMENTAL PRACTICES

The Group is ever mindful about sustainability matters from an environmental perspective. In undertaking its operations, the Group is at all times committed to protecting the environment and to complying with all applicable environmental laws and regulations. As part of its efforts to protect the environment and minimise its carbon footprint, the Group has implemented several measures.

Documented Environmental Protection Practices

PMSB is certified as having complied with ISO 14001:2004, the International Standard for Environmental Management Systems in 2013. Since then, the company has established several environmental procedures in its day-to-day operations with respect to protection of the environment in all its business activities especially in the construction sector vis-à-vis:

- The establishment of a Legal Register for the identification of all legal requirements with respect to environmental protection bylaws;

- The establishment of the Environmental Aspect Impact Register for all PMSB construction project sites to identify activities which make a significant impact on the environment and the related control measures;
- The establishment of an Environmental Management Plan for all PMSB construction project sites which defines the overall roles, responsibilities, controls as well as inspection and monitoring requirements to ensure the environmental requirements for project are fulfilled;
- The establishment of a Waste Management Plan for all PMSB construction project sites in an effort to reduce construction materials wastage during the construction execution stage;
- The establishment of Scheduled Waste Management activities for the proper handling and disposal of scheduled waste materials in accordance with Department of Environment regulations;
- The establishment of the SIRIM Green 5-S implementation programme and an annual certification exercise to promote good housekeeping at construction project sites;



3rd Avenue Cyberjaya SIRIM Green 5-S Certificate 2017



The MEWS SIRIM Green 5-S Certificate 2017

- The establishment of 3R programmes and proper recycle centres at all construction project sites to promote greater recycling activities at the construction sites and to reduce waste sent to landfills; and
- The establishment of a methodology relating to the Selection and Control of Subcontractors regarding Environmental Performance whereby all subcontractors and suppliers are evaluated by the respective site project management team on their environmental performance with respect to their work on an annual basis.



Sustainability Report

(cont'd)

Other Conservation Initiatives

The Group's efforts to conserve the environment also see it promoting energy efficiency, recycling and water harvesting activities, among other things. For the year in review, the following activities were carried out:

- The Group established annual objectives, targets and programmes relating to energy and resource conservation. This included reducing electricity consumption for all construction project sites and the headquarters by 5% in comparison to the previous year's consumption. In terms of resource conservation, the target was to reduce the paper consumption by 10% as compared to the previous year;
- PMSB organised a monthly recycling charity event for all its staff to promote greater awareness on the recycling activities carried out at the Sg. Chua Recycling Centre on every third Sunday of the month;



Recycling Sunday



Pesona Metro's Recycling Talk at Third Avenue, Cyberjaya project site

Sustainability Report

(cont'd)

Leveraging on Innovation

Timber is typically one of the essential materials used in conventional construction activities especially in relation to formwork preparation. However, as part of its efforts to minimise the use of timber in formwork usage, PMSB has proactively taken steps to apply several alternative formwork systems such as aluminium and steel form methods. These measures are not only mitigating the use of timber, but also improving the quality of construction and shortening the construction period. These are among the steps that PMSB is leveraging on:

Lift core jump-form systems

Jump-form systems comprise vertical formwork and horizontal working platforms for cleaning/fixing of the formwork, reinforcement fixing and concreting activities. The formwork supports itself on concrete that has been casted earlier and does not rely on support from other structures of the building. The concrete structures are constructed in stages. This highly productive system is designed to increase the speed and efficiency of construction. It also minimises the number of workers and cranes required while enabling high quality concrete surface finishes.



Normal Jump-form for lift core/ shaft

Table formwork

A table formwork is a large pre-assembled formwork and falsework unit. It offers mobility and fast installation for projects that involve regular plan layouts or repetitive structures, and so it is highly recommended for flat slabs and beams. The repetitive nature of the work makes it easier to plan construction activities especially for large floor layouts. As the table form comprises totally assembled units and can be easily manoeuvred, a smaller workforce is required over the long-term. The Jetform plastic deck formwork involves very little timber usage, encourages green construction and is recyclable.



Table formwork system

Aluminium formwork system

Crane-lifted panel systems form the vertical elements used in building construction. The system usually consists of a steel frame with steel, plastic or composite (aluminium) facing material. The system is normally modular in nature while assembly times and labour costs are much lower than the traditional formwork methods as less components are required. It offers greater opportunities for reuse in different applications for other construction activities. The versatile panel systems can be adapted to any kind of structure. Overall, it does away with the need for skilled labour, increases construction speed and involves zero or minimum usage of timber.



Aluminium formwork

Sustainability Report

(cont'd)

PM2 Modular Panel

The PM2 Modular Panel consists of a double layered high tensile wire mesh stitched together with an inner layer of EPS. When sprayed with concrete on both sides, it will form a solid composite structure that has the rigidity and is superior in strength than a conventional brick wall. The PM2 Modular Panel is an environmentally-sustainable base 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 the environment during the manufacturing process. This product is 100% recyclable and its good thermal insulation helps to reduce the use of air-conditioning thereby reducing our carbon footprint.

PM2 BUILDING SYSTEM



Aside from adopting new technology, PMSB is also providing the relevant training to create awareness and to increase staff and worker competency when carrying out their work. In 2016, PMSB undertook two training sessions that sought to improve the quality of work:

- The QLASSIC-CONQUAS Awareness and Practical Training on 19-20 September 2016 with Canaan Building Inspection & Rectification Services; and
- The QLASSIC Assessor Course (Module 1) on 23-24 November 2016 with Sysnovate Solutions Sdn Bhd (all participants passed the examinations with an average mark of 86.4%).

Sustainability Report

(cont'd)

UPHOLDING GOOD SOCIAL PRACTICES

Labour Practices and Decent Work

The Group's success to date is the result of the diligent efforts of its loyal and talented workforce. As at the end of 2016, PMHB's total staff workforce stood at 330 employees (end 2015: 248 employees). The composition of the Group's workforce is as follows:

	2016	2015
Gender		
Male	256	193
Female	74	55
Education		
Degree & Above	29.09%	25.81%
Diploma & Certification	39.39%	38.71%
Others	31.52%	35.48%
Age		
Above 50 years old	42	32
Below 50 years old	288	216
Type of Employment		
Permanent	118	123
Contractual	212	125
Type of Skills		
Technical	73.03%	74.56%
Non-Technical	26.97%	25.44%
Total Workforce	330	248
	employees	employees

Upholding Diversity

The Group has in place policies and initiatives relating to recruitment, retention, training and development, as well as Group-sponsored corporate and social activities. These are all implemented in a manner that does not discriminate against ethnicity, religion, gender, age, disability, or status. PMHB is committed to employing, appointing, promoting, developing and rewarding its employees based on company-defined criteria and in line with the principles of meritocracy and fairness. All these measures are ensuring that the PMHB family remains a well-balanced, safe and harmonious one.

Employee Engagement

As engaged employees are more satisfied with their work, tend to stay longer, and are more productive and committed, the Group continues to prioritise employee engagement activities to communicate with and unify its employees. Over the course of 2016, the Group undertook engagement activities such as the Group Annual Dinner and festive gatherings, as well as CR activities that included visits to an orphanage, old folks home and a home for the disabled.

The Pesona Metro Sports Club continues to play an integral role in helping foster interaction and better ties between employees through the various sports activities it organises. Weekly activities such as futsal, bowling and badminton are carried out at the Group's headquarters and the respective construction sites. In view of the Group's growing workforce and in accordance with the Group's business strategy, the Pesona Metro Sports Club is providing support for employees' emotional and physical wellbeing through sports and social activities.

The Group also taps a variety of technological tools to keep employees informed, engaged and to facilitate administrative matters. The Group disseminates information to employees via eBoard, the employee intranet platform.



A series of EMS trainings was conducted at the Head Office in 2016

Employee Practices and Benefits

The Group's success is due the efforts of its employees. As such, PMHB continues to implement several initiatives to ensure its people achieve their full potential and are able to give of their best. This includes the following staff benefits aside from the regular statutory contributions:

- Paid and special leave
- Group health insurance
- Medical claim
- Overtime meal allowance
- Mileage claim
- Parking and toll claim
- Accommodation claim
- Company vehicle benefits
- Shell petrol card
- Company mobile phone
- Overtime claim

Sustainability Report (cont'd)

All employees of Pesona Metro are protected under Malaysian Labour Law. No one will be discriminated against and treated differently other than what is stated in the law. All employees are guided by the Employee Code & Conduct which spells out the dos and don'ts for employee behaviour. There is also the Employee Handbook that outlines other employee-related matters such as working hours, benefits and entitlements.

Employee Recognition

The Group values dedicated employees who carry out their tasks faithfully. PMHB is committed to caring for a diverse and inclusive workforce (encompassing both foreign and local personnel) in which all employees feel valued and are inspired to do their best. The Group continues to recognise outstanding employees who are self-starters and who are keen to initiate new methods to improve work performance and the timely delivery of high quality products to their respective stakeholders and clients.

Employees Awards and Recognition in 2016

Award	Individual	Team
Good Action Award	15	NA
HSE Excellence Award	2	2
Good Attendance Award	2	NA
10-year Long Service Award	10	NA



2016 Good Action Award Winners



10-Year Long Service Award recipients



Health, Safety and Environment Award Winners for 2016



2016 Scholarship Award

Talent Development and Succession Planning

In line with PMHB's commitment to achieving excellence, technical competence and professionalism, our Human Resource Department continues to implement a succession of training programmes across all levels of the organisation. In 2016, we designed the programmes to equip our people with not only technical skills and expertise but also with non-technical, behavioural and personal enhancement opportunities which will enable them to effectively manage time, resources and people.

Training and Development Activities in 2016

Types of Training	2016	2015
Health & Safety	11%	8%
Quality & Technical	61%	18%
Environment	22%	35%
Personal Enhancement Programmes	6%	39%
Total Trainings Conducted	36	38

PMHB is currently exploring a structured succession planning programme whereby the second-in-liners will have the skills and competencies to take over the roles and responsibilities of key senior management as and when required. This is one of the Group's top priorities.

Sustainability Report

(cont'd)

Occupational Health and Safety

As a responsible builder, PMHB is well aware of the occupational hazards which its employees and workers are exposed to daily such as falls from a height, unguarded machinery, the dangers of being struck by heavy construction equipment, electrocution, as well as the negative effects of silica dust and asbestos, among other hazards. To this end, the Group continues to improve and implement stringent safety measures across the length and breadth of its operations, both at its headquarters and worksites.

All the Group's onsite employees and workers are expected to be engaged in maintaining safe work sites through their involvement in health and safety meetings as well as through their involvement in safety inspections. They are given safety training at the commencement of employment and regularly throughout their career with the Group.

Every site maintains a Project Occupational Safety and Health ("POSH") Plan which is monitored by a Health & Safety Officer. The POSH Plan addresses new regulations, site procedures and actions to improve health and safety. The sites also have in place processes such as hazard identification and risk assessment that ensure all onsite personnel are aware of the risks involved. Each site is assigned at least two Health & Safety Officer who oversee all aspects pertaining to onsite health and safety issues and ensure an emergency response capability suited to the working environment is in place. Regular audits by authorities are also carried out to ensure that all health and safety measures are complied with as per local laws and regulations so that our employees and workers are protected at all times.

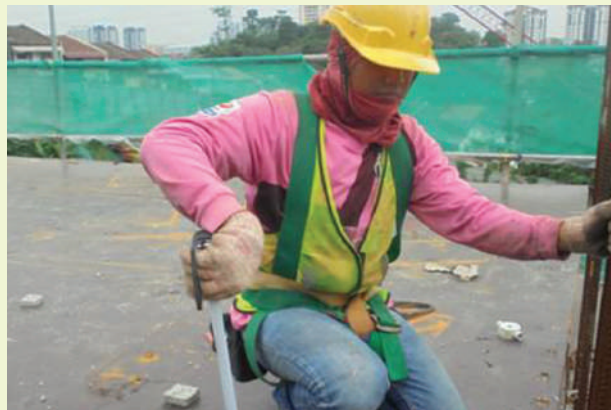
Since 2014, PMSB has been certified as being OHSAS 18001:2007-compliant. This relates to the International Standard for Occupational Health & Safety Management System.



Proper materials arrangement according to the 5-S requirements to ensure the safety of all workers

EFFECTIVE SAFETY PRACTICES VIA THE USE OF PERSONAL PROTECTIVE EQUIPMENT ("PPE")

PPE compliance while working at height and top floor



Sustainability Report

(cont'd)

Society/Community

Enriching Communities

Since the Group's inception more than two decades ago, it has had a long history of undertaking philanthropic endeavours and it remains fully committed to positively impacting the communities in which it operates. From creating job opportunities, both skilled and non-skilled, to providing monetary support to charity homes in need, the Group continues to focus its efforts on developing a sustainable future for communities. Beginning at a grassroots level, PMHB interacts with local residents, governments, non-governmental organisations and other interest groups to facilitate long-term and beneficial resource development.

In the year under review, the Group's community-based CR efforts included the following:

Persatuan Kanak-Kanak Cacat, Klang

16 April 2016: 30 employees presented goodies and played games specially designed for the physically challenged children and adults at Persatuan Kanak-Kanak Cacat in Klang.



A simple game activity with the children at Persatuan Kanak-Kanak Cacat, Klang

Lovely Nursing Centre, Petaling Jaya

13 August 2016: A busload of the Group's management and employees visited the Lovely Nursing Centre or LNC, in Petaling Jaya. The LNC is home to homeless and neglected senior citizens residents referred by the authorities, welfare centres and hospitals. It depends solely on assistance from the public. The Group's representatives presented daily provisions and funds to the inmates as well as undertook small repairs for the home.

Lotus Charity Care Centre, Selangor

15 October 2016: A team of 70 people comprising the Group's management team and employees visited Pertubuhan Kebajikan Pusat Jagaan Lotus Selangor dan Wilayah Persekutuan, a home for old folks and orphans in Semenyih. Since the passing of its founder Dr Thomas Manoharan in 2016, the home with approximately 50 residents has been facing financial difficulties. Upon learn of the inmates' plight, the Group organised a donation drive for the home. During the visit, staff organised various tele-matches for the children at the nearby open community park and hosted a luncheon for all.



Datuk Hj Subhi Dziauddin, Deputy Chairman giving out a prize to the winner at the telematch organised for the Lotus Charity Care Centre

Product Responsibility

The Group's companies remain committed to continually improving their management systems and to implementing various quality activities to ensure they remain at the leading edge of their respective fields.

The year in review saw PMSB being awarded CIDB Malaysia's QLASSIC Excellence Awards 2016 in Category C for achieving an 81% QLASSIC score for its work on the Elections Commissions Tower. The QLASSIC or Quality Assessment System in Construction framework is a CIDB Malaysia-endorsed system to measure and evaluate the quality of construction work on a building. The Award recognises developers and contractors who have achieved a QLASSIC score of 80 and above.

The Group's Central Spine Road Package 3 project received the Mino Best Project Award (Category 1 – High Volume Road) by the Road Engineering Association of Asia and Australasia or REAAA. This award recognises recently constructed road and/or bridge projects in the Asian and Australasia regions.

Other awards and accolades won in previous years are spelt out in the Corporate Milestone section of this Annual Report.

Sustainability Report

(cont'd)

PMSB is working to improve its Quality Management System by migrating to the new version of ISO 9001:2015. The initial audit for ISO 9001:2015 was successfully conducted on 11 and 12 January 2017 whereby PMSB qualified for registration with four minor corrective actions to be undertaken. The new ISO 9001:2015 standard warrants that more attention be paid to risk management matters plus it requires greater involvement by top management in controlling the quality management system.

Over the course of the year, the Green Building Index or GBI assessment for Menara Technip was conducted with the building attaining the Gold GBI standard.

BUILDING A SUSTAINABLE FUTURE

Moving forward, PMHB intends to embed sustainability into its operations and business plan in a greater measure. Dialogue will be carried out at the Board level to ensure that the Group's sustainability agenda aligns with its business strategy and that it delivers a sustainable performance on the EES fronts. Ultimately, the Group's intention is to balance out its good Economic performance with responsible Environmental and Social considerations for the long-term.



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.

The Board is of the view that it has complied with the Code and this Statement of Corporate Governance has been made in accordance with the authority of the Board on 18 April 2017. 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.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions of the Board and Management

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

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

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

At each Board Meeting, the Chairman of the relevant Board Committees presents reports and minutes of Board Committees meetings to keep the Board informed and updated on the key matters deliberated by the Board Committees.

Clear Roles and Responsibilities

The Board provides stewardship to the Group’s strategic direction and operations. The Board is primarily responsible for:

- review the strategic direction of the Group;
- overseeing and evaluating the business operations of the Group;
- approving management recommendations on key matters, including acquisition or disposal of material assets and companies, funding and capital expenditure;
- reviewing adequacy of the internal control;
- identifying principal risks and ensuring that the risks are properly managed;
- establishing a succession plan for senior management positions; and
- developing and implementing an investor relations programme.

Code of Ethics

The Company’s Code of Ethics sets out the standards of business and ethical conduct based on general principles, including honesty, integrity, confidentiality and fair dealing, as guidance to all employees and directors in the conduct of their business in order to enhance the standard of corporate governance and behavior.

The approved Board Charter also sets out the Directors’ code of ethics in which the Board shall exercise proper conduct and good business ethics in the management of the Company by fulfilling its fiduciary duties and observing reasonable care, skills and diligence in a reasonable manner in any business judgement.

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 30 to the financial statements.

Statement On Corporate Governance

(cont'd)

Strategies Promoting Sustainability

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

Access to Information and Advice

The Board have full and unrestricted access to any information pertaining to the Group. The Board also have direct communication channels with the Internal and External Auditors, with the management of the Group and have the ability to convene meetings with the External Auditors whenever deemed necessary.

The Board may seek independent professional advice at the Company's expenses to enable them to discharge their duties in relation to matters being deliberated.

Qualified and Competent Company Secretaries

The Company engaged external qualified company secretaries from Tricor Corporate Services Sdn Bhd. The Company Secretaries are qualified to act as company secretary under Section 235 of the Companies Act 2016 and the Company Secretaries are the Fellow and Associate member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").

The Company Secretaries provide support to the Board in fulfilling its fiduciary duties and play an advisory role particularly with regard to the Company's constitution, Board policies and procedures and its compliance with regulatory and statutory requirements, codes, guidance and legislations.

The Company Secretaries attend all shareholders, Board and Committee meetings and ensures all deliberations at Board and Board Committee meetings are well documented and all meeting procedures are followed and recorded.

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through attendance at relevant conferences and training programmes. They have also attended the relevant continuous professional development programmes as required by MAICSA for practicing company secretaries.

Board Charter

The Board approved the Board Charter on 8 August 2012 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/MD;
- 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)

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 was last reviewed on 24 February 2017 to ensure its relevance and compliance. The Board Charter can be viewed in the Company's website.

STRENGTHEN COMPOSITION

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 9 to 11 of this Annual Report.

The Group practices the division of responsibility between the Chairman and 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 has also appointed a Senior Independent Director, who acts as the designated contact to whom shareholders' concerns or queries may be raised.

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

- Audit Committee
- Nomination Committee
- Remuneration Committee

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

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;

Statement On Corporate Governance

(cont'd)

- To consider, in making its recommendations, candidates for directorships within the bounds of practicability, by any other senior executive or any director or shareholder;
- To recommend to the Board, Directors to fill the seats on Board committee including gender diversity policies and targets with encouragement on recruitment of female Directors.
- To assess the effectiveness of the Board as a whole, the committees of the Board, and the contributions of each individual director;
- To examine the size of the Board with a view to determining the impact of the number upon its effectiveness.

Meetings of the Nomination Committee are held as and when necessary, and at least once a year. The Nomination Committee held three (3) meetings during the financial year and all members registered full attendance. The Nomination Committee, upon its recent annual review carried out, is satisfied that the size of the Board is optimum and that there is required mix of skills, experience, diversity of qualities, including core competencies and effectiveness of the Board, as a whole, the Board Committees and the contribution of each individual Directors.

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

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' Sri 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.

Remuneration of the MD 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.



Statement On Corporate Governance

(cont'd)

DEVELOP, MAINTAIN AND REVIEW CRITERIA FOR RECRUITMENT

Appointment and Re-election of Directors

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.

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 a least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting.

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 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 2016 are as follows:

	Non-executive Directors RM'000	Executive Director RM'000	Total RM'000
Directors' fees	216	-	216
Salaries	-	522	522
Bonuses and project incentives	-	261	261
Employees provident fund contribution	-	97	97
Benefits in kind & allowances	-	16	16
Total	216	896	1,112

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	3	-
From RM50,001 to RM100,000	1	-
From RM900,001 to RM950,000	-	1

Statement On Corporate Governance (cont'd)

REINFORCE INDEPENDENCE

Annual Assessment of 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 annually during its meeting.

FOSTER COMMITMENT

Time Commitment

The Directors are aware of the time commitment expected of them to attend to matters of the Group. An annual meeting calendar is planned and agreed with the Directors and reviewed on quarterly basis.

The Board is satisfied with the time commitment given by the Directors in discharging their duties for the financial year ended 31 December 2016.

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' Sri Lee Tuck Fook	Chairman	Independent and Non-Executive	5/5
Datuk Hj Subhi bin Dziauddin	Deputy Chairman	Non-Independent and Non-Executive	4/5
Wie Hock Beng	Managing Director	Non-Independent and Executive	5/5
Wie Hock Kiong	Director	Non-Independent and Non-Executive	5/5
Loh Kong Fatt	Director	Senior Independent and Non-Executive	5/5

Directors' Training

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

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

Name of conference, seminar and training programmes:

- 2017 Budget Proposals
- Board Training - Cyber Security
- Invest Malaysia 2016 - The Capital Market Conversation
- Leadership Development Program 2016



Statement On Corporate Governance

(cont'd)

The Company has adopted 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 Company.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

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.

Assessment of Suitability and Independence of External Auditors

The Audit Committee reviews the appointment, performance and remuneration of the External Auditors before recommending to the Board and to the shareholders for re-appointment in the Annual General Meeting.

The Audit Committee also convenes meetings with the External Auditors without the present of the Executive Director and Management whenever it deems necessary.

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

RECOGNISE AND MANAGE RISKS

Sound Framework to Manage 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.

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

Internal Control Function

To maintain total independence in the management of the internal control environment and remain in compliance with the MMLR, the Company has appointed 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.

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.

Statement On Corporate Governance (cont'd)

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

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

The Annual Reports have comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide investor with financial information. The Group's investor 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 MD and the senior management meet with analysts, institutional shareholders and investors. At general meetings, the Board encourages shareholders' participation and responds to their questions. Shareholders can also leave written questions for the Board to respond. The 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

Leverage on Information Technology for Effective Dissemination of Information

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

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

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage Shareholder Participation at General Meetings

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

Encourage Poll Voting

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting of the Company will be subjected to poll voting by the shareholders. The votes cast at the general meeting will be validated by a scrutineer, who is an independent person undertaking the polling process, not an officer of the Company or its related corporation and is not interested in the resolution to be passed at the general meeting.

Effective Communication and Proactive Engagement

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.



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’ Sri Lee Tuck Fook *(Independent Non-Executive Director)*

Members

Loh Kong Fatt *(Senior 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 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)

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 2016 which were attended by all the members as shown below:-

Audit Committee Member	Attendance
Dato' Sri 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 2016 included the following:-

- a) Reviewed the financial statements for the financial year ended 31 December 2015 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 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 2016, the Company has undertaken processes to review its risk management framework.

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

3. CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK

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

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

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

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

Statement On Risk Management And Internal Control (cont'd)

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

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

4. INTERNAL AUDIT FUNCTION

In a desire to maintain total independence in the management of the internal control environment and remain in compliance with the 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 agree on the scope and planned Internal Audit activity annually and all audit findings arising there from are reported to the Audit Committee on a quarterly basis.

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

As an additional function to the Group, the internal audit also 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 2016, the following areas are the internal audit compliance reviews undertaken by the auditors:

- 1) Operational Risk Management
- 2) Tender Management (Subcontractor)
- 3) Follow Up Review on Management's Action Plans

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

5. OTHER KEY INTERNAL CONTROL ELEMENTS

- Clearly defined terms of reference, authorities and responsibilities of the various committees which include the Audit Committee, Nomination Committee and Remuneration Committee.
- Well-defined organizational structure with clear lines for the segregation of duties, accountability and the delegation of responsibilities to senior management and the respective division heads including appropriate authority limits to ensure accountability and approval responsibility.



Statement On Risk Management And Internal Control (cont'd)

- Budgets are prepared annually for the business/operating units and approved by the Board. The budgets include operational, financial and capital expenditure requirements and performance monitored on a monthly basis and the business objectives and plans are reviewed in the monthly management meetings attended by division and business unit heads. The Managing Director meets regularly with senior management to consider the Group's financial performance, business initiatives and other management and corporate issues.
- There are regular Board meetings and Board papers are distributed in advance to all Board members who are entitled to receive and access all necessary and relevant information. Decisions of the Board are only made after the required information is made available and deliberated on by the Board. The Board maintains complete and effective control over the strategies and direction of the Group.
- The Audit Committee reviews the effectiveness of the Group's system of internal control on behalf of the Board. The Audit Committee comprises of non-executive members of the Board, who are independent Directors. The Audit Committee is not restricted in any way in the conduct of its duties and has unrestricted access to the internal and external auditors of the Company and to all employees of the Group. The Audit Committee is also entitled to seek other third party independent professional advice deemed necessary in the performance of its responsibility.
- The Audit Committee reviews all the internal control issues identified by the external and internal auditors and action taken by the management in respect of the findings arising therefrom. The internal 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 2016, 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 RM60,000.

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 2016 and nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

Directors' Responsibility Statement

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

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

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

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

In compliance with the several responsibilities of the Directors, the Directors present the financial statements of the Company and the Group for the financial year ended 31 December 2016 as set out on pages 59 to 124 of this Annual Report.



Additional Information

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

On 28 January 2015, the Company issued 255,101,224 free Warrants on the basis of one free warrant for every two existing ordinary shares of RM0.25 each in Pesona. During the financial year ended 31 December 2016, a total of 740,000 new ordinary shares of RM0.25 each were issued pursuant to conversion of the warrants. The proceeds amounting to RM185,000.00 were utilized as working capital of the Group.

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

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid to the external auditors by the Company for the year ended 31 December 2016 were RM95,500 and RM5,000.00.

RECURRENT RELATED PARTY TRANSACTIONS (“RRPT”)

Apart from the details of RRPT as disclosed in Note 30 of the financial statements, there were no other transaction with related party during the financial year.

The 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 16 June 2016.

FAMILY RELATIONSHIPS WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

Wie Hock Kiong is the brother of Wie Hock Beng. None of the other directors have family relationship with any other directors or major shareholders of the Company.

CONVICTION FOR OFFENCES (WITHIN THE PAST 10 YEARS, OTHER THAN TRAFFIC OFFENCES)

None of the directors have any conviction for offences.

CONFLICT OF INTEREST

None of the directors have any conflict of interest with the Company.

REVALUATION OF LANDED PROPERTY

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

SHARE BUY BACK

There was no share buy back during the financial year.

Additional Information

(cont'd)

SANCTIONS AND/OR PENALTIES

For the financial year ended 31 December 2016, 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 was no significant variance 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 2016.

PROFIT GUARANTEE

During the financial year, there was no profit guarantee 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 for the financial year ended 31 December 2016.

DEPOSITORY RECEIPT PROGRAMME

During the financial year ended 31 December 2016, the Company did not sponsor any Depository Receipt Programme.





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Directors' Report

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM	Company RM
Net profit for the financial year	20,029,927	13,461,978

RESERVES AND PROVISIONS

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

DIVIDENDS

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

	RM
A single tier final dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2015 paid on 30 June 2016	6,539,952
A single tier interim dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2016 paid on 6 October 2016	6,546,951
	<u>13,086,903</u>

The Directors recommend the payment of a single-tier final dividend of RM0.01 per ordinary share amounting to RM6,547,351.59 in respect of the current financial year ended 31 December 2016, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company has increased its paid-up share capital from RM163,498,790 to RM163,683,790 following the exercise of 740,000 warrants at an exercise price of RM0.25 per warrant on the basis of one (1) new ordinary share for one (1) warrant.

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

There was no issuance of debentures during the financial year.



Directors' Report

(cont'd)

WARRANTS

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

A total free warrants up to 274,851,244 warrants on the basis of one warrant for every two existing ordinary shares at the exercise price of RM0.25 of the Company was issued in 2015.

As at 31 December 2016, the total numbers of warrants that remained unexercised were 110,568,513.

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:

Dato' Sri 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 financial 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 31.12.2016
	At 1.1.2016	Acquired	Disposed	
Direct interest:				
Wie Hock Beng	8	-	-	8
Indirect interest:				
Wie Hock Beng ¹	362,048,900	14,830,400	-	376,879,300
Wie Hock Kiong ¹	362,048,900	14,830,400	-	376,879,300

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

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

Directors' Report

(cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of 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 30 to the financial statements.

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

OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position and statements of profit or loss and other 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 allowance for doubtful debts and satisfied themselves that there were no bad debts to be written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
 - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year; and
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the Directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due;
 - (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the notes to financial statements; and
 - (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.



Directors' Report

(cont'd)

SIGNIFICANT AND SUBSEQUENT EVENTS

Details of significant and subsequent events are disclosed in Note 34 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 18 April 2017.

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 69 to 123 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 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 37 to the financial statements on page 124 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures 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 18 April 2017.

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 to the best of my knowledge and relief, the financial statements set out on pages 69 to 124 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
above named CHONG KIEN ENG @ TEO)
KIEN ENG at KUALA LUMPUR in the)
Federal Territory on 18 April 2017)

CHONG KIEN ENG @ TEO KIEN ENG

Before me,

**COMMISSIONER FOR OATHS
MOHAN A.S. MANIAM W710**



Independent Auditors' Report

To The Members Of Pesona Metro Holdings Berhad

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Pesona Metro Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 69 to 123.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By- Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p><u>Revenue and cost recognition of construction contracts</u></p> <p>Refer to Note 3(k) (Significant Accounting Policies), Note 2(d) (Significant accounting judgements, estimates and assumptions), Note 10 (Amount due from/to contract customers) and Note 22 (Revenue).</p> <p>A significant proportion of the Group's revenues and profits are derived from long-term construction contracts which span more than one accounting period. The Group use the percentage-of-completion method in accounting for these long-term contracts. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.</p> <p>We focused on this area because management applies significant judgement in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs.</p>	<p>Our audit procedures performed in this area included, among others:</p> <ul style="list-style-type: none"> • Tested the Group's controls by checking for evidence of reviews and approvals over contract cost, setting budgets and authorising and recording of actual costs incurred; • Read all key contracts to obtain an understanding of the specific terms and conditions; • Compared the architect certificate against stage of completion of certain contracts to ascertain the reasonableness of the percentage of completion recognised in the profit or loss; • Challenged the assumptions in deriving at the estimates of contract costs. This includes comparing the actual margins achieved of previous similar completed projects to estimates and compared the estimated cost to suppliers' agreements or tenders; • Agreed a sample of costs incurred to date to invoice and/or progress claim, checked that they were allocated to the appropriate contract, and met the definition of contract costs; and • Assessed the adequacy and reasonableness of the disclosures in the financial statements.

Independent Auditors' Report

To The Members Of Pesona Metro Holdings Berhad

(Company No.: 957876-T) (Incorporated in Malaysia) (cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.



Independent Auditors' Report

To The Members Of Pesona Metro Holdings Berhad

(Company No.: 957876-T) (Incorporated in Malaysia) (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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 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 in Note 37 on page 124 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY

Firm Number: AF 1411
Chartered Accountants

LAI WONG CHUNG

Approved Number: 3277/08/18 (J)
Chartered Accountant

KUALA LUMPUR

18 April 2017



Statements of Financial Position

As At 31 December 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Non-Current Assets					
Property, plant and equipment	4	58,461,012	40,695,897	-	-
Investment properties	5	12,314,492	1,800,000	-	-
Goodwill on consolidation	6	3,034,543	3,034,543	-	-
Investments in subsidiary companies	7	-	-	105,760,021	105,760,021
Trade receivables	8	16,335,731	12,365,032	-	-
		90,145,778	57,895,472	105,760,021	105,760,021
Current Assets					
Inventories	9	1,184,286	1,822,257	-	-
Amounts due from contract customers	10	21,590,269	2,090,196	-	-
Trade receivables	8	204,443,782	171,164,598	14,000,000	2,000,000
Other receivables	11	21,846,679	22,638,135	5,246,194	5,082,695
Amounts due from subsidiary companies	12	-	-	54,657,079	63,877,580
Amount due from an associate	13	2,300,000	1,800,000	-	-
Tax recoverable		375,057	2,619,937	-	-
Fixed deposits with licensed banks	14	2,807,979	9,035,568	11,451	1,179,191
Cash and bank balances		4,036,047	14,445,038	629,049	2,291,374
		258,584,099	225,615,729	74,543,773	74,430,840
Total Assets		348,729,877	283,511,201	180,303,794	180,190,861
Equity					
Share capital	15	163,683,790	163,498,790	163,683,790	163,498,790
Share premium	16	8,659,138	8,659,138	8,659,138	8,659,138
Reverse acquisition reserve	17	(91,000,000)	(91,000,000)	-	-
Retained profits		62,176,186	55,233,162	7,724,580	7,349,505
Total Equity		143,519,114	136,391,090	180,067,508	179,507,433
Non-Current Liabilities					
Trade payables	18	13,903,974	7,002,559	-	-
Bank borrowing	19	4,112,582	-	-	-
Finance lease payables	20	7,700,584	7,108,201	-	-
Deferred tax liabilities	21	953,634	1,142,438	-	-
		26,670,774	15,253,198	-	-
Current Liabilities					
Amounts due to contract customers	10	68,520,079	54,559,964	-	-
Trade payables	18	87,781,800	58,325,159	-	-
Other payables	22	17,145,694	16,293,699	212,675	75,600
Amount due to a subsidiary company	12	-	-	-	600,000
Finance lease payables	20	3,496,213	2,518,263	-	-
Bank borrowing	19	1,542,228	-	-	-
Tax payable		53,975	169,828	23,611	7,828
		178,539,989	131,866,913	236,286	683,428
Total Liabilities		205,210,763	147,120,111	236,286	683,428
Total Equity and Liabilities		348,729,877	283,511,201	180,303,794	180,190,861

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

Statements Of Profit Or Loss And Other Comprehensive Income

For The Financial Year Ended 31 December 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	23	393,017,748	258,776,781	14,195,390	7,423,933
Cost of sales		(351,714,901)	(220,955,890)	-	-
Gross profit		41,302,847	37,820,891	14,195,390	7,423,933
Other income		14,292,453	2,721,772	-	-
Administrative expenses		(25,931,698)	(23,798,814)	(703,254)	(714,495)
Finance costs	24	(958,808)	(644,959)	-	-
Profit before taxation	25	28,704,794	16,098,890	13,492,136	6,709,438
Taxation	26	(8,674,867)	(4,407,435)	(30,158)	(14,458)
Net profit for the financial year, representing total comprehensive income for the financial year		20,029,927	11,691,455	13,461,978	6,694,980
Earnings per share (sen)					
Basic	27	3.06	1.79		
Dilution		2.62	1.53		



Statements Of Changes In Equity

For The Financial Year Ended 31 December 2016

Group	Note	Attributable to Owners of the Parent				Total RM	
		Share Capital RM	Share Premium RM	Non-Distributable			Distributable
				Reverse Acquisition Reserve RM	Retained Profits RM		
At 1 January 2016		163,498,790	8,659,138	(91,000,000)	55,233,162	136,391,090	
Net profit for the financial year		-	-	-	20,029,927	20,029,927	
Total comprehensive income for the financial year		163,498,790	8,659,138	(91,000,000)	75,263,089	156,421,017	
Transactions with owners:							
Conversion of warrants	15	185,000	-	-	-	185,000	
Dividends	29	-	-	-	(13,086,903)	(13,086,903)	
Total transactions with owners		185,000	-	-	(13,086,903)	(12,901,903)	
At 31 December 2016		163,683,790	8,659,138	(91,000,000)	62,176,186	143,519,114	
At 1 January 2015		127,550,612	8,659,138	(91,000,000)	43,620,221	88,829,971	
Net profit for the financial year		-	-	-	11,691,455	11,691,455	
Total comprehensive income for the financial year		127,550,612	8,659,138	(91,000,000)	55,311,676	100,521,426	
Transactions with owners:							
Conversion of warrants	15	35,948,178	-	-	-	35,948,178	
Dividends	29	-	-	-	(78,514)	(78,514)	
Total transactions with owners		35,948,178	-	-	(78,514)	35,869,664	
At 31 December 2015		163,498,790	8,659,138	(91,000,000)	55,233,162	136,391,090	

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2016 (cont'd)

Company	Note	Share	Non-	Distributable	Total
		Capital	Share	Distributable	Retained
		RM	Premium	Profits	RM
		RM	RM	RM	RM
At 1 January 2016		163,498,790	8,659,138	7,349,505	179,507,433
Net profit for the financial year		-	-	13,461,978	13,461,978
Total comprehensive income for the financial year		163,498,790	8,659,138	20,811,483	192,969,411
Transactions with owners:					
Conversion of warrants	15	185,000	-	-	185,000
Dividends	29	-	-	(13,086,903)	(13,086,903)
Total transactions with owners		185,000	-	(13,086,903)	(12,901,903)
At 31 December 2016		163,683,790	8,659,138	7,724,580	180,067,508
At 1 January 2015		127,550,612	8,659,138	733,039	136,942,789
Net profit for the financial year		-	-	6,694,980	6,694,980
Total comprehensive income for the financial year		127,550,612	8,659,138	7,428,019	143,637,769
Transactions with owners:					
Conversion of warrants	15	35,948,178	-	-	35,948,178
Dividends	29	-	-	(78,514)	(78,514)
Total transactions with owners		35,948,178	-	(78,514)	35,869,664
At 31 December 2015		163,498,790	8,659,138	7,349,505	179,507,433



Statements Of Cash Flows

For The Financial Year Ended 31 December 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash Flows From Operating Activities				
Profit before taxation	28,704,794	16,098,890	13,492,136	6,709,438
Adjustments for:				
Depreciation of property, plant and equipment	11,062,769	7,666,385	-	-
Impairment loss on receivables	-	1,702,119	-	-
Inventories written down	273,191	517,883	-	-
Interest expenses	958,808	644,959	-	-
Property, plant and equipment written off	577,745	100,213	-	-
Dividend income	-	-	(14,000,000)	(7,000,000)
Fair value adjustment on investment properties	(200,000)	(100,000)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(113,666)	68,974	-	-
Interest income	(13,288,807)	(1,058,466)	(195,390)	(423,933)
Reversal of inventories written down	(213,603)	(1,231,982)	-	-
Unrealised gain on foreign exchange	(64,709)	(5,365)	-	-
Operating profit/(loss) before working capital changes	27,696,522	24,403,610	(703,254)	(714,495)
Changes in working capital:				
Inventories	578,383	2,389,026	-	-
Receivables	(33,878,818)	(88,712,025)	(12,163,499)	(2,736,504)
Payables	37,210,051	20,904,697	137,075	8,600
Customers on contracts	(5,539,958)	(234,448)	-	-
Subsidiary companies	-	-	22,620,501	(47,513,809)
Associate	(500,000)	(1,800,000)	-	-
	(2,130,342)	(67,452,750)	10,594,077	(50,241,713)
Cash generated from/(used in) operations	25,566,180	(43,049,140)	9,890,823	(50,956,208)
Interest received	10,709,198	1,058,466	195,390	423,933
Interest paid	(958,808)	(644,959)	-	-
Dividend received	-	-	-	5,000,000
Tax refund	-	1,290,039	-	-
Tax paid	(6,734,644)	(3,917,514)	(14,375)	(2,517)
	3,015,746	(2,213,968)	181,015	5,421,416
Net cash generate from/(used in) operating activities	28,581,926	(45,263,108)	10,071,838	(45,534,792)

Statements Of Cash Flows

For The Financial Year Ended 31 December 2016 (cont'd)

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	4(b)	(24,930,062)	(12,761,160)	-	-
Purchase of investment properties	5(a)	(3,374,492)	-	-	-
Proceeds from disposal of property, plant and equipment		112,522	401,497	-	-
Acquisition of subsidiary companies, net of cash acquired		-	383	-	-
Additions of investment in subsidiary companies		-	-	-	(3,016,299)
Net cash used in investing activities		(28,192,032)	(12,359,280)	-	(3,016,299)
Cash Flows From Financing Activities					
Repayment of finance lease payables		(2,904,088)	(2,183,833)	-	-
Repayment of bank borrowing		(1,285,192)	(1,249,590)	-	-
Proceeds from issuance of shares		185,000	35,948,178	185,000	35,948,178
Decrease of fixed deposits pledged with licensed banks		3,686,413	4,121,273	-	-
Dividend paid		(13,086,903)	(5,180,538)	(13,086,903)	(5,180,538)
Net cash (used in)/generated from financing activities		(13,404,770)	31,455,490	(12,901,903)	30,767,640
Net decrease in cash and cash equivalents		(13,014,876)	(26,166,898)	(2,830,065)	(17,783,451)
Cash and cash equivalents at beginning of the financial year		17,011,618	43,173,151	3,470,565	21,254,016
Effect of exchange translation difference on cash and cash equivalents		64,709	5,365	-	-
Cash and cash equivalents at end of the financial year		4,061,451	17,011,618	640,500	3,470,565
Cash and cash equivalents at end of the financial year comprises:					
Fixed deposits with licensed banks		2,807,979	9,035,568	11,451	1,179,191
Cash and bank balances		4,036,047	14,445,038	629,049	2,291,374
		6,844,026	23,480,606	640,500	3,470,565
Less: Fixed deposits pledged with licensed banks		(2,782,575)	(6,468,988)	-	-
		4,061,451	17,011,618	640,500	3,470,565

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 under the Companies Act, 1965 and domiciled in Malaysia, and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

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

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

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 requirements of the Companies Act, 1965 in Malaysia.

Adoption of new and amended standards

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

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Annual Improvements to MFRSs 2012-2014 Cycle	

Adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company.

Notes To The Financial Statements

(cont'd)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs, new interpretation and amendments to 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
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 12		1 January 2017
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and measurement of Share-based payment Transactions	1 January 2018
Amendments to MFRS 15	Classifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments with MFRS 4 Insurance Contract</i>	1 January 2018 *
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 28	Sales or Contribution of Assets between and Investor and its Associate or Joint Venture	Deferred until further notice

Note:

* Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.



Notes To The Financial Statements

(cont'd)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

The Group and the Company intend 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* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts and related IC Interpretations*. The Group is in the process of assessing the impact of this Standard. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Notes To The Financial Statements

(cont'd)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

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

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis other than as disclosed in Note 3.

(c) Functional and presentation currency

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

(d) Significant accounting judgments, estimates and assumptions

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



Notes To The Financial Statements

(cont'd)

2. BASIS OF PREPARATION (CONT'D)

(d) Significant accounting judgments, estimates and assumptions (Cont'd)

Judgments

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

Revenue and cost recognition of construction contracts

The Group recognises contract revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgement is involved in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contracts.

Where the total actual revenue and cost incurred are different from the total estimated revenue and cost incurred, such differences will impact the contract profit or losses recognised.

The carrying amount of amount due from/(to) contract customers at the reporting date are disclosed in Note 10.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting 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 2016, 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.

Fair value of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2016 for investment properties. For investment properties, a valuation methodology based on sales comparison approach was used. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. Land was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The fair value of buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The key assumptions used to determine the fair value of the properties are provided in Note 5.

Notes To The Financial Statements

(cont'd)

2. BASIS OF PREPARATION (CONT'D)

(d) Significant accounting judgments, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Impairment of goodwill on consolidation

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

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 9.

Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable 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 for assets with similar credit risk characteristics. The carrying amounts of the Group's and of the Company's loans and receivables at the reporting date are disclosed in Note 8, 11, 12 and 13 respectively.

Income taxes

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

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. The carrying amounts of tax recoverable, tax payable and deferred tax at reporting date are disclosed in the statement of financial position.



Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

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. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Acquisition method

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

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

If the business combination is achieved in stages, 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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

Reverse acquisition method

In connection with its initial public offering, the Company acquired the entire equity interest in Pesona Metro Sdn. Bhd. via the issuance of ordinary shares and became the legal holding company of the subsidiary company. The Company's continuing operations and executive management are those of the subsidiary company. Accordingly, the substance of the business combination was that the subsidiary company acquired the Company in a reverse acquisition and hence the directors adopted the reverse acquisition accounting as the basis of consolidation in order to give a true and fair view of the business combination. The application of the reverse acquisition method under MFRS 3 *Business Combination* resulted in the subsidiary company being identified as the acquirer of the Group for accounting purposes and accordingly the pre-acquisition reserve of the subsidiary company was accounted for as reverse acquisition reserve.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (i.e. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(m) to the financial statements on impairment of non-financial assets.



Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Investments in associates

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

On acquisition of an investment in an associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate. Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

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

After application of the equity method, the Group applies MFRS 139 to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount.

Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

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

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(m).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.



Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

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

Buildings	50 years
Long term leasehold land and buildings	Over the remaining lease
Motor vehicles	5 years
Office equipment	5 years
Furniture and fittings	5 - 10 years
Plant and machinery	2½ - 10 years
Computers	3½ - 10 years
Moulds	10 years
Renovation	5 years
Building under construction	Not depreciated

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in property, plant and equipment.

(e) 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 and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

As lessee

(i) Finance lease

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

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

(i) Finance lease (Cont'd)

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

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

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases.

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.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(f) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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.



Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investment properties (Cont'd)

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(g) 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.

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

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

Financial assets at fair value through profit or loss include financial assets held for trading, contingent consideration in a business combination or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired principally for the purpose of selling it in the near term. Derivatives, including separated embedded derivatives, are also categorised as held for trading unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified 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 losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets (Cont'd)

(ii) Loans and receivables (Cont'd)

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

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

Derecognition

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

(h) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of 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.

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, contingent consideration in a business combination or financial liabilities designated into this category upon initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivatives financial instruments that are not designated as effective hedging instruments. Separated embedded derivatives are also categorised as held for trading unless they are designated as effective hedging instruments.



Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial liabilities (Cont'd)

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

Gains or losses on financial liabilities held for trading are recognised in profit or loss.

(ii) Other financial liabilities measured at amortised cost

The Group's and the Company's other financial liabilities comprise trade and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(iii) Financial guarantee contracts

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

(iv) Financial guarantee contracts

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

(v) Derecognition

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged, 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.

(i) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is 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.

(j) Inventories

Raw materials, work-in-progress and finished goods 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.

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Construction Contracts

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

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

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

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

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 reporting period 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.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with banks and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of pledged deposits.

(m) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.



Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Impairment of assets (Cont'd)

(i) Non-financial assets (Cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies, associates and joint ventures, 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 profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

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 in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

Available-for-sale financial assets

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on unquoted equity instruments carried at cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the Group's share of net assets or the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(n) Share capital

(i) Ordinary shares

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

Dividends distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

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

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the assets to be distributed. At the end of the reporting period and on the settlement date, the 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.

(o) Provisions

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

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



Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Provisions (Cont'd)

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 statements of profit or loss and other comprehensive income net of any reimbursement.

(p) 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 nor 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.

(q) Employee benefits

(i) Short term employee benefits

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

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

Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Employee benefits (Cont'd)

(ii) Defined contribution plans

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

(r) 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.

(s) 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(j) to the financial statements.

(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 accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.



Notes To The Financial Statements

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) 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.

(u) 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.

Notes To The Financial Statements

(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Building RM	Long term leasehold land and building RM	Buildings under construction RM	Motor vehicles RM	Office equipment RM	Furniture and fittings RM	Plant and machinery RM	Computers RM	Moulds RM	Renovation RM	Total RM
Group 2016												
Cost												
At 1 January 2016	3,370,986	139,214	1,499,184	1,133,779	10,852,969	1,019,159	2,217,021	43,889,644	1,671,724	7,956,329	502,787	74,252,796
Additions	-	-	7,015,091	2,717,289	2,107,799	706,822	9,444	16,275,415	464,889	107,734	-	29,404,483
Disposal	-	-	-	-	(782,500)	-	-	(13,277)	-	-	-	(795,777)
Written off	-	-	-	-	-	(7,520)	(430)	(713,323)	(10,532)	(36,504)	-	(768,309)
Reclassification	-	-	1,183,383	(1,183,383)	-	-	-	-	-	-	-	-
At 31 December 2016	3,370,986	139,214	9,697,658	2,667,685	12,178,268	1,718,461	2,226,035	59,438,459	2,126,081	8,027,559	502,787	102,093,193
Accumulated depreciation												
At 1 January 2016	-	20,745	216,808	-	7,778,709	728,689	1,762,856	13,605,788	1,411,050	7,299,793	246,127	33,070,565
Charges for the financial year	-	3,036	123,435	-	1,624,918	243,407	78,180	8,552,744	272,105	120,137	44,807	11,062,769
Disposal	-	-	-	-	(782,500)	-	-	(14,423)	-	-	-	(796,923)
Written off	-	-	-	-	-	(3,008)	(430)	(144,537)	(10,532)	(32,057)	-	(190,564)
At 31 December 2016	-	23,781	340,243	-	8,621,127	969,088	1,840,606	21,999,572	1,672,623	7,387,873	290,934	43,145,847
Accumulated impairment loss												
At 1 January/31 December 2016	-	-	-	-	-	-	-	486,334	-	-	-	486,334
Carrying amount												
At 31 December 2016	3,370,986	115,433	9,357,415	2,667,685	3,557,141	749,373	385,429	36,952,553	453,458	639,686	211,853	58,461,012

Notes To The Financial Statements

(cont'd)

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

	Freehold land		Long term leasehold land and building		Buildings under construction		Motor vehicles		Office equipment		Furniture and fittings		Plant and machinery		Computers		Moulds		Renovation		Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
Group																							
2015																							
Cost																							
At 1 January 2015	3,370,986	139,214	1,499,184	-	10,418,857	875,121	2,209,072	31,837,065	1,595,895	8,699,697	500,269	61,145,360											
Additions	-	-	1,133,779	1,447,505	149,445	9,275	12,813,656	156,268	89,818	2,518	15,802,264												
Disposal	-	-	-	(958,469)	(5,164)	-	(575,940)	-	-	-	-	(1,539,573)											
Written off	-	-	-	(54,924)	(243)	(1,326)	(185,137)	(80,439)	(833,186)	-	-	(1,155,255)											
At 31 December 2015	3,370,986	139,214	1,499,184	1,133,779	10,852,969	1,019,159	2,217,021	43,889,644	1,671,724	7,956,329	502,787	74,252,796											
Accumulated depreciation																							
At 1 January 2015	-	17,709	199,935	-	7,190,166	614,011	1,686,438	8,306,105	1,300,649	8,010,915	202,396	27,528,324											
Charges for the financial year	-	3,036	16,873	-	1,464,402	120,004	77,744	5,628,311	190,286	121,998	43,731	7,666,385											
Disposal	-	-	-	-	(863,269)	(5,164)	-	(200,669)	-	-	-	(1,069,102)											
Written off	-	-	-	-	(12,590)	(162)	(1,326)	(127,959)	(79,885)	(833,120)	-	(1,055,042)											
At 31 December 2015	-	20,745	216,808	-	7,778,709	728,689	1,762,856	13,605,788	1,411,050	7,299,793	246,127	33,070,565											
Accumulated impairment loss																							
At 1 January/31 December 2015	-	-	-	-	-	-	-	486,334	-	-	-	486,334											
Carrying amount																							
At 31 December 2015	3,370,986	118,469	1,282,376	1,133,779	3,074,260	290,470	454,165	29,797,522	260,674	656,536	256,660	40,695,897											

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 74 years (2015: 75 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	
	2016 RM	2015 RM
Aggregate costs	29,404,483	15,802,264
Less: Finance lease payables	(4,474,421)	(3,041,104)
Cash payments	24,930,062	12,761,160

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

	Group	
	2016 RM	2015 RM
Plant and machinery	16,412,916	13,324,296
Motor vehicle	193,333	282,333
	16,606,249	13,606,629

Leased assets are pledged for the related financing facilities.

5. INVESTMENT PROPERTIES

	Group	
	2016 RM	2015 RM
At 1 January	1,800,000	1,700,000
Addition	10,314,492	-
Change in fair value recognised in profit or loss	200,000	100,000
At 31 December	12,314,492	1,800,000

Investment properties comprise two lots of freehold land and buildings of a subsidiary company that are leased to third parties and a piece of freehold land. Subsequent renewals of the buildings are negotiated with the lessee on an average renewal period of 2 years. No contingent rents are charged.

Investment property of the Group amounting to RM10,314,492 has been charged to secure banking facilities granted to the Group (see Note 19).



Notes To The Financial Statements

(cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

(a) Acquisition of investment properties

During the financial year, the Group acquired an investment property with a cost of RM10,314,492, of which RM6,940,000 was acquired by means of term loan.

(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 amounting to RM2,000,000 (2015: RM1,800,000). 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. The most significant input into this valuation approach is price per square foot of comparable properties.

The increase in the fair values of RM200,000 (2015: RM100,000) has been recognised in the profit or loss during the financial year.

(c) Income and expenses recognised in profit or loss

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

	Group	
	2016 RM	2015 RM
Rental income	135,312	91,200
Direct operating expenses:		
- income generating investment properties	311,143	-

6. GOODWILL ON CONSOLIDATION

	Group	
	2016 RM	2015 RM
Costs		
At 1 January	3,034,543	-
Acquisition of subsidiary companies	-	3,034,543
At 31 December	3,034,543	3,034,543
Carrying amount	3,034,543	3,034,543

(a) Impairment test for goodwill on consolidation

Goodwill on consolidation has been allocated to Group's cash-generating units ("CGUs") identified according to business segments as construction.

Notes To The Financial Statements

(cont'd)

6. GOODWILL ON CONSOLIDATION (CONT'D)

(b) Key assumption used to determine the recoverable amount

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The key assumption used for value-in-use calculations are based on future projections of the Group in Malaysia as follows:

Pre-tax discount rate 6% p.a.

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

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

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources.

7. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2016 RM	2015 RM
Unquoted shares, at cost		
In Malaysia	105,760,021	105,760,021

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

Name of company	Effective interest		Principal activities
	2016 %	2015 %	

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 Asset Management Sdn. Bhd. (Formerly known as Pesona Metro Precast Sdn. Bhd.)	100	100	Building maintenance services
PM2 Building System Sdn. Bhd.	100	100	Manufacturing and trading of construction panel
Megah Mestika Sdn. Bhd.	100	100	Investment holding



Notes To The Financial Statements

(cont'd)

7. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies, all are incorporated in Malaysia, are as follows (Cont'd):

Name of company	Effective interest		Principal activities
	2016	2015	
	%	%	

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
Ratus Syabas Sdn. Bhd.	100	100	Engage in construction work

Subsidiary companies of

Megah Mestika Sdn. Bhd.:

Awana Infra Sdn. Bhd.	100	100	Investment holding
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8. TRADE RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-current				
Retention sums				
- third parties	13,993,505	10,226,586	-	-
- related parties	2,342,226	2,138,446	-	-
	16,335,731	12,365,032	-	-
Current				
Trade receivables				
- third parties	184,819,710	167,622,385	-	-
- related parties	-	1,519,966	14,000,000	2,000,000
	184,819,710	169,142,351	14,000,000	2,000,000
Less: Accumulated impairment losses	(1,702,119)	(1,702,119)	-	-
	183,117,591	167,440,232	14,000,000	2,000,000
Retention sums				
- third parties	15,723,076	149,317	-	-
- related parties	5,603,115	3,575,049	-	-
	21,326,191	3,724,366	-	-
	204,443,782	171,164,598	14,000,000	2,000,000
	220,779,513	183,529,630	14,000,000	2,000,000

Notes To The Financial Statements

(cont'd)

8. TRADE RECEIVABLES (CONT'D)

(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 (2015: 30 days to 60 days). Other credit terms are assessed and approved on a case by case basis.

The movement in the allowance for impairment loss (individually assessed) during the financial year are as follows:

	Group	
	2016 RM	2015 RM
At 1 January	1,702,119	-
Impairment loss recognised	-	1,702,119
At 31 December	1,702,119	1,702,119

Analysis of the trade receivables ageing as at the end of the financial year is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Neither past due nor impaired	73,659,924	55,406,838	14,000,000	2,000,000
<i>Past due not impaired:</i>				
Less than 30 days	19,811,639	9,732,912	-	-
31 to 60 days	1,836,538	9,586,622	-	-
More than 60 days	89,511,609	94,415,979	-	-
Retention sums	111,159,786	113,735,513	-	-
Impaired	37,661,922	16,089,398	-	-
	(1,702,119)	(1,702,119)	-	-
	220,779,513	183,529,630	14,000,000	2,000,000

As at 31 December 2016, trade receivables of the Group amounting to RM109,457,667 (2015: RM113,735,513) 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 individually determined to be impaired at the reporting date relate to debtors that are in financial difficulties, have defaulted on payments and/or dispute billings. These receivables are not secured by any collateral or credit enhancements and under legal case.

The trade receivables of the Group that are individually assess to be impaired amounting to RM nil (2015: RM1,702,119) related to customers have defaulted on payments. These balances are expected to be recovered through the debt recovery process.



Notes To The Financial Statements

(cont'd)

8. TRADE RECEIVABLES (CONT'D)

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

	Group	
	2016 RM	2015 RM
Within one year	21,326,191	3,724,366
Between one to two years	16,335,731	12,365,032
	<u>37,661,922</u>	<u>16,089,398</u>

9. INVENTORIES

	Group	
	2016 RM	2015 RM
Raw materials	489,843	785,782
Work-in-progress	337,224	446,858
Finished goods	357,219	589,617
	<u>1,184,286</u>	<u>1,822,257</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,405,131	8,585,967
Inventories written down	273,191	517,883
Reversal of inventories written down	213,603	1,231,982

The Group has written down slow moving obsolete inventories amounting to RM273,191 (2015: RM517,883) respectively during the financial year. The amount written down has been included in cost of sales. The reversal of inventories written down amounting to RM213,603 (2015: RM1,231,982) was made during the financial year when the related inventories were sold above their carrying amounts.

10. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2016 RM	2015 RM
Construction cost incurred to date	583,395,542	484,960,255
Add: Attributable profits	59,366,291	61,517,731
	<u>642,761,833</u>	<u>546,477,986</u>
Less: Progress billings	(689,691,643)	(598,947,754)
	<u>(46,929,810)</u>	<u>(52,469,768)</u>

Notes To The Financial Statements

(cont'd)

10. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS (CONT'D)

	Group	
	2016 RM	2015 RM
Represented as:		
Amount due from contract customers	21,590,269	2,090,196
Amount due to contract customers	(68,520,079)	(54,559,964)
	<u>(46,929,810)</u>	<u>(52,469,768)</u>

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

	Note	Group	
		2016 RM	2015 RM
Hire of plant and machinery		3,102,552	2,096,825
Rental of premises		637,242	488,607
Secondment of staffs	28	6,285,311	5,120,134
Staff costs			
- Salaries and other emoluments	28	18,165,407	16,592,932
- EPF	28	1,121,161	941,389

11. OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables	13,776,932	9,691,201	38,800	19,200
Less: Accumulated impairment loss	(75,333)	(75,333)	-	-
	<u>13,701,599</u>	<u>9,615,868</u>	<u>38,800</u>	<u>19,200</u>
Deposits	6,476,768	11,709,931	4,505,000	4,505,000
Prepayments	1,668,312	1,312,336	702,394	558,495
	<u>21,846,679</u>	<u>22,638,135</u>	<u>5,246,194</u>	<u>5,082,695</u>

- (a) Included in the Group's other receivables are advances to sub-contractors amounting to RM8,813,527 (2015: RM7,132,817) and advance payment made to acquiring property, plant and equipment amounting to RM2,643,484 (2015: RM1,995,296).
- (b) The Company's deposits included deposits paid for acquisition of interest in SEP Resources (M) Sdn. Bhd. and Selasih Asli Sdn. Bhd. amounting to RM1.5 million (2015: RM1.5 million) and RM3 million (2015: RM3 million) respectively as disclosed in Note 34 to the financial statements.



Notes To The Financial Statements

(cont'd)

12. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

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

13. AMOUNT DUE FROM AN ASSOCIATE

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

14. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits of the Group amounting to RM2,782,575 (2015: RM6,468,988) is pledged to licensed banks as security for bank facilities granted to the Group.

The interest rates of deposits range from 2.70% to 3.47% (2015: 2.70% to 3.35%) per annum and mature with 12 months (2015: 12 months) respectively.

15. SHARE CAPITAL

	Par Value RM	2016		Group/Company		2015	
		Number of shares	Amount RM	Par Value RM	Number of shares	Amount RM	
Authorised							
At 1 January		1,200,000,000	300,000,000		600,000,000	150,000,000	
Created during the year		-	-		600,000,000	150,000,000	
At 31 December	0.25	<u>1,200,000,000</u>	<u>300,000,000</u>	0.25	<u>1,200,000,000</u>	<u>300,000,000</u>	
Issued and fully paid							
At 1 January	0.25	653,995,159	163,498,790	0.25	510,202,448	127,550,612	
Conversion of warrants	0.25	<u>740,000</u>	<u>185,000</u>	0.25	<u>143,792,711</u>	<u>35,948,178</u>	
At 31 December	0.25	<u>654,735,159</u>	<u>163,683,790</u>	0.25	<u>653,995,159</u>	<u>163,498,790</u>	

During the financial year, the Company has increased its issued and paid up share capital from RM163,498,790 to RM163,683,790 following the exercise of 740,000 warrants at an exercise price of RM0.25 per warrant on the basis of one (1) new ordinary share for one (1) warrant.

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.

Notes To The Financial Statements

(cont'd)

16. 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.

17. REVERSE ACQUISITION RESERVE

	Group	
	2016 RM	2015 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

18. TRADE PAYABLES

	Group	
	2016 RM	2015 RM
Non-current		
Retention sum on contracts	13,903,974	7,002,559
Current		
Trade payables	75,566,067	46,987,902
Retention sum on contracts	12,215,733	11,337,257
	87,781,800	58,325,159
	101,685,774	65,327,718

The normal trade credit terms granted to the Group range from 30 to 60 days (2015: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.

19. BANK BORROWING

	Group	
	2016 RM	2015 RM
Secured		
Term loan	5,654,810	-
Analysed as:		
Current		
Term loan	1,542,228	-
Non-current		
Term loan	4,112,582	-



Notes To The Financial Statements

(cont'd)

19. BANK BORROWING (CONT'D)

Interest rates per annum are as follows:

	%	%
Term loan	COF + 2%	-

The term loan is secured by:

- (i) First party legal charge over the investment properties of the Group as disclosed in Note 5 to the financial statements.
- (ii) Corporate guarantee by the Company.

20. FINANCE LEASE PAYABLES

	Group	
	2016	2015
	RM	RM
Minimum lease payments:		
Within one year	4,076,427	3,035,952
Between one to two years	4,035,381	3,035,952
Between two to five years	4,258,008	4,653,998
	12,369,816	10,725,902
Less: Future finance charges	(1,173,019)	(1,099,438)
Present value of minimum lease payments	11,196,797	9,626,464
Present value of minimum lease payments:		
Within one year	3,496,213	2,518,263
Between one to two years	3,680,609	2,686,889
Between two to five years	4,019,975	4,421,312
	11,196,797	9,626,464
Analysed as:		
Repayable within twelve months	3,496,213	2,518,263
Repayable after twelve months	7,700,584	7,108,201
	11,196,797	9,626,464

The finance lease payables bears effective interest rate range from 3.2% to 3.6% (2015: 3.2% to 3.6%) per annum.

Notes To The Financial Statements

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21. DEFERRED TAX LIABILITIES

	Group	
	2016 RM	2015 RM
At 1 January	1,142,438	862,107
Recognised in profit or loss (Note 26)	(188,804)	280,331
At 31 December	953,634	1,142,438

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	
	2016 RM	2015 RM
Unused tax losses	17,889,460	15,752,849
Unabsorbed capital allowances	6,434,749	5,499,411
	24,324,209	21,252,260

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.

22. OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other payables	13,086,266	13,110,633	129,315	-
Accruals	3,952,240	3,083,472	83,360	75,600
Deposits received	107,188	99,594	-	-
	17,145,694	16,293,699	212,675	75,600

Included in the other payables of the Group are advances from customers amounting to RM10,052,067 (2015: RM8,108,404).

23. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Construction contracts	377,875,369	242,564,082	-	-
Sale of goods	14,946,989	15,788,766	-	-
Interest income	195,390	423,933	195,390	423,933
Dividend income	-	-	14,000,000	7,000,000
	393,017,748	258,776,781	14,195,390	7,423,933



Notes To The Financial Statements

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24. FINANCE COSTS

	Group	
	2016 RM	2015 RM
Interest expenses on:		
Term loan	304,377	7,372
Export credit refinancing	-	19,430
Finance lease payables	654,367	618,049
Other	64	108
	<u>958,808</u>	<u>644,959</u>

25. PROFIT BEFORE TAXATION

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration				
- statutory audit				
- current year	97,894	109,867	30,000	27,000
- underprovision in prior year	8,508	1,500	1,000	2,000
- other	41,250	41,250	-	-
Depreciation of property, plant and equipment	11,062,769	7,666,385	-	-
Directors' remuneration				
- Fees	216,000	216,000	216,000	216,000
- Salary and other emoluments	799,242	855,620	-	-
- EPF	96,570	99,420	-	-
Hire of plant and machinery	14,240	15,900	-	-
Impairment loss on trade receivables	-	1,702,119	-	-
Inventories written down	273,191	517,883	-	-
(Gain)/Loss on disposal of property, plant and equipment	(113,666)	68,974	-	-
Property, plant and equipment written off	577,745	100,213	-	-
Rental of premises	651,092	717,816	-	-
Fair value adjustment of investment properties	(200,000)	(100,000)	-	-
Gain on foreign exchange				
- realised	-	(119,456)	-	-
- unrealised	(64,709)	(5,365)	-	-
Interest income	(13,288,807)	(1,058,466)	(195,390)	(423,933)
Rental income	(135,312)	(91,200)	-	-
Reversal of inventories written down	(213,603)	(1,231,982)	-	-

Notes To The Financial Statements

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26. TAXATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Tax expenses for the financial year:				
Current tax provision	8,618,356	3,941,580	30,211	14,430
(Over)/Under provision in prior year	245,315	185,524	(53)	28
	8,863,671	4,127,104	30,158	14,458
Deferred tax: (Note 22)				
Relating to origination and reversal of temporary differences	(82,348)	211,011	-	-
Relating to changes in tax rate	(43,165)	-	-	-
Over provision in prior year	(63,291)	69,320	-	-
	(188,804)	280,331	-	-
	8,674,867	4,407,435	30,158	14,458

Income tax is calculated at the statutory tax rate of 24% (2015: 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before taxation	28,704,794	16,098,890	13,492,136	6,709,438
Taxation at statutory tax rate of 24% (2015: 25%)	6,889,151	5,776,431	3,238,113	1,677,360
Relating to changes in tax rate	(43,165)	-	-	-
Income not subject to tax	(18,697)	(3,271,375)	(3,376,025)	(1,841,042)
Expenses not deductible for tax purposes	928,286	743,999	168,123	178,112
Deferred tax assets not recognised	737,268	1,037,302	-	-
Others	-	(133,766)	-	-
(Over)/Under provision of income tax expense in prior year	245,315	185,524	(53)	28
Under/(over) provision of deferred tax expense in prior year	(63,291)	69,320	-	-
Tax expense for the financial year	8,674,867	4,407,435	30,158	14,458

The Group has estimated unused tax losses and unutilised capital allowances of RM18,008,675 (2015: RM15,872,064) and RM7,855,699 (2015: RM6,261,548) respectively carried forward available for set-off against future taxable profit subject to guidelines issued by the tax authority.



Notes To The Financial Statements

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27. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year is disclosed in next page.

	Group	
	2016 RM	2015 RM
Basic Earnings Per Share		
Net profit for the financial year (RM)	20,029,927	11,691,455
Weighted average number of ordinary shares in issue	654,735,159	653,995,159
Basic earnings per share (sen)	3.06	1.79

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

	Group	
	2016 RM	2015 RM
As at 1 January	653,995,159	510,202,448
Share issue pursuant to:		
- conversion of warrants	740,000	143,792,711
As at 31 December	654,735,159	653,995,159

(b) Diluted earnings per share

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

	Group	
	2016 RM	2015 RM
Net profit for the financial year attributable to owners of the Parent (RM)	20,029,927	11,691,455
Weighted average number of ordinary shares used in the calculation of basic earnings per share	654,735,159	653,995,159
Adjusted for:		
Assumed conversion of warrants	110,568,513	111,308,513
Weighted average number of ordinary shares as at 31 December	765,303,672	765,303,672
Diluted earnings per share (sen)	2.62	1.53

Notes To The Financial Statements

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28. STAFF COSTS

	Note	Group	
		2016 RM	2015 RM
Staff costs (excluding Directors)		29,971,303	28,189,125
Add:			
Secondment of staffs from third party		6,760,761	5,530,248
		<u>36,732,064</u>	<u>33,719,373</u>
Less:			
Capitalised in construction costs	10	(25,571,879)	(22,654,455)
		<u>11,160,185</u>	<u>11,064,918</u>

Included in the staff costs are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM983,462 (2015: RM1,028,992).

29. DIVIDENDS

	Group/Company	
	2016 RM	2015 RM
A single tier interim dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2015 paid on 24 June 2016	-	78,514
A single tier final dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2015 paid on 30 June 2016	6,539,952	-
A single tier interim dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2016 paid on 6 October 2016	6,546,951	-
	<u>13,086,903</u>	<u>78,514</u>

After the reporting period, the Directors recommend the payment of a single-tier final dividend of 1 sen per ordinary share amounting to RM6,547,351.59 in respect of the current financial year ended 31 December 2016. This dividend will be recognised in the subsequent financial period upon approval by the shareholders.

30. RELATED PARTY DISCLOSURES

(a) Identified related parties

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

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

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



Notes To The Financial Statements

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30. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. In addition to related party balances disclosed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2016 RM	2015 RM
Group		
* Other Related Parties:		
Progress billing received/receivable	31,838,814	1,843,160
Company		
Subsidiary Company		
Dividend income	14,000,000	7,000,000
* <i>The nature and relationship between the Group and the related parties are those companies in which a Director of the Company has financial interest.</i>		

(c) Compensation of key management personnel.

Information regarding compensation of key management personnel is as follows

	Group	
	2016 RM	2015 RM
Short-term employee benefits		
- Salaries and other emoluments	5,392,561	5,720,779

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.

31. SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable segments as follows:

Construction works	Construct building, infrastructure and project planning cum implementation contractor
Manufacturing and trading of polyurethane	Manufacturing and trading of polyurethane and building system
Others	Investment holding and provision of management services

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Information about segment liabilities is neither included in the internal management reports nor provided regularly to the management. Hence, no disclosure is made on segment liabilities.

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

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

Notes To The Financial Statements

(cont'd)

31. SEGMENTAL INFORMATION (CONT'D)

	Construction RM	Manufacturing and trading RM	Others RM	Adjustments and eliminations * RM	Per consolidated financial statements RM
2016					
Revenue					
External sales	389,444,196	3,378,162	195,390	-	393,017,748
Inter-segment	60,436,381	-	14,000,000	(74,436,381)	-
Total revenue	449,880,577	3,378,162	14,195,390	(74,436,381)	393,017,748
Results					
Segment results	29,417,371	(957,654)	13,296,747	(14,000,000)	27,756,464
Interest income	13,086,850	6,567	195,390	-	13,288,807
Finance costs	(676,635)	(282,173)	-	-	(958,808)
Depreciation of property, plant and equipment	(9,667,349)	(1,395,420)	-	-	(11,062,769)
Fair value gain on investment properties	200,000	-	-	-	200,000
Other non-cash items	(459,633)	(59,267)	-	-	(518,900)
Profit before taxation	31,900,604	(2,687,947)	13,492,137	(14,000,000)	28,704,794
Taxation	(8,513,363)	(131,346)	(30,158)	-	(8,674,867)
Net profit for the financial year	23,387,241	(2,819,293)	13,461,979	(14,000,000)	20,029,927
Assets					
Additions to non-current assets	29,285,205	119,278	-	-	29,404,483
Segment assets	312,047,751	10,935,686	179,663,293	(190,540,418)	312,106,312
Unallocated assets	5,924,149	654,433	640,500	-	7,219,082
Total assets	347,257,105	11,709,397	180,303,793	(190,540,418)	348,729,877
Non-cash expenses/(income)					
Inventories written down	-	273,191	-	-	273,191
Property, plant and equipment written off	573,298	4,447	-	-	577,745
(Gain)/Loss on foreign exchange - Unrealised	-	(4,768)	-	-	(4,768)
(Gain)/Loss on disposal of PPE	(113,665)	-	-	-	(113,665)
Reversal of inventories written off	-	(213,603)	-	-	(213,603)
	459,633	59,267	-	-	518,900



Notes To The Financial Statements

(cont'd)

31. SEGMENTAL INFORMATION (CONT'D)

	Construction RM	Manufacturing and trading RM	Others RM	Adjustments and eliminations * RM	Per consolidated financial statements RM
2015					
Revenue					
External sales	255,656,677	2,696,171	423,933	-	258,776,781
Inter-segment	44,772,443	12,230,507	7,000,000	(64,002,950)	-
Total revenue	300,429,120	14,926,678	7,423,933	(64,002,950)	258,776,781
Results					
Segment results	19,184,254	5,889,773	6,285,505	(7,000,000)	24,359,532
Interest income	519,200	115,333	423,933	-	1,058,466
Finance costs	(231,534)	(413,425)	-	-	(644,959)
Depreciation of property, plant and equipment	(6,218,633)	(1,447,752)	-	-	(7,666,385)
Fair value gain on investment properties	100,000	-	-	-	100,000
Other non-cash items	(169,118)	(938,646)	-	-	(1,107,764)
Profit before taxation	13,184,169	3,205,283	6,709,438	(7,000,000)	16,098,890
Taxation	(3,723,596)	(669,381)	(14,458)	-	(4,407,435)
Net profit for the financial year	9,460,573	2,535,902	6,694,980	(7,000,000)	11,691,455
Assets					
Additions to non-current assets	15,692,811	109,452	-	-	15,802,263
Segment assets	230,146,554	13,379,097	176,720,296	(178,637,551)	241,608,396
Unallocated assets	19,778,141	2,849,943	3,470,565	1,893	26,100,542
Total assets	265,617,506	16,338,492	180,190,861	(178,635,658)	283,511,201
Non-cash expenses/(income)					
Impairment loss on trade receivables	-	1,702,119	-	-	1,702,119
Inventories written down	-	517,883	-	-	517,883
Property, plant and equipment written off	100,145	68	-	-	100,213
(Gain)/Loss on foreign exchange - Unrealised	-	(5,365)	-	-	(5,365)
(Gain)/Loss on disposal of PPE	68,974	-	-	-	68,974
Reversal of inventories written off	-	(1,231,982)	-	-	(1,231,982)
	169,119	982,723	-	-	1,151,842

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

Notes To The Financial Statements

(cont'd)

32. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Group			
2016			
Financial Assets			
Trade receivables	220,779,513	-	220,779,513
Other receivables	20,178,368	-	20,178,368
Fixed deposits with licensed banks	2,807,979	-	2,807,979
Cash and bank balances	4,036,047	-	4,036,047
Total financial assets	247,801,907	-	247,801,907
Financial Liabilities			
Trade payables	-	101,685,774	101,685,774
Other payables	-	17,145,694	17,145,694
Finance lease payables	-	11,196,797	11,196,797
Bank borrowings	-	5,654,810	5,654,810
Total financial liabilities	-	135,683,075	135,683,075
2015			
Financial Assets			
Trade receivables	183,529,630	-	183,529,630
Other receivables	21,325,799	-	21,325,799
Fixed deposits with licensed banks	9,035,568	-	9,035,568
Cash and bank balances	14,445,038	-	14,445,038
Total financial assets	228,336,035	-	228,336,035
Financial Liabilities			
Trade payables	-	65,327,718	65,327,718
Other payables	-	16,293,699	16,293,699
Finance lease payables	-	9,626,464	9,626,464
Total financial liabilities	-	91,247,881	91,247,881



Notes To The Financial Statements

(cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

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

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Company			
2016			
Financial Assets			
Trade receivables	14,000,000	-	14,000,000
Other receivables	4,543,800	-	4,543,800
Fixed deposits with licensed banks	11,451	-	11,451
Cash and bank balances	629,049	-	629,049
Total financial assets	19,184,300	-	19,184,300
Financial Liabilities			
Other payables	-	212,675	212,675
Total financial liabilities	-	212,675	212,675
2015			
Financial Assets			
Trade receivables	2,000,000	-	2,000,000
Other receivables	4,524,200	-	4,524,200
Fixed deposits with licensed banks	1,179,191	-	1,179,191
Cash and bank balances	2,291,374	-	2,291,374
Total financial assets	73,872,345	-	73,872,345
Financial Liabilities			
Other payables	-	75,600	75,600
Amount due to a subsidiary company	-	600,000	-
Total financial liabilities	-	675,600	75,600

(b) Financial risk management objectives and policies

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

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

Notes To The Financial Statements

(cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Credit risk

Receivables

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with licensed banks. 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 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 licensed banks 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 provides unsecured loans and advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

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.

A subsidiary company provides bank guarantees issued by licensed banks for the purposes of construction projects. The maximum exposure of credit risk amounts to RM151,366,346 (2015: RM93,504,963). 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.

Credit risk concentration

At the reporting date, approximately 83% (2015: 91%) of the Group's trade receivables were due from 4 (2015: 4) major customers which contribute from construction segment.

(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 due. 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 are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.



Notes To The Financial Statements

(cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total Contractual Cash Outflow RM	Total Carrying Amount RM
Group						
2016						
Trade payables	87,781,800	5,790,902	8,113,072	-	101,685,774	101,685,774
Other payables	17,145,694	-	-	-	17,145,694	17,145,694
Finance lease payables	4,076,427	4,035,381	4,258,008	-	12,369,816	11,196,797
Bank borrowings	1,932,747	1,932,747	3,221,219	-	7,086,713	5,654,810
Total undiscounted financial liabilities	110,936,668	11,759,030	15,592,299	-	138,287,997	135,683,075
2015						
Trade payables	58,325,159	2,991,660	4,010,899	4,010,899	65,327,718	65,327,718
Other payables	16,293,699	-	-	-	16,293,699	16,293,699
Finance lease payables	3,035,952	3,035,952	4,653,998	-	10,725,902	9,626,464
Total undiscounted financial liabilities	77,654,810	6,027,612	8,664,897	4,010,899	92,347,319	91,247,881

	On demand or within 1 year RM	Total Contractual Cash Outflow RM	Total Carrying Amount RM
Company			
2016			
Other payables	212,675	212,675	212,675
Total undiscounted financial liability	212,675	212,675	212,675
2015			
Other payables	75,600	75,600	75,600
Amount due to a subsidiary company	600,000	600,000	600,000
Total undiscounted financial liabilities	675,600	675,600	675,600

Notes To The Financial Statements

(cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risks

(i) Foreign currency exchange risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currencies of the Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD).

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

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

	Group	
	2016	2015
	RM	RM
Cash and bank balances	549,345	722,124
Trade receivables	315,770	264,390
	<u>865,115</u>	<u>986,514</u>

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	
	2016	2015
	RM	RM
Effect to profit or loss		
USD/RM		
- Strengthened 5%	43,256	49,326
- Weakened 5%	(43,256)	(49,326)
	<u></u>	<u></u>

(ii) Interest rate risk

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

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

Notes To The Financial Statements

(cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risks (Cont'd)

(ii) Interest rate risk (Cont'd)

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

	2016 RM	2015 RM
Group		
Fixed rate instrument		
Financial Asset		
Fixed deposits with licensed banks	2,807,979	9,035,568
Floating rate instrument		
Financial Liability		
Bank borrowings	5,654,810	-
Company		
Fixed rate instrument		
Financial Asset		
Fixed deposits with licensed banks	11,451	1,179,191

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in interest rates by 1% at the end of the reporting period would not significantly affect profit or loss.

(d) Fair value of financial instruments

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

33. 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.

Notes To The Financial Statements

(cont'd)

33. CAPITAL MANAGEMENT (CONT'D)

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

	Group	
	2016 RM	2015 RM
Total loans and borrowings	16,851,607	9,626,464
Less: Cash and cash equivalents	(4,061,451)	(17,011,618)
Net debt	12,790,156	(7,385,154)
Total equity	143,519,114	136,391,090
Gearing ratio	0.09	N/A

N/A – the gearing ratio may not provide a meaningful indicator of risks of borrowings.

34. SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) Ratus Syabas Sdn Bhd ("RSSB"), a wholly-owned subsidiary company of the Company, had on 29 May 2015 entered into a sale and purchase agreement with Sri Jami Group (M) Sdn Bhd ("SJGMSB") to acquire 62.69 acres of freehold agricultural land, being part of a piece of land held under Master Title Geran 121235 Lot 5918 in Mukim Bagan Datoh, District of Hilir Perak (formerly held under H.S (D) LP 12321, PT No. 1113, Mukim Bagan Datoh, State of Perak) measuring 914.1 hectares ("Master Title" or "Master Land") to be subdivided into two (2) individual titles and more particularly identified as Lot 11 and 12 ("Land") for a purchase consideration of RM9,905,020 to be satisfied by cash.

The Acquisition has been completed on 29 January 2016.

- (b) On 27 April 2015, the Company entered into a sale of shares agreement ("SSA") with Semarak Korporat Sdn. Bhd. ("SKSB") to acquire 90% equity interest in Selasih Asli Sdn. Bhd. ("SASB") comprising 180,000 ordinary shares of RM1.00 each for a purchase consideration of RM60.0 million, to be satisfied in accordance with the terms and conditions of the SSA.

On 30 December 2016, the Company and the Vendor mutually agreed to terminate the SSA as the conditions precedent are not fulfilled during the Conditional Period.

- (c) On 29 August 2014, the Company has entered into a Conditional Share Sale Agreement ("SSA") with the shareholders of SEP to acquire the entire equity interest in SEP, a private limited company incorporated in Malaysia, for a purchase consideration of RM29.15 million to be satisfied via combination of RM1.5 million cash and issuance of 39,500,000 new ordinary shares of RM0.25 each of the Company at an issue price of RM0.70 per share ("Proposed Acquisition of SEP").

The Proposed Acquisition of SEP is related to the letter of award from Budaya Positif Sdn. Bhd. ("Budaya"), for the Construction Project of Student Hostels for Universiti Malaysia Perlis ("UNIMAP") for a contractual sum of RM129.80 million (the "Construction Project"). Budaya is a special purpose vehicle incorporated by Pembina SPK Sdn. Bhd. ("PSPK") which currently owns the Concession awarded by the Government of Malaysia and UNIMAP which comprises of the Construction Project and Concession period for a period of twenty two (22) years and six (6) months from the date of commencement of the Construction Project. Pursuant to a Call Option Agreement between PSPK and SEP, SEP has been granted the Call Option by PSPK to purchase the entire equity interest in Budaya of 5,000,000 shares ("Budaya shares"). Upon completion of acquisition of SEP, the Company shall be entitled to exercise the Call Option via SEP to purchase the Budaya shares.



Notes To The Financial Statements

(cont'd)

34. SIGNIFICANT EVENTS (CONT'D)

- (c) The Proposed Acquisition of SEP represents a strategic investment by the Company for future recurring income stream from the provision of management and maintenance services to the Student Hostels for UNIMAP over the tenure of the Concession.

On 9 August 2016, the Company entered into a Supplemental Agreement with the Vendors to vary, amongst others, the Conditions Precedent such that the Company will be able to comply with the Unit Kerjasama Awam Swasta ("UKAS") Bumi Equity Condition as well as certain terms and conditions of the SSA that relate to the UKAS Approval.

Pursuant to the SSA and Supplemental Agreement, the Purchase Consideration for the entire equity interest of SEP shall remain at RM29.15 million. The Purchase Consideration shall now be satisfied in the following manner:

- (i) Phase 1 Acquisition of SEP

Allotment and issuance of 27,650,000 First Tranche Consideration Shares in favour of the shareholders of SEP's nominee, SEP Capital (M) Sdn. Bhd. ("SEP Capital"), within six (6) months from the First Tranche Completion Date with an aggregate value of all the First Tranche Consideration Shares of RM19,355,000; and

- (ii) Phase 2 Acquisition of SEP

Allotment and issuance of 11,850,000 Second Tranche Consideration Shares in favour of SEP Capital with an aggregate value of all the Second Tranche Consideration Shares of RM8,295,000.

The proposed acquisition has not been completed as at the date of this report.

35. CAPITAL COMMITMENTS

	Group	
	2016	2015
	RM	RM
Approved and contracted:		
- Acquisition of property, plant and equipment	5,338,977	15,048,533

36. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 18 April 2017.

Notes To The Financial Statements

(cont'd)

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

The following analysis of realised and unrealised retained profits of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") 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.

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Retained profits:				
- Realised	59,596,539	52,664,114	7,724,580	7,349,505
- Unrealised	1,738,827	1,728,228	-	-
	61,335,366	54,392,342	7,724,580	7,349,505
Add: Consolidated adjustments	840,820	840,820	-	-
	62,176,186	55,233,162	7,724,580	7,349,505

The disclosure of realised and unrealised profits 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 @ 31/12/2016 (RM)
Vacant (3 Floors)	2,131.25	5,717.57	Leasehold 99 years expiring on 05.01.2091 (Balance 75 years)	No.19,19A & 19B, Jalan SB Indah 1/18, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	20/8/2003	18 years	1,265,502
Investment Property (1½ Floor)	1,668.40	2,142.02	Freehold	No.9 - PT 9078, Jalan Industri Putra 1, Precinct 14, 62050 Putrajaya.	28/8/2007	6 years	1,000,000
Investment Property (1½ floor)	1,668.40	2,142.02	Freehold	No.11- PT 9077, Jalan Industri Putra 1, Precinct 14, 62050 Putrajaya.	28/8/2007	6 years	1,000,000
Store	216,171.61	-	Freehold	Lot 4627, Jalan Broga Besar, 71750 Broga, Negeri Sembilan.	3/8/2009	-	1,095,684
Store	215,891.75	-	Freehold	Lot 4628, Jalan Broga Besar, 71750 Broga, Negeri Sembilan.	23/10/2012	-	2,390,735
Shop Office	1,173.27	2,922.40	Leasehold 99 years expiring on 08.07.2098 (Balance 82 years)	No.7, Jalan MU Empat, Medan Universiti, 02600 Arau, Perlis.	26/3/2015	1 year	584,563
Shop Office	1,173.27	2,922.40	Leasehold 99 years expiring on 08.07.2098 (Balance 82 years)	No.5, Jalan MU Empat, Medan Universiti, 02600 Arau, Perlis.	26/3/2015	1 year	584,563

List Of Properties

(cont'd)

Existing Use	Land Area (as per Land Title) (Square Feet)	Build Up Area (Square Feet)	Tenure / Date of Expiry of Lease	Address	Date of Acquisition (S&P Date)	Approximate Age of Building	NBV @ 31/12/2016 (RM)
Head Office (3½ Floors)	1,530.94	5,900.52	Leasehold 99 years expiring on 05.01.2091 (Balance 75 years)	No.39, Jalan Sungai Besi Indah 1/19, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	12/7/2016	13 years	3,461,393
Head Office (3½ Floors)	1,530.94	5,965.14	Leasehold 99 years expiring on 05.01.2091 (Balance 75 years)	No.41, Jalan Sungai Besi Indah 1/19, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	12/7/2016	13 years	3,461,393



Analysis Of Shareholdings

As At 31 March 2017

Issued Share Capital	:	RM166,237,789.75 comprising 664,951,159 ordinary shares
Class of Shares	:	Ordinary shares
Voting Right	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Total Shareholdings	%
Less than 100 shares	5,982	50,749	0.007
100 – 1,000 shares	3,024	1,070,103	0.160
1,001 – 10,000 shares	1,659	8,215,889	1.235
10,001 – 100,000 shares	975	35,248,532	5.300
100,001 to less than 5% of issued shares	220	243,486,586	36.617
5% and above of issued shares	2	376,879,300	56.677
Total	11,862	664,951,159	100.000

SUBSTANTIAL SHAREHOLDERS

According to the register to be kept under section 144 of the Companies Act 2016, the following are the substantial shareholders of the Company:

Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Wie Hock Beng	8	*	376,879,300 [#]	56.68
Wie Hock Kiong	-	-	376,879,300 [#]	56.68
Sincere Goldyear Sdn Bhd	111,372,600	16.75	-	-
Kombinasi Emas Sdn Bhd	265,506,700	39.93	-	-

Notes:

Deemed indirect interest held pursuant to Section 8 of the Companies Act 2016 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' Sri Lee Tuck Fook	-	-	-	-
Datuk Hj Subhi Bin Dziauddin	-	-	-	-
Wie Hock Beng	8	*	376,879,300 [#]	56.68
Wie Hock Kiong	-	-	376,879,300 [#]	56.68
Loh Kong Fatt	-	-	-	-

Deemed indirect interest held pursuant to Section 8 of the Companies Act 2016 by virtue of his substantial shareholdings in Sincere Goldyear Sdn Bhd and Kombinasi Emas Sdn Bhd.

* negligible

Analysis Of Shareholdings

As At 31 March 2017 (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS

No.	Shareholders	No. Of Shares	%
1)	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Kombinasi Emas Sdn Bhd</i>	265,506,700	39.928
2)	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Sincere Goldyear Sdn Bhd</i>	111,372,600	16.748
3)	Advance Harvest Sdn Bhd	23,391,000	3.517
4)	Chin Guek Hong	23,191,000	3.487
5)	Country Dairy Sdn Bhd	18,432,000	2.771
6)	Constant Uptrend Holdings Sdn Bhd	15,776,500	2.372
7)	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An For Citibank New York (Norges Bank 14)</i>	9,850,300	1.481
8)	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Mohamad Bolhair Bin Reduan</i>	8,950,000	1.345
9)	Amanahraya Trustees Berhad <i>Public Islamic Treasures Growth Fund</i>	8,200,000	1.233
10)	Wie Hock Kow	8,000,000	1.203
11)	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (Affin Hwng Sm Cf)</i>	6,415,000	0.964
12)	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad For United Asean DiscoveryFund</i>	5,171,800	0.777
13)	Ikatan Generasi Sdn Bhd	5,090,000	0.765
14)	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Mohamed Faroz Bin Mohamed Jakel</i>	5,000,000	0.751
15)	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt An For Phillip Capital Management Sdn Bhd</i>	4,768,300	0.717
16)	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt An For Phillip Capital Management Sdn Bhd (EPF)</i>	4,549,400	0.684
17)	Amanahraya Trustees Berhad <i>Affin Hwang Growth Fund</i>	4,294,600	0.645
18)	Amanahraya Trustees Berhad <i>Affin Hwang Principled Growth Fund</i>	3,352,200	0.504
19)	UOBM Nominees (Tempatan) Sdn Bhd <i>UOB Asset Management (Malaysia) Berhad For Gibraltar BSN Aggressive Fund</i>	3,336,300	0.501
20)	Yeoh Chooi Phin	3,119,000	0.469



Analysis Of Shareholdings

As At 31 March 2017 (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Shareholders	No. Of Shares	%
21)	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Exempt An For Affin Hwang Asset Management Berhad (TSTAC/CLNT-T)</i>	3,010,200	0.452
22)	UOBM Nominees (Tempatan) Sdn Bhd <i>UOB Asset Management (Malaysia) Berhad For Gibraltar BSN Life Berhad (Par Fund)</i>	2,783,100	0.418
23)	UOBM Nominees (Tempatan) Sdn Bhd <i>UOB Asset Management (Malaysia) Berhad For Gibraltar BSN Strategic Fund</i>	2,665,700	0.400
24)	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd For Pertubuhan Keselamatan Sosial (UOB AMM6939-406)</i>	2,200,000	0.330
25)	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (MYBK AM SC E)</i>	2,045,000	0.307
26)	Ang Mui Lan	2,000,000	0.300
27)	Arifuddin Bin Mohamed Shah	1,873,500	0.281
28)	Su Ming Yaw	1,684,500	0.253
29)	Tan Boon Yong	1,563,000	0.235
30)	Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad For Affin Hwang Equity Fund (930090)</i>	1,533,300	0.230
		559,125,000	84.085

Analysis Of Warrant Holdings

As At 31 March 2017

Type of Securities	:	5 Years Warrants 2015/2020
Total Warrants Issued and Not Exercised	:	100,352,513
Voting Right	:	One vote per warrant

DISTRIBUTION OF WARRANT HOLDINGS

Size of Holdings	No. of Holders	No. of Warrants	%
Less than 100	6,161	39,001	0.038
100 – 1,000	3,242	826,609	0.823
1,001 – 10,000	722	3,492,035	3.479
10,001 – 100,000	551	20,147,068	20.076
100,001 to less than 5%	123	43,649,650	43.496
5% and above	4	32,198,150	32.085
Total	10,803	100,352,513	100.000

DIRECTORS' WARRANT HOLDINGS

Directors	Direct Interest		Indirect Interest	
	No. of Warrants Held	%	No. of Warrants Held	%
Dato' Sri Lee Tuck Fook	-	-	-	-
Datuk Hj Subhi Bin Dziauddin	-	-	-	-
Wie Hock Beng	42	*	-	-
Wie Hock Kiong	-	-	-	-
Loh Kong Fatt	-	-	-	-

Notes:

* *negligible*



Analysis Of Warrant Holdings

As At 31 March 2017 (cont'd)

THIRTY (30) LARGEST WARRANT HOLDERS

No.	Warrant Holders	No. Of Warrants	%
1)	Country Dairy Sdn Bhd	9,216,000	9.183
2)	Chin Guek Hong	8,093,900	8.065
3)	Constant Uptrend Holdings Sdn Bhd	7,888,250	7.860
4)	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Fong Siling (CEB)</i>	7,000,000	6.975
5)	Wie Hock Kow	3,000,000	2.989
6)	Ikatan Generasi Sdn Bhd	2,545,000	2.536
7)	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt An For Phillip Capital Management Sdn Bhd</i>	1,792,200	1.785
8)	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank For Ang Kok Seong (M55015)</i>	1,735,600	1.729
9)	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Kok Tiu Wan</i>	1,250,000	1.245
10)	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Wong Fai Tat (CCTS)</i>	1,111,000	1.107
11)	Ng Yew Hoong	1,020,200	1.016
12)	Kou Hong Developments Sdn Bhd	1,000,000	0.996
13)	Book Jin Ann	900,000	0.896
14)	Yap Booi Lek	816,700	0.813
15)	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt An For Phillip Capital Management Sdn Bhd</i>	789,200	0.786
16)	Tey Yee Yee	675,000	0.672
17)	Chiang Siong Chiew @ Chiong Siong Chiew	650,000	0.647
18)	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chong Moo Ling</i>	600,000	0.597
19)	Tan Kok Hin	542,700	0.540
20)	Chang Yoke King	530,000	0.528
21)	Cartaban Nominees (Asing) Sdn Bhd <i>Exempt An For Credit Industriel Et Commercial (AC Client)</i>	520,000	0.518
22)	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Foong Hon Beng (E-PTS)</i>	502,000	0.500

Analysis Of Warrant Holdings

As At 31 March 2017 (cont'd)

THIRTY (30) LARGEST WARRANT HOLDERS (CONT'D)

No.	Warrant Holders	No. Of Warrants	%
23)	Affin Hwang Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account For Fong Kok Hong (M02)</i>	500,000	0.498
24)	Public Invest Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chong Moo Ling (M)</i>	500,000	0.498
25)	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chin Yin Seong</i>	500,000	0.498
26)	Wong Ah Kau @ Wong Chiew Seng	500,000	0.498
27)	Lim Tian Keong	490,000	0.488
28)	Su Ming Yaw	485,900	0.484
29)	Lim Chiong Seng	434,000	0.432
30)	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Ser Chai Heng</i>	430,000	0.428
		56,017,650	55.820





PESONA METRO

PESONA METRO HOLDINGS BERHAD

(957876-T)

(Incorporated in Malaysia)

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 Sixth Annual General Meeting ("6th AGM") of PMHB to be held at **The Zenith, Level M1, Connexion Conference & Event Centre at The Vertical (CCEC The Vertical), No. 8, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur on Thursday, 25 May 2017 at 10:30 a.m.** and at any adjournment thereof.

Resolutions		For	Against
Ordinary Resolutions			
1.	To approve the payment of Directors' Fees of RM264,000.00 for the financial year ending 31 December 2017.		
2.	To approve the payment of Directors' benefits payable of RM16,000.00 for the financial period from 1 January 2017 to 30 June 2018.		
3.	To re-elect Wie Hock Kiong as Director.		
4.	To re-elect Datuk Hj Subhi Bin Dziauddin as Director.		
5.	To approve the payment of a single tier final dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2016.		
6.	To re-appoint Messrs UHY as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration.		
7.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
8.	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		

(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).

As witness my hand this _____ day of _____ 2017.

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)

39, Jalan SB Indah 1/19
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 17 May 2017. Only a depositor whose name appears on the Record of Depositors as at 17 May 2017 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.
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 39, Jalan SB Indah 1/19, 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.
9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.



PESONA METRO HOLDINGS BERHAD
(957876-T)

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

www.pesona.com.my