



RELIABLE GROWTH

ANNUAL REPORT 2017



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 Seventh Annual General Meeting ("7th AGM") of the Company will be held at **The Zenith, Level M1, Connexion Conference & Event Centre at The Vertical (CCEC Vertical), No. 8, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur** on **Wednesday, 13 June 2018** at **10.30 a.m.** for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 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 2018. *(Ordinary Resolution 1)*
3. To approve the payment of Directors' benefits of RM20,000.00 from 1 July 2018 until the next Annual General Meeting of the Company. *(Ordinary Resolution 2)*
4. To re-elect the following Directors retiring in accordance with Article 82 of the Articles of Association, comprising part of the Constitution of the Company ("the Constitution"):
 - (a) Dato' Sri Lee Tuck Fook *(Ordinary Resolution 3)*
 - (b) Wie Hock Beng *(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 2017. *(Ordinary Resolution 5)*
6. To re-appoint UHY as the Auditors of the Company and 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, with or without modifications as Ordinary Resolutions of the Company:

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

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiaries ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.4 of the Circular to Shareholders dated 27 April 2018 ("the Related Parties") provided that such transactions are:

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

Notice Of Annual General Meeting

(Cont'd)

(c) are not detrimental to the interest of the minority shareholders of the Company, ("the Shareholders' Mandate").

THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which the Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earliest;

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

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 Act") and subject to the Constitution of the Company and the approvals of the relevant governmental/ regulatory authorities (if any), the Directors of the Company be and are hereby authorised to allot and issue shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares issued during the preceding 12 months does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury 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 revoked or varied by an ordinary resolution of the Company at a general meeting."

(Ordinary Resolution 8)

9. To transact any other business of which due notice is given in accordance with the Companies Act 2016 and the Constitution.



Notice Of Annual General Meeting

(Cont'd)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the 7th AGM, a single tier final dividend of 1.0 sen per ordinary share will be payable on 12 July 2018 to shareholders whose names appear in the Record of Depositors at the close of business on 20 June 2018.

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 20 June 2018 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

27 April 2018

Notice Of Annual General Meeting

(Cont'd)

NOTES

1. A member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote at his/her stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy.
2. 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.
3. 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.
4. Where a member appoints more than one (1) proxy to attend at the same meeting, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
5. 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.
6. 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.
7. For the purposes of determining who shall be entitled to attend, speak and vote at this meeting, the Company shall be requesting the Record of Depositors as at 6 June 2018. Only a depositor whose name appears on the Record of Depositors as at 6 June 2018 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.
8. 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.

EXPLANATORY NOTES TO THE AGENDA

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

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

(ii) **Ordinary Resolution 1** **Directors' Fees for the financial year ending 31 December 2018**

The Directors' Fees proposed for the financial year ending 31 December 2018 are calculated based on the number of scheduled Board and Board Committee meetings and assuming that all Non-Executive Directors will hold office until the next Annual General Meeting. This resolution is to facilitate payment of Directors' Fees on current financial year basis. In the event the Directors' Fees proposed are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.



Notice Of Annual General Meeting

(Cont'd)

(iii) Ordinary Resolution 2
Directors' Benefits from 1 July 2018 until the next Annual General Meeting

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.

Directors' benefits include allowances payable to Directors and in determining the estimated amount, the Board has considered various factors including the Board size, number of scheduled meetings for the Board and Board Committee meetings for the period from 1 July 2018 until the next Annual General Meeting. In the event the proposed amount is insufficient, approval will be sought at the next Annual General Meeting for the shortfall.

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

Dato' Sri Lee Tuck Fook and Wie Hock Beng are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 7th AGM.

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

(v) Ordinary Resolution 6
Re-appointment of Auditors

The Board has through the Audit Committee, considered the re-appointment of UHY as the Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table their re-appointment at the 7th AGM are disclosed in the Audit Committee Report of this Annual Report.

(vi) Ordinary Resolution 7
Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Resolution, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions with the related parties as identified in Section 2.4 of the Circular to Shareholders dated 27 April 2018, which are necessary for the Group's day-to-day operations, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders. For more information, please refer to the Circular to Shareholders dated 27 April 2018 enclosed together with the Annual Report 2017.

Notice Of Annual General Meeting



(Cont'd)

(vii) Ordinary Resolution 8

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

This proposed Resolution, if passed, will empower the Directors to allot up to a maximum of 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

This proposed Resolution is a renewal of the previous year's mandate. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 25 May 2017 and the mandate will lapse at the conclusion of the 7th AGM.

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 (vii) 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 Dziauddin
Deputy Chairman
(Non-Independent Non-Executive Director)

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

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

Loh Kong Fatt
(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

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

AUDIT COMMITTEE

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

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



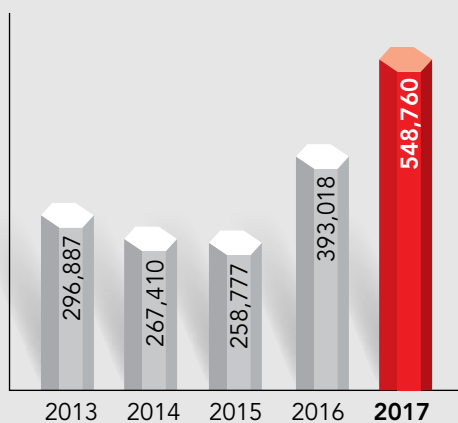
PESONA METRO HOLDINGS BERHAD (957876-T)



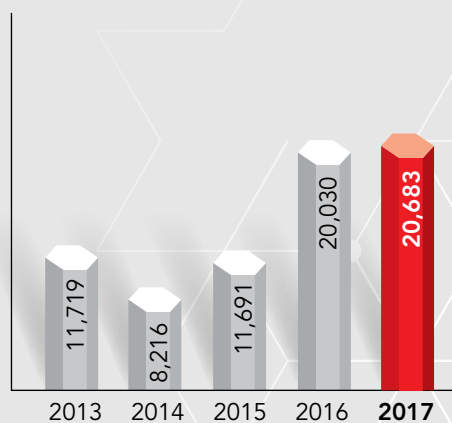
Financial Highlights

In RM '000 (Except otherwise indicated)	2017	2016	2015	2014	2013
Revenue	548,760	393,018	258,777	267,410	296,887
Profit before tax	29,235	28,705	16,099	10,658	15,977
Profit after tax	20,683	20,030	11,691	8,216	11,719
Total assets	531,066	348,730	283,511	215,213	181,059
Share capital	194,008	163,684	163,499	127,551	127,551
Total equity attributable to owners of the parent	177,683	143,519	136,391	88,830	85,716
No. of shares ('000) of RM0.25 each (Unit)	694,891	654,735	653,995	510,203	510,203
Earnings per share (Sen)	2.76	3.06	1.79	1.61	2.52
Net assets per share (Sen)	25.57	21.92	20.86	17.41	16.80
Dividend (Sen)	1.00	2.00	1.00	1.00	1.00

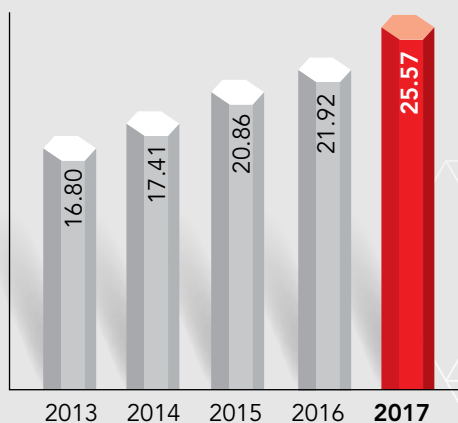
REVENUE
RM '000



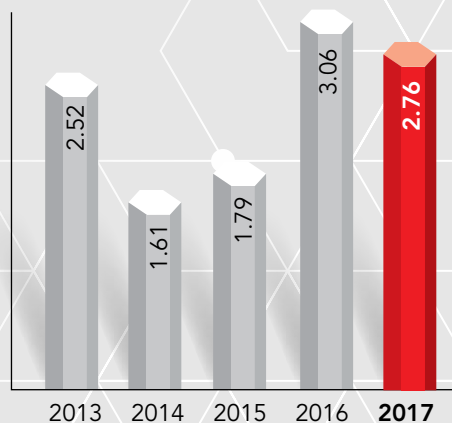
PROFIT AFTER TAX
RM '000



NET ASSETS PER SHARE
SEN



EARNINGS PER SHARE
SEN



Board Of Directors



1. DATO' SRI LEE TUCK FOOK (*Chairman*)
2. DATUK HJ SUBHI BIN DZIYAUDDIN (*Deputy Chairman*)
3. LOH KONG FATT
4. WIE HOCK BENG (*Managing Director*)
5. WIE HOCK KIONG

Profile Of Directors



DATO' SRI LEE TUCK FOOK

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

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

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

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

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

He is currently the Managing Director of WCT Holdings Bhd. He is also an Independent Non-Executive Director of SAM Engineering & Equipment Berhad, a company listed on Bursa Malaysia. He was appointed to the Board on July 2008 and is 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 2017.

Profile Of Directors

(Cont'd)



DATUK HJ SUBHI BIN DZIYAUDIN

Deputy Chairman (Non-Independent Non-Executive Director)
Male, Age 54, Malaysian

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

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

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

Datuk Hj Subhi does not 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 2017.

WIE HOCK BENG

Managing Director (Non-Independent Executive Director)
Male, Age 45, Malaysian

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

He obtained his Diploma in Civil Engineering from the Federal Institute of Technology Malaysia in 1995. He began his career with Invescor Venture Sdn Bhd and was involved in the construction of Starhill Shopping Centre in Kuala Lumpur. To date, he has 26 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 70 of the 2017 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 2017.



Profile Of Directors

(Cont'd)



WIE HOCK KIONG

Director (Non-Independent Non-Executive Director)
Male, Age 57, Malaysia

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

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

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

Wie Hock Kiong 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 70 of the 2017 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 2017.

LOH KONG FATT

(Senior Independent Non-Executive Director)
Male, Age 64, Malaysian

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

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

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

In 1993, he returned to UMBC Bank to assume the post of General Manager, Corporate and Commercial Banking. The bank turned in very healthy profit by the time he left in 1996. He was also with Alliance Bank Bhd ("ABB") as the Senior General Manager for Corporate Banking. He was the Acting CEO of ABB for a short duration and left the position in 2005 until 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 2017.



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 46, 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 61, Malaysian
Chief Operating Officer (Infrastructure Division)

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

His vast experience in the infrastructure segment such as highway and bridge construction, beautification of rivers, flood mitigation of water bodies 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 50, Malaysian
Chief Operating Officer (Building Division)

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 Chief Operation Officer 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

ESTABLISHED

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

2002

FIRST "DESIGN & BUILD"

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



2005

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

2006

FIRST HIGH-RISE

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



Corporate Milestone (Cont'd)



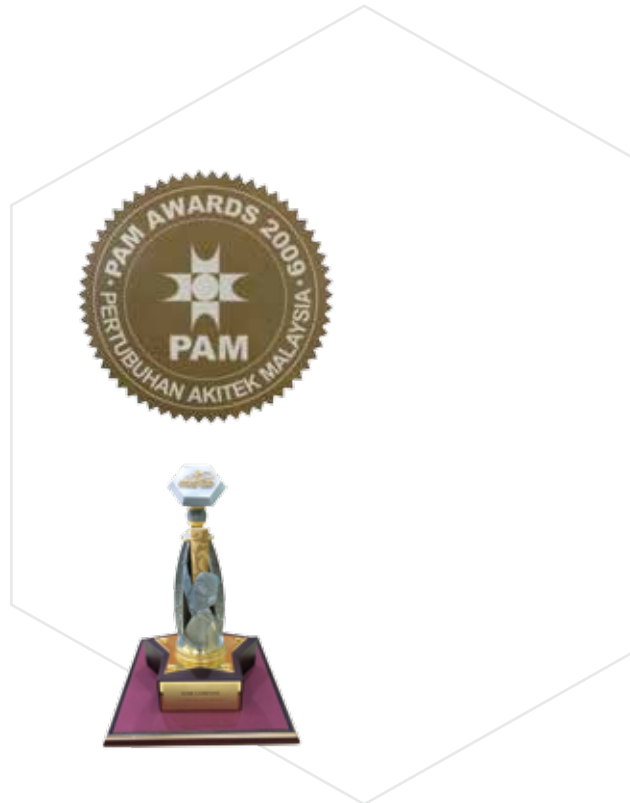
2008

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

2009

CERTIFICATION OF QUALITY MANAGEMENT SYSTEMS

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



2010

- PMSB received a Letter of Appreciation from the Melaka State Government for the Sg. Melaka Project.
- PMSB received a Letter of Appreciation from 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

LISTED ON THE MAIN MARKET OF BURSA MALAYSIA

- 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.



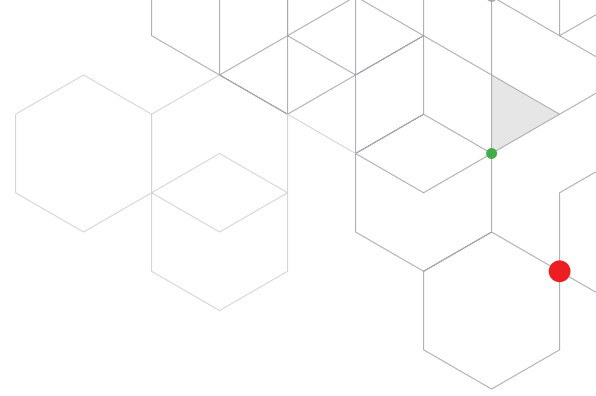
2013

CERTIFIED AS INTERNATIONAL STANDARD FOR ENVIRONMENTAL MANAGEMENT SYSTEMS

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



Corporate Milestone (Cont'd)



2014

COMPLETION OF ITS FIRST GREEN BUILDING

- PMSB completed the construction of its first green building, Menara Technip at Kuala Lumpur, which carries a Gold Provisional GBI certification. This building achieved a score of 73% in QCLASSIC 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 received the Malaysia Good Design Mark 2013 from Majlis Rekabentuk Malaysia for the Architecture and Environment category.
- PM2 obtained the IBS status as a manufacturer for EPS panels, a certified IBS component by CIDB.
- PSSB won the Silver Award for MIIP Interior Industry 2014 Award under the Interior Products for Furniture, Furnishing and Fittings category for Bibik Heritage project at KLIA 2, Sepang.

2015

OBTAINED 3 GREEN 5S CERTIFICATIONS OF RECOGNITION FROM SIRIM

- The Suruhanjaya Pilihanraya 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 Suruhanjaya Pilihanraya Project.
- Menara Technip attained the Gold Rating under Malaysia's Green Building Index.

Corporate Milestone (Cont'd)



2017

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

Chairman's Statement



DEAR SHAREHOLDERS,
Pesona Metro Holdings Berhad ("PMHB"
or "the Group") maintained a steadfast
focus to turn in a resilient performance
for the year in review despite challenging
operating conditions.

I am pleased to report that we continued to gather momentum on the construction front and began to reap the early fruit of our efforts from our new concessionaire business. As we leveraged on our industry expertise and proven track record to deliver a commendable performance, we successfully upheld our commitment towards delivering quality products within specification, on budget and on time to our clients. By the year's end, we had in hand an order book of RM1.5 billion with seven on-going projects thus attesting to the market's confidence in our capabilities and record of accomplishment. I am confident that as a result of the good momentum that we garnered in 2017, your Company is well positioned to continue making strong strides forward to deliver sustainable growth in the coming financial year.

On behalf of your Board of Directors, it is my pleasure and privilege to present the Annual Report and Financial Statements of PMHB for the financial year ended 31 December 2017.

A STEADFAST PERFORMANCE

For the financial year ended 31 December 2017, PMHB recorded RM548.8 million in revenue, a RM155.7 million or 40% increase in comparison to RM393.0 million in 2016. Our construction business continued to be the main contributor to the Group's revenue, with the bulk of revenue coming from three completed projects and seven existing projects. The year saw us completing the carpark block for the Ayer Keroh Pantai Hospital in Melaka, the luxury high-rise condominium, The Mews, in Kuala Lumpur, and KPJ Bandar Dato' Onn Specialist Hospital in Johor. Meanwhile, our maiden foray into the concessionaire business too began to contribute positively towards our revenue.

Chairman's Statement

(Cont'd)

REVENUE
↑ 40%
+RM156.0 million

Business Service Excellence and Property Excellence categories at the Sin Chew Business Excellence Awards 2017 event



The Group registered a marginal 2% increase in profit before tax ("PBT") to touch RM29.2 million in 2017 against PBT of RM28.7 million previously. The higher gross profit from project revenue and income from our concessionaire of RM22.2 million was offset by the lower project financing interest of RM8.0 million recognised during the year under review, higher depreciation charges of RM5.0 million relating to construction equipment, as well as a one-time impairment loss from manufacturing assets amounting to RM1.7 million.

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

GOOD SHAREHOLDER VALUE CREATION

In respect of the financial year ended 31 December 2016, the Board declared a single tier final dividend of 1 sen per ordinary share, amounting to RM6.7 million which was paid on 22 June 2017.

In respect of the financial year ended 31 December 2017, your Board is pleased to recommend a single tier final dividend of 1 sen per ordinary share amounting to RM6.9 million which will be subject to shareholders' approval at the forthcoming Seventh Annual General Meeting.

Your Company continues to receive accolades for excellence on diverse fronts. In 2017, the Company won a number of accolades including the Super Golden Bull Award 2017 in recognition of our entrepreneurial achievements and two awards in the Business Service Excellence and Property Excellence categories at the Sin Chew Business Excellence Awards 2017 event.

We also received the Silver Award (Category 4: Public and Institutional) at the PAM Awards 2017 event for our work on the Elections Commissions Tower or Menara Suruhanjaya Pilihanraya project in Putrajaya and the MINO Best Project Award 2017 (Category 1: High Volume Road) from the Road Engineering Association of Asia and Australasia or REAAA for our work on the Gua Musang 3F1 project. These awards underscore the market's recognition of and confidence in our capabilities as a reputable construction player.



PMSB won a number of accolades including the Super Golden Bull Award 2017 in recognition of our entrepreneurial achievements

Chairman's Statement

(Cont'd)

KEY CORPORATE DEVELOPMENT

Your Company remains focused on diversifying its businesses to secure recurring revenue streams for the Group and to ensure sustainable growth.

Back 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 involves 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.

On 9 August 2016, PMHB entered into a supplemental agreement ("SA") with the Vendors to modify the proposed acquisition into two phases. Under Phase 1, the allotment and issuance of 27,650,000 First Tranche Consideration Shares 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 is to be implemented with an aggregate value of all the Second Tranche Consideration Shares of RM8,295,000.

I am pleased to report that we completed Phase 1 of the exercise in October 2017. Today, PMHB owns 70% of SEP and is beginning to reap the benefits of contributions from the concession. We are continuing to work on Phase 2 of the exercise.

RESPONSIBLE CORPORATE PRACTICES

Your Board remains committed to upholding and implementing strong standards of corporate governance, robust risk management and internal control measures across the Group in support of ensuring sustainable, long-term growth of our business, safeguarding our corporate reputation, as well as strengthening investor confidence and upholding continued shareholder value creation. The details of our Board Charter, the Terms of Reference for the Audit Committee, Remuneration Committee and Nomination Committee, as well as our new Whistleblowing Policy can be accessed on our website at www.pesona.com.my.

PMHB owns
70% of SEP and
is beginning to reap the
benefits of contributions
from the concession



The 38-storey luxury residential tower and podium, The Mews at Jalan Yap Kwan Seng, Kuala Lumpur was completed in August 2017

Chairman's Statement

(Cont'd)

As at 31 December 2017,
we had an order book of
RM 1.5 billion
and secured another
two projects in early 2018



Artist impression of Lot15 SJCC at Subang Jaya, Selangor



Artist impression of the affordable home project at Bukit Jalil, Kuala Lumpur



The Carpark Block for Pantai Ayer Keroh Hospital, Melaka was completed in March 2017

The Board also prioritises responsible management and sustainable development on the Economic, Environmental and Social (EES) fronts. Our EES efforts are spelt out in the Sustainability Statement found on pages 35 to 54 of this Annual Report. To underscore our commitment towards embedding the agenda of sustainability within our organisation, we established a Sustainability Committee at end 2017 to champion and monitor our sustainability progress. 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.

MOVING FORWARD

Following the turnaround in global economic activity that began in 2016 and which continues to strengthen, global growth is forecast to rise to 3.6% in 2017 and to 3.7% in 2018 against 3.2% growth in 2016. However, given certain fundamental weaknesses in the global economy and recent geopolitical developments, including the possibility of a global trade war, global risks remain weighty and difficult to predict.

Domestically, after a stronger-than-expected performance of 5.9% growth in 2017, the Malaysian economy is expected to moderate with real GDP expected to settle between 5% and 5.5%. Domestic demand is expected to remain the primary anchor of growth, underpinned by robust growth in private-sector expenditure. The growth momentum of the Malaysian construction industry too is expected to strengthen with the industry forecast to register 7.3% growth in 2018 as compared to 6.7% growth previously. This growth will mainly be underpinned by existing and new civil engineering projects, particularly in the utilities, transportation and petrochemical segments.

Chairman's Statement

(Cont'd)



KPJ Bandar Dato' Onn Specialist Hospital with 150 beds in Johor was completed in December 2017



Central Spine Road, Segment 3E2 at Gua Musang, Pahang was completed in March 2018

As PMHB moves forward into a new financial year, we do so with a quiet confidence. We will continue to strengthen ourselves as we purposefully implement sustainable and economically viable measures. These include ongoing investment in construction equipment and machinery, measures to secure higher profit margin infrastructure projects for our Construction Division, and a continuous focus on mitigating rising operational costs that could affect our performance.

The Group will continue to work hard. The UniMAP project, which has already begun to generate income bodes well for the Group's long-term, sustainable growth and is proof that our diversification strategy has already begun paying off. On top of this, we had an outstanding order book of RM1.5 billion (as at 31 December 2017) comprising seven ongoing construction projects, while we secured two new projects in January and March 2018 respectively. These projects will be executed through till 2021 and will contribute towards the profitability of the Group.

We will also explore other businesses to diversify the income and profitability of the Group. The construction business is cyclical and diversifying the business of the Group may result in a more balanced and sustainable growth.

Barring any unforeseen circumstances, your Board is confident that the Group will deliver another satisfactory performance in 2018.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to take this opportunity to acknowledge the many parties that have played a part in our success.

I wish to express my sincere appreciation to our valued customers and clients, bankers, government departments and agencies, vendors, suppliers and all other parties who continue to lend the Group their unwavering support and kind cooperation.

To the management teams and employees of our subsidiaries and our associate companies, please accept my deep gratitude for your kind support and cooperation. We continue to look forward to a mutually beneficial relationship with all of you for many years to come.

To my esteemed colleagues on the Board, thank you for your astute insights and wise counsel that helped PMHB overcome all challenges and capitalise on opportunities.

Thank you.

DATO' SRI LEE TUCK FOOK

Chairman
12 April 2018

Management Discussion And Analysis

The Group's Construction Division under Pesona Metro Sdn Bhd ("PMSB") remains the main contributor to the Group's overall performance and turned in 97.0% of the Group's revenue in 2017.

OVERVIEW OF THE BUSINESS

Pesona Metro Holdings Berhad ("PMHB" or "the Group") is an investment holding company that is primarily involved in the construction of residential and commercial buildings as well as infrastructure works.

The Group's Construction Division under Pesona Metro Sdn Bhd ("PMSB") remains the main contributor to the Group's overall performance and turned in 97.0% of the Group's revenue in 2017. PMSB's project portfolio includes the construction of high-rise luxury residential buildings, commercial buildings for offices and malls, hospitals, infrastructure works for the construction of highways, irrigation projects as well as the rehabilitation and beautification of rivers.



Artist impression of Eaton Residences

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

In October 2017, the Group completed the first phase of a two-phase corporate exercise for the acquisition of SEP Resources (M) Sdn Bhd ("SEP"). This has accorded the Group a concessionaire arm which has 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 Universiti Malaysia Perlis ("UniMAP").

STRATEGIC OBJECTIVES

As part of the Group's efforts to ensure sustainable operations so that it can consistently reward stakeholders with value added returns including high quality products and a good dividend payout, it continues to adopt near and long-term strategies.

Near-term Strategies

As part of its near-term business strategy, the Group is bringing into play a two-pronged external and internal approach.

Externally, it will continue to ensure its core construction business implements and delivers on its projects with excellent quality without delay. It will also work towards securing higher profit margins with large scale projects above RM400 million to boost its order book. At the same time, it will also seek buyers for its manufacturing operations as part of efforts to relinquish its loss-making businesses. With the new Concessionaire Division having already experienced a healthy start, the Group will also intensify efforts to develop new partnerships which will impact positively on its overall sustainable growth.

Management Discussion And Analysis

(Cont'd)



The Group is all set to proceed with the second phase of its internal business strategy. Where the first phase involved strengthening PMHB's fleet and machinery assets over the last three years, the second phase will entail enhancing its human capital assets in the areas of technical and management skills. The Group also plans to roll out its inaugural Town Hall Meeting with employees in 2018. This platform aims to provide employees with better insights into the Group's objectives and future plans while enabling them to engage in dialogue with senior management to share their perspectives.

Long-term Strategies

For the long-term, the Group will continue to grow its Construction Division, while diversifying into construction-related concessionaire activities that will provide recurring income and consistent cash flows. This may include other private finance initiatives involving the management of student hostels for public universities and participation in expressway concessionaires. To this end, the Group will formulate a sustainable business plan based on successful business models such as its existing concessionaire model for the UniMAP project.

The Group will also continue to map out a pathway to venture into property development activities that will provide a consistent stream of construction projects for PMSB. Given that market conditions in the property development segment have not been at their best these past few years, the Group is taking a less risky route by securing government projects.



Third Avenue Cyberjaya featuring a sky-bridge at level 26

OPERATING ENVIRONMENT

The year 2017 was marked by a strong resurgence in global growth, with the global economy recording its highest growth rate since 2011 at 3.7% (2016: 3.2%). The pickup in economic growth was broad-based across the advanced and emerging market economies. Growth in the advanced economies, was driven mainly by robust investment activity amidst stronger domestic demand, while the political uncertainties that had remained throughout 2017 had little impact on the year's growth trajectory. On the Asian front, growth momentum was sustained by the recovery in global trade and anchored by strong domestic demand. In line with the robust turnaround in global growth, international financial markets performed strongly, while market volatility remained low despite uncertainties surrounding geopolitical tensions.

Against this backdrop of broad-based global recovery and the relatively low volatility in the international financial markets, the Malaysian economy turned in a strong performance in 2017. The domestic economy registered robust growth of 5.9% (2016: 4.2%) on the back of faster expansion in both private and public sector spending. Among the key highlights for 2017 was the rebound in gross exports growth as global demand strengthened. This was mainly attributable to higher demand from major trading partners following the upturn in the global technology cycle, the investment revival in the advanced economies and the improvements in commodity prices. While real GDP growth was boosted by the external sector, domestic demand continued to anchor growth on the back of strong private-sector expenditure.

The construction sector, however, recorded moderate growth of 6.7% (2016: 7.4%) in 2017. Growth came on the back of activities in the civil engineering sub-sector that saw large petrochemical, transportation, and utility projects making steady progress. The special trade sub-sector reaped the benefits of increased activity from projects in the early stages of construction involving land clearing, piling and land reclamation works. In the residential sub-sector, growth moderated in tandem with the record-high number of unsold residential properties. In the non-residential sub-sector, growth was sustained by increased activity from mixed developments, industrial and social projects such as theme parks and sports complexes. However, this was offset by the ongoing weakness in the commercial segment due to an oversupply of office space and shopping complexes.

Management Discussion And Analysis

(Cont'd)

FINANCIAL PERFORMANCE

Statement of Comprehensive Income

	2017	2016	Variance	
	RM'000	RM'000	RM'000	%
Revenue	548,760	393,018	155,742	40%
Gross profit	63,470	41,303	22,167	54%
Other operating income	5,320	14,292	(8,972)	(63%)
Administrative expenses	35,625	25,931	9,694	37%
Finance costs	3,930	959	2,971	310%
Profit before tax	29,235	28,705	530	2%

For the year ended 31 December 2017, the Group registered total revenue of RM548.8 million, its highest revenue to date, while turning in profit before tax ("PBT") of RM29.2 million. This was a commendable 40% and marginal 2% increase respectively over revenue of RM393.0 million and PBT of RM28.7 million in 2016.

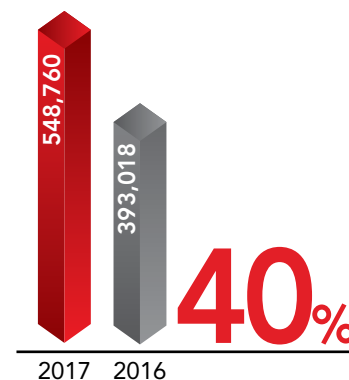
The Group's gross profit also increased by RM22.2 million or 54% in 2017 as compared to the preceding year. This was mainly attributable to the Group's construction revenue and the new source of income from the concessionaire asset that was acquired in October 2017. The increase in gross profit, however, was offset by the lower project financing interest income of RM8.0 million, higher depreciation charges of RM5.0 million relating to construction equipment, as well as a one-time impairment loss from manufacturing assets amounting to RM1.7 million. The cost of financing also increased due to the project financing for the newly acquired concessionaire asset.

Statement of Financial Position

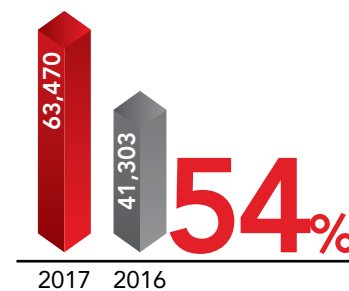
	2017	2016	Variance	
	RM'000	RM'000	RM'000	%
Non-current assets	318,682	90,146	228,536	254%
Current assets	212,384	258,584	(46,146)	(18%)
Equity	185,606	143,519	42,087	29%
Non-current liabilities	128,667	26,671	101,996	382%
Current liabilities	216,793	178,540	38,308	21%

For the financial year in review, the Group's non-current assets rose by RM228.5 million or 254% in comparison to the previous year. This was primarily due to the financial receivables and concessionaire rights totalling RM201.2 million, arising from the consolidation of the newly acquired concessionaire asset. The Group also incurred total capital expenditure of RM29.0 million during the financial year.

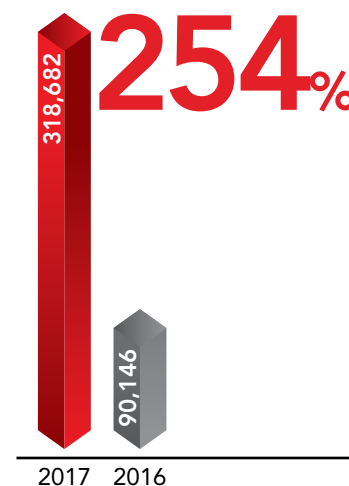
REVENUE



GROSS PROFIT



NON-CURRENT ASSETS



Management Discussion And Analysis

(Cont'd)

The Group's current assets on the other hand reduced by 18% mainly on the back of improved collections from client. The year also saw the number of debtor turnover days improving from 191 days to 86 days. In tandem with the increase in financial receivables, the Group's non-current liabilities also increased by RM102.0 million due to the financing obtained to fund the concessionaire asset.



Work in progress at Central Plaza i-City Mall, Selangor

PERFORMANCE OF THE BUSINESS SEGMENTS

CONSTRUCTION DIVISION

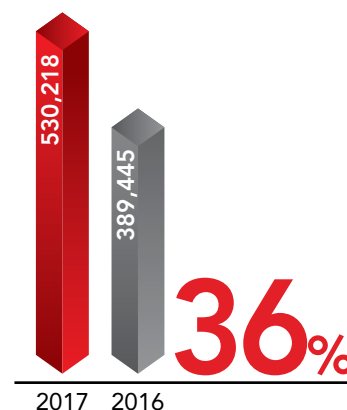
Financial Overview

Statement of Comprehensive Income

	2017 RM'000	2016 RM'000	Variance RM'000	%
Revenue	530,218	389,445	140,773	36%
Profit before tax	23,822	31,901	(8,079)	(25%)

The Group's construction arm under PMSB continued to be the main contributor to the Group's revenue in 2017, accounting for 97.0% of overall revenue. The Construction Division recorded revenue of RM530.2 million and PBT of RM23.8 million for the year in review. The increase in revenue was contributed by the three completed projects and seven on-going projects. However, the PBT was lower due to a higher depreciation charge incurred for construction equipment as the Group continues to upgrade and maintain state-of-the-art equipment for its operational needs.

REVENUE



Performance Highlights

For the year in review, the Construction Division brought three projects to full completion. These included the construction of the carpark block for the Ayer Keroh Pantai Hospital in Melaka; the luxury high-rise condominium, *The Mews*, in Kuala Lumpur; and KPJ Bandar Dato' Onn Specialist Hospital in Johor.

As at 31 December 2017, the Group had an outstanding order book of RM1.5 billion (2016: RM2.1 billion), comprising seven on-going projects which are expected to contribute to the Group's revenue stream over the next two years.

Management Discussion And Analysis

(Cont'd)

Project Status as at 31 December 2017

	Project Description	Percentage Completed as at 31 December 2017 (%)	Target Completion Date
1	Third Avenue, Cyberjaya	84.78%	April 2018
2	Gua Musang, Seksyen 3E2, Pahang	90.13%	March 2018 (Completed and handed-over on 14 March 2018)
3	Residensi Gen, Kuala Lumpur	35.51%	May 2019
4	UniSza Training Hospital, Terengganu	11.50%	September 2019
5	Central Plaza i-City Mall, Shah Alam, Selangor	32.31%	June 2018
6	Eaton Residences, Kuala Lumpur	9.08%	June 2020
7	West Coast Expressway, Selangor	11.30%	March 2019

Moving Forward

The domestic construction industry is expected to grow and strengthen on the back of the effective execution of various projects identified under the 11th Malaysia Plan ("11MP") and the Economic Transformation Programme combined with the continued rollout of various public-private partnership projects. Under the 11MP (2016-2020), a RM260 billion budget allocation has been set aside which is 13% higher than the 10MP. In 2016 and 2017, some RM45 billion and RM46 billion were allocated for infrastructure spending respectively with a balance of RM169 billion allocated for use between 2018 and 2020. Spending momentum is expected to garner strength in 2018, assuming the balance is spread evenly over the next three years.

Amidst this backdrop, the Group's construction arm will continue to take measures to capitalise on opportunities while mitigating challenges. To date, the Construction Division has submitted several tenders for jobs throughout Peninsular Malaysia and is awaiting the outcome of these tenders. The division achieved early success in the new financial year when PMSB secured two new projects in January and March 2018 respectively.

In January, PMSB secured a RM161.86 million contract from Sime Darby Property (Subang) Sdn Bhd for the development of 30-storey serviced apartments at Lot 15 SJCC. The project comprises two blocks of 20-storey residential towers, one level of facilities, three levels of commercial units, nine levels of elevated carpark and one level of a basement carpark in Subang Jaya, Selangor. The duration of the contract is for 39 months commencing 30 January 2018.

In March, PMSB clinched a RM216.38 million contract from Gaya Kuasa Sdn Bhd for the main building, mechanical and electrical services, external works, landscaping and ancillary works for an affordable housing project in Bukit Jalil, Kuala Lumpur. The project, which revolves around works for two building blocks of 1,260 apartment units and an eight-storey parking lot over a duration of 32 months, will commence on 1 July 2018.

These two projects coupled with the Group's seven other ongoing projects brings the Group's total outstanding order book to over RM1.9 billion at the time of writing. These projects are expected to contribute positively towards the Group's coffers for the next three plus years.



Work in progress at Residensi Gen, Kuala Lumpur

Management Discussion And Analysis

(Cont'd)

CONCESSIONAIRE DIVISION

Financial Overview

PMHB's maiden foray into the concessionaire business has begun to contribute positively towards the Group's revenue. Following the completion of Phase 1 of the corporate exercise for the acquisition of SEP, a steady flow of income is being generated from the UniMAP project. As at 31 December 2017, the Concessionaire Division generated a total of RM16.0 million in revenue and a PAT of RM9.6 million as expected.

Moving Forward

Phase 2 of the SEP acquisition exercise is expected to be completed over the course of 2018. As the Group expands its portfolio in this segment, it will continue to identify strategic partners and collaborate with them to secure more concessionaires as a consistent stream of income for the Group. The Lebuhraya Serdang-Kinrara-Putrajaya or SKIP Highway project, which is still awaiting approval will contribute significantly to the Group's bottom line once works on the project begin.

MANUFACTURING DIVISION

The Manufacturing Division continued to register losses in 2017 and the Group is actively looking for suitable buyers to divest of both PM2 and PSSB.

Spending momentum is
expected to **garner strength** in 2018



Work in progress at West Coast Expressway, Selangor

Management Discussion And Analysis

(Cont'd)

BUSINESS RISKS

As the Group moves forward, it may be exposed to certain anticipated or known risks that may have a material effect on its operations, performance, financial condition, and liquidity. Outlined below are the risks and the strategies to mitigate such risks.

KEY RISKS FOR PMHB			
KEY AREA	RISK	DESCRIPTION	MITIGATION MEASURES
Strategic	Over-reliance on the construction segment.	With 97.0% of the Group's revenue being generated by the construction arm, an over-dependence on one business segment poses a great risk should it be adversely affected by poor market and economic sentiments.	Diversification into other businesses such as concessionaire and property development businesses will offer a safety buffer in the event there is a slump in the construction industry.
External	Volatile material prices.	The Group can incur financial losses and profit margins may be reduced as a result of volatile prices for steel bars, diesel and petrol.	<p>Daily monitoring of material prices.</p> <p>Negotiating for a Price Fluctuation Clause during tenders as a safeguard in times of sudden price hikes in the market.</p> <p>Careful monitoring and accurate planning of materials by Site Quantity Surveyors and Contract Managers to avoid unplanned orders.</p>
Operational	Poor performance by subcontractors.	This may arise as a result of lack of planning and coordination by subcontractors causing delays, unplanned abortive works and project cost overruns which will affect overall company performance.	<p>Increasing the frequency of audits on work progress and issuing warning letters leading to back-charges whenever necessary to ensure that subcontractors deliver as promised.</p> <p>Involving consultants such as architectural, civil and structural supervision teams to closely monitor and supervise work quality and progress.</p> <p>Providing weekly on-site coordination and progress updates for subcontractors and the project management team.</p>
Operational	Shortage of construction materials.	Lack of proper internal planning and coordination.	Monitoring of a centralised construction material procurement process on a weekly basis.

Management Discussion And Analysis

(Cont'd)



KEY RISKS FOR PMHB			
KEY AREA	RISK	DESCRIPTION	MITIGATION MEASURES
Operational	Personal injuries and accidents.	A higher frequency of personal injuries tend to occur during construction work in high rise buildings.	<p>Talks (Toolbox Meetings) conducted daily before the start of work that highlight the importance of observing safety guidelines at sites as set out in the Project Occupational Safety and Health ("POSH") Plan.</p> <p>Ensuring that all critical tasks undergo the Hazard Identification Risk Assessment and Risk Control Measures or HIRARC to ascertain that all safety risks are mitigated.</p> <p>Stationing a minimum of two Health and Safety personnel at each site to constantly assist, advise, audit and inspect activities to ensure all aspects of the Group's safety measures are strictly observed.</p> <p>Weekly internal training for workers and machinery and equipment inspection need to be adhered to as stated in the POSH Plan.</p> <p>Safety Committee Meetings by project are held monthly to update and review safety practices and incidences at the site.</p>

OUTLOOK AND PROSPECTS

The global economy is forecast to expand at a faster pace in 2018, building on the strong positive momentum from the previous year. The International Monetary Fund predicts that global growth will rise to 3.9% for both 2018 and 2019 (2017: 3.7%). Growth is expected to be driven primarily by private consumption and further lifted by investment activity in the advanced economies.

On the domestic front, Bank Negara Malaysia predicts that the Malaysian economy will remain firmly on a steady growth path to grow between 5.5% and 6.0% in 2018 (2017: 5.9%). The country's strong economic fundamentals, diversified structure and inherent dynamism will remain the key factors to deliver economic growth. Domestically, continued income and employment growth will sustain household spending, amid the continuation of government measures and improving consumer sentiment. Private investment activity is also projected to be sustained by capital spending for ongoing and new projects amid elevated business sentiment. On the other hand, public sector spending is expected to moderate given the continuation of fiscal consolidation efforts and the near completion of several major projects by public corporations.

Building on the strong positive momentum from the previous year

While growth prospects for the domestic economy in 2018 are expected to be further lifted by strengthening global economic conditions, nonetheless, downside risks to global growth remain. Unfavourable monetary and regulatory policy shifts in the advanced economies, rising trade protectionism by major trading partners and a sharper-than-expected growth moderation in PR China, may impact the strength of Malaysia's exports to the major trading partners. A re-emergence of volatile commodity prices or abrupt corrections in the international financial markets could also weigh down sentiments, dampening the strength of domestic economic activity. However, Malaysia with its proven ability to adapt economically and financially, remains well positioned to weather these headwinds should downside risks materialise.

Management Discussion And Analysis

(Cont'd)

the Group has an outstanding order book of more than RM1.9 billion



Artist impression of UniSZA Teaching Hospital in Terengganu

The Malaysian construction sector is forecast to register stronger growth of 7.3% in 2018 (2017: 6.7%), on the back of large new and existing multi-year civil engineering projects mainly in the transportation and utilities segment. However, issues such as a shortage of skilled workers brought on by stricter foreign worker and minimum wage policies continue to plague the construction industry. This is forcing many construction companies to review their business models.

To ensure the sustainable growth of its businesses, PMHB will continue to leverage on its short-term and long-term strategic objectives. It will also continue to maintain a strong focus on the domestic market, strengthen its human capital, ensure timely completion of projects, enhance construction standards and implement effective cash flow management, while embarking on special initiatives that will elevate its position to that of a preferred contractor. This includes ensuring that the SIRIM Green 5-S methodology continues to be rolled out at all sites and headquarters with the aim of achieving SIRIM Green 5-S certification with zero non-conformance reports ("NCRs") for all its projects.

PMHB continues to stay relevant to its clients and the market by upgrading its ISO standards. PMSB's migration to the new ISO 9001:2015, ISO 14001:2015 standards has not only strengthened its overall Quality Management System and Environmental Management System but underscores its commitment towards upholding more stringent risk management disclosures and higher accountability by top management in the area of quality and environmental management system.

Following the CIDB's mandatory requirement for construction industry players to use Building Information Modelling or BIM technology within government projects valued over RM100.0 million by the year 2020, the Group has been proactively incorporating BIM into its work processes (since 2016) as part of the Group's innovation initiative. 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 Group's use of BIM technology within its building construction management activities is helping optimise project efficiencies and bringing about significant cost and time savings. The technology also is helping to alleviate clashes in design coordination, thereby reducing rework and wastage as a whole. The Group remains confident that its early adoption of BIM technology will give it a competitive advantage over other players.

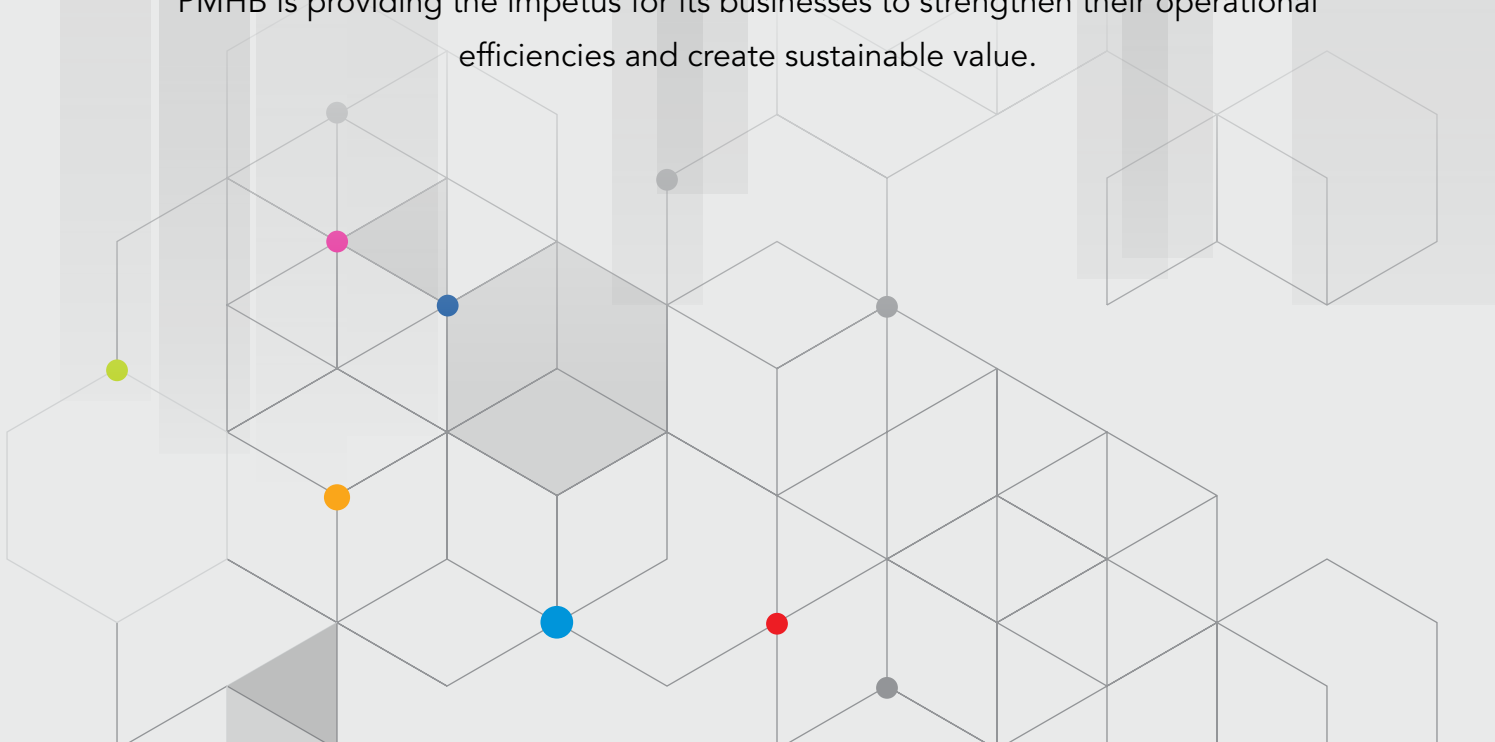
At the time of writing, the Group has an outstanding order book of more than RM1.9 billion, comprising nine ongoing projects, including the two new projects secured in the first quarter of 2018. These projects, which are expected to be delivered over the next three plus years, will ensure a steady source of income for the Group. Concurrently, the revenue from concession business will further strengthen the Group's income for the coming years. Based on these measures and a host of others, PMHB is quietly confident of maintaining the good momentum it has achieved thus far and of delivering another satisfactory performance in 2018.



COMMITTED TO CREATING SUSTAINABLE VALUE

Pesona Metro Holdings Berhad (“PMHB” or the “Group”) is an investment holding company that is listed under the Construction segment on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The Group’s principle activities encompass civil engineering, building construction, waterbody rehabilitation and beautification, the manufacturing-cum-trading of building-related materials, and more recently, concessionaire activities.

As PMHB sets its sights on creating long-term shared value for its stakeholders and securing the future of the Group, it remains committed to upholding responsible management and sustainable development on the Economic, Environmental and Social (“EES”) fronts. By ensuring sustainable progress across the Group’s operations, PMHB is providing the impetus for its businesses to strengthen their operational efficiencies and create sustainable value.



Sustainability Report

(Cont'd)

APPROACHING SUSTAINABILITY MATTERS

Sustainable practices have long been embedded within the daily operations of PMHB as evidenced by the Group's focus these past many years on the four Corporate Responsibility ("CR") pillars of the Workplace, Community, Environment and Marketplace within its operations. Following the implementation of Bursa Malaysia's Sustainability Reporting requirements, PMHB has migrated from a focus on CR Reporting to the broader realm of Sustainability Reporting in line with Bursa Malaysia's Sustainability Reporting Guidelines and the United Nation's 17 Sustainable Development Goals. In adopting this approach, the Group is today more rigorously embracing compliance as well as setting in place the relevant sustainability components that will strengthen its focus on operational efficiencies, cost savings, enhanced revenue generation and innovation for the long-term.



The board of directors and top management attended the talk on Sustainability Reporting

Scope and Methodology

This, the Group's second Sustainability Statement, underscores PMHB's commitment to undertaking business in a responsible and sustainable manner through its EES performance. It covers the period 1 January to 31 December 2017 and focuses on the business sustainability activities that the Group has full management control over. Due to the fact that more than 90% of the Group's revenue is contributed by its construction segment led by Pesona Metro Sdn Bhd ("Pesona Metro" or "the Company"), the scope of this Statement covers the material issues arising from the principal business activities of PMSB which are mainly related to the construction of commercial and residential buildings as well as infrastructural works in Peninsular Malaysia.

In this Statement, the EES indicators that contribute to the sustainable development of the Group's business strategy as well as the issues that matter the most to its internal and external stakeholders are highlighted. This Statement is to be read in conjunction with the rest of PMHB's 2017 Annual Report, which highlights other financial and non-financial aspects of the Group's business. This Statement has not been subjected to external assurance. The aim is to streamline the Group's sustainability data collection and monitoring activities first and then seek external assurance in due course.

SUSTAINABILITY GOVERNANCE

To ensure that sustainability reporting within the Group is being implemented and monitored in accordance with high governance standards as well as to ensure transparency and accuracy in its sustainability reporting, the Group has implemented the following governance structure:

Group Sustainability Governance Structure

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

Sustainability Report

(Cont'd)



Site walk with consultants

Board of Directors

PMHB's Board of Directors acknowledge 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.

The Board comprises professionals with a broad and diverse range of experiences and expertise. With their professional memberships as well as their commitment towards upholding corporate governance best practices and sound internal controls within the Group, the Board is shouldering the responsibility for overseeing, supporting and promoting the EES efforts within the Group. The Board is also responsible for evaluating and incorporating the relevant sustainable material matters into the business strategy. It is also tasked with planning activities that will enhance transparency, integrity and accountability towards the Group's stakeholders in every area of the Group's operations and management activities.

Executive Committee

The Executive Committee is headed by the Managing Director, who reports the findings and progress of the Group's sustainability development to the Board. Assisted by the Chief Financial Officer ("CFO") and two Chief Operating Officers ("COOs"), this committee is tasked with studying, formulating and strategizing the sustainability framework for the Group. The committee's role and responsibilities include drawing up the Sustainability Statement and Policy, setting sustainability objectives and targets, identifying internal and external stakeholders, and prioritising all material matters in relation to the economic, environmental and social aspects of sustainability reporting.



Site walk at Central Plaza i-City Mall with client

Sustainability Working Committee

The Sustainability Working Committee is headed by the COO of the Building Division and assisted by the Heads of the respective sustainability segments. These Heads include the CFO, who is responsible for all Economic-related matters; the COO (Infrastructure), who is tasked with all Environmental-related matters; while the QA/QS Lead oversees the Social aspects of sustainability development. All the Group's operational and management heads are involved in one of the three sustainability segments and are tasked with carrying out the actions plan required by the Heads of the sustainability segments.

While PMHB's sustainability governance structure is adequately framed for now, this may be restructured as and when needed to achieve better efficiencies in terms of planning, implementation and reporting.

For more detailed information on the Group's overall corporate governance and risk management structures, please refer to the Statement on Corporate Governance as well as Statement on Risk Management and Internal Control on pages 66 to 68 of this Annual Report.

**to achieve better
efficiencies
in terms of planning,
implementation and reporting**

Sustainability Report

(Cont'd)

STAKEHOLDER ENGAGEMENT

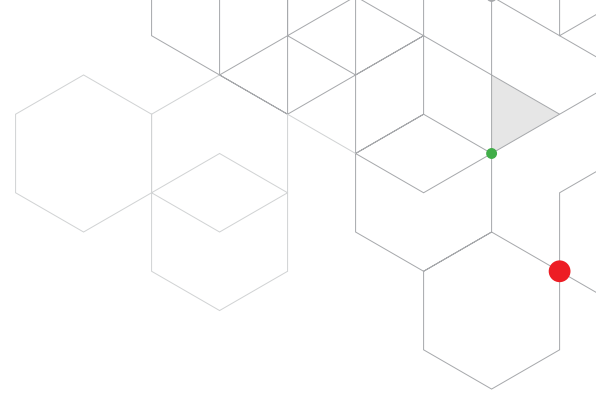
As the Group's businesses and its markets evolve, PMHB finds itself engaging with an expanding number of different stakeholder groups. Continuous stakeholder engagement is a fundamental component of PMHB's sustainability strategy and the Group is committed to undertaking ongoing activities in this area. 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 focus areas that the Group engaged in with its stakeholders in 2017:

Stakeholder Engagement Matrix

Group	Sub-Group	Focus Areas
Internal Stakeholders		
Employees	<ul style="list-style-type: none"> • Top Management • HODs • HOPs • Permanent employees • Contractual employees • Interns/trainees • Workers 	Career development, employment benefits, communications, Health, Safety and Environmental concerns
External Stakeholders		
Minority shareholders		Good returns in terms of dividend pay-outs and bonus issues
Government agencies and regulatory bodies	<ul style="list-style-type: none"> • DOSH • DOE • SIRIM • CIDB • Labour Department • LHDN • Local Councils 	Regulatory and legal compliance
Media	<ul style="list-style-type: none"> • Magazines (Trade) • Newspapers • TV • Radio • Digital (online news) 	Continuous and transparent communications
Industry peers	<ul style="list-style-type: none"> • Trade associations • Competitors 	Industry stewardship, continuous product and service improvements/ innovations
Customers	<ul style="list-style-type: none"> • Private developers • Government bodies (JKR, local councils) 	Product/service transparency
Suppliers	<ul style="list-style-type: none"> • Trade/materials suppliers • Services (security, labour) 	Product transparency, sustainably produced goods, legal compliance
Sub-contractors		Product/service transparency, legal compliance, human rights, product/service transparency

Sustainability Report

(Cont'd)



Stakeholder Engagement Matrix

Group	Sub-Group	Focus Areas
External Stakeholders		
Consultants	<ul style="list-style-type: none"> • M&E • C&S • Architectural • Environmental 	Legal compliance, compliance professional
Financial community/ investors	<ul style="list-style-type: none"> • Fund managers • Investment portfolio holders • Fund advisors • Bankers 	Business sustainability, profitability
NGOs	<ul style="list-style-type: none"> • Charitable homes 	Continuous support towards the welfare of the society
Community	<ul style="list-style-type: none"> • Neighbourhoods surrounding project sites • Society as a whole 	Community development, investment and impact

While the Group considers all its stakeholders important, it has prioritised how it deals with these stakeholders depending on two criteria, namely how dependent the stakeholder group is on the Company and how these stakeholders' influence affects the Company. In 2018, the Group undertook a stakeholder prioritisation exercise, the findings of which are tabulated as follows:

Stakeholder Prioritisation

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

Sustainability Report

(Cont'd)

Following the stakeholder prioritisation exercise, the Group went on to incorporate its findings in a Stakeholder Prioritization Matrix. For the purpose of this report, the seven top stakeholders have been categorised in terms of their High Dependency-High Influence while others fall into the Low Dependency-High Influence category. The selection of stakeholders was decided based on the assumption that their opinions and views are important for the advancement and development of PMHB.

Stakeholder Prioritization Matrix (max 10 stakeholder groups)

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

MATERIAL MATTERS

In early 2018, the Group undertook a formal materiality analysis to gain a better understanding of the topics that its external and internal stakeholders deemed important. The aim of this exercise was to prioritise the most important areas of sustainability for inclusion in this report. Material topics were defined as those issues which had a direct or indirect impact on the Group's ability to create, preserve or erode EES value for PMHB, its stakeholders and the community.

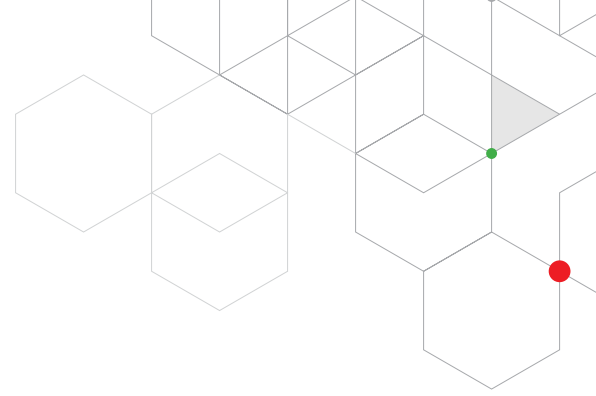
Methodology

In February 2018, a total of 97 stakeholders under High Dependency-High Influence category, namely the Group's employees, customers, suppliers, sub-contractors, government and authorities, consultants and bankers, responded to a materiality survey that was forwarded to them by way of a Google survey form. Respondents were asked to indicate how important each criterion was on a scale of 'unfavourable' (1) to 'favourable' (5).

**a formal materiality analysis
to gain a better understanding
of the topics**

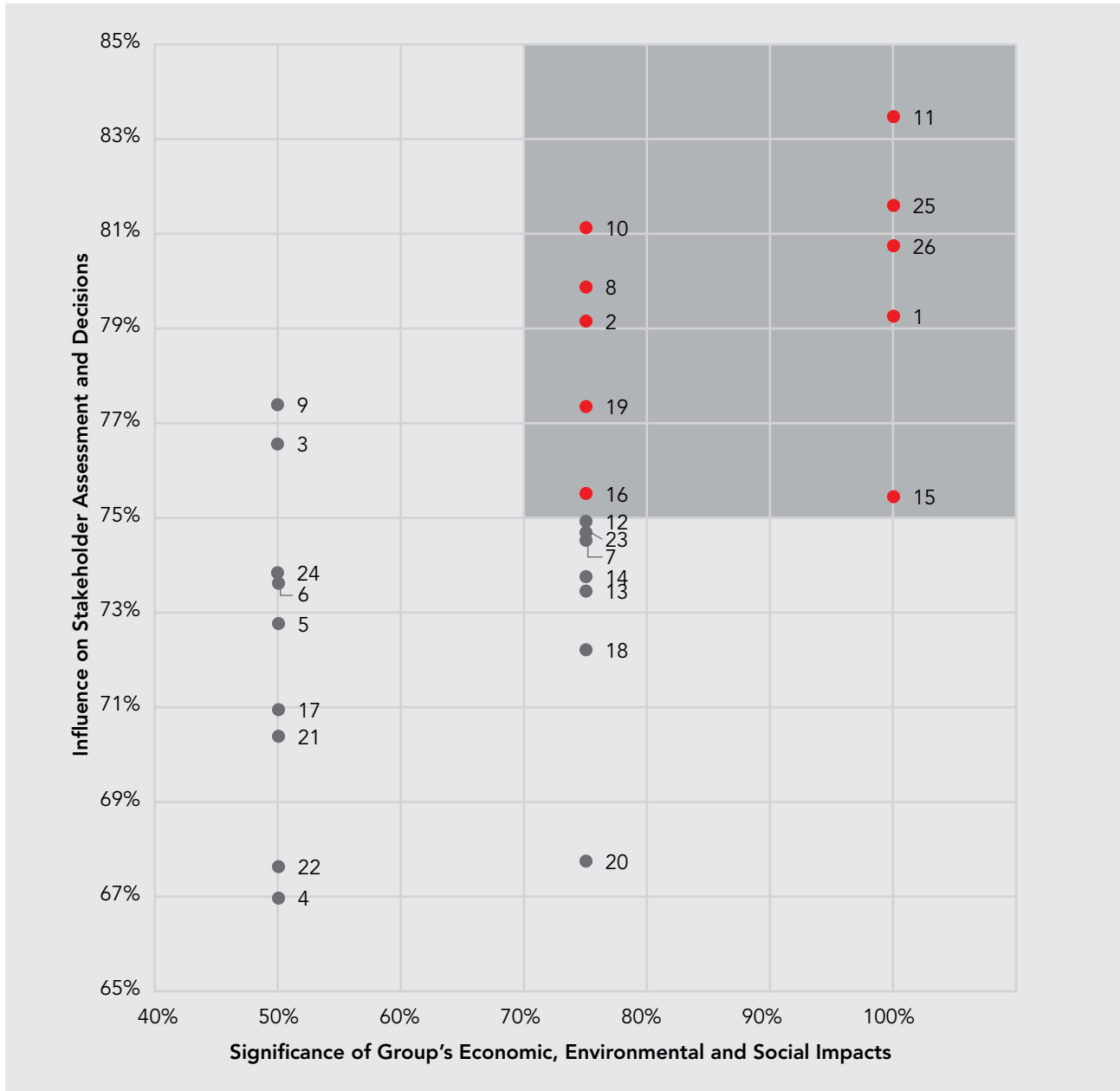
Sustainability Report

(Cont'd)



The findings of the survey are presented in the following Materiality Matrix:

Ranking of Materiality Matters by Importance



Legend:

- | | | |
|---|---------------------------------------|--------------------------------------|
| 1 Business Performance | 10 Waste Management | 18 Stakeholder Engagement |
| 2 Financial Stability | 11 OHS Practices | 19 Bribery & Corruption |
| 3 Sustainable Procurement & Supplier Assessment | 12 Inclusive Workplace | 20 Anti-Competition |
| 4 Local Hiring | 13 Career Development | 21 Benefitting Local Communities |
| 5 Responsible Sourcing | 14 Recruitment & Retaining Employees | 22 Employee Volunteerism & Charities |
| 6 GHC Emission & Climate Change | 15 Employee Engagement & Satisfaction | 23 Customer Feedback & Satisfaction |
| 7 Energy Consumption | 16 Work-Life Balance | 24 Customer Privacy |
| 8 Clean Water Management | 17 Community Engagement | 25 Public Safety |
| 9 Green Material & Practices | | 26 Quality Management |

Sustainability Report

(Cont'd)

Based on the Materiality Matrix, the Group will prioritise the top 10 material matters in drawing up its roadmap for sustainability over the next five years. These material matters will be rolled out under the following four categories:

Safety

- OHS practices
- Public safety

Waste

- Waste management
- Clean water management

Labour Practices

- Employee engagement and satisfaction
- Bribery and corruption
- Work-life balance

Profitability

- Quality management
- Business performance
- Financial stability



ISO14001:2015 Training at Headquarters



ISO Internal Audit Training at project sites

UPHOLDING GOOD ECONOMIC PRACTICES

Strategic Direction

PMHB continues to finetune its strategic direction to ensure the sustainable growth of its core businesses. This is enabling the Group to adapt 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 Management Discussion and Analysis section in this Annual Report.

Strengthening the Market Ecosystem

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

With some 97.0% of the Group's revenue coming from the construction sector via Pesona Metro Sdn Bhd or PMSB, the Group naturally pays particular attention to this sector. The construction sector (which in 2017 had the highest growth at 6.7% after the agriculture sector at 7.2%) is not only generating millions of jobs for the nation today, but it is also serving as a catalyst for economic growth through the purchase of raw materials from local and foreign suppliers.

Over the years, PMSB has 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 over 380 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 on 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.

Sustainability Report

(Cont'd)



3rd party auditor for ISO 9001 Certification audit at The Mews project



EMS audit at Central Plaza i-City Mall

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 and the implementation of system formwork as well as the use of green construction material such as light-weight bricks at worksites.

The Group has also been extensively leveraging on Building Information Modelling ("BIM") technology since 2016. By incorporating BIM technology into its various projects, the Group has had a competitive edge over other construction players who have been slow to adopt BIM. 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 2020.

Through BIM 3D modelling and coordination, potential clashes in construction can now be easily detected and monitored at the planning or pre-construction stage – the earliest stage of a project. The virtual 3D model helps all parties to have a vivid view of the actual built environment and by enabling a live 3D walk-through of the pre-construction coordination work, the designer and client now can make alterations and final decisions before construction commences. With BIM in place, work efficiency and quality have improved as the entire coordination process now runs in a systematic manner. Not only is BIM helping mitigate construction error downtime and rework at site, it is also helping to reduce the generation of construction waste. The Group's Eaton Residences and Lot15 SJCC projects are BIM-compliant up to LOD300.

With BIM in place, work efficiency and quality have improved

Transparent Marketplace Practices

PMHB continues to look to 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 Overview Statement on Corporate Governance which spells out the functions of the Board of Directors and various Board committees, among other things 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.
- ✓ A new Whistleblowing Policy that provides employees a safe mechanism for raising genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, and in an appropriate manner.

Sustainability Report

(Cont'd)

UPHOLDING GOOD ENVIRONMENTAL PRACTICES

PMHB is ever mindful about sustainability matters from an environmental perspective. In undertaking its day-to-day 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 continues to roll out several effective measures.

Waste Management Initiatives

In 2017, subsidiary PMSB began to implement a waste management programme for all its construction sites. Under the Construction Waste Management Plan ("CWMP"), construction waste at all project sites has been categorised into three major items of waste, namely steel reinforcement, concrete and timber. For each type of construction material, PMSB has allocated the maximum wastage percentage allowable according to the project type and monitors the actual wastage on a monthly basis. The actual quantity of wastage incurred is then categorised by how the waste is finally utilised i.e. whether it is recycled, reused or disposed of at waste collection sites.

In addition to construction waste items, PMSB also implements a Recycled Materials Inventory Record ("RMIR") whereby all recycled materials generated at the respective construction sites and at the Head Office are monitored and recorded on monthly basis. The recycled materials include plastic bottles, aluminium cans, metals, paper and card boxes.

Today, the following measures are in place to monitor and reduce waste generation at PMSB:

- ✓ The implementation of a CWMP at all project sites;
- ✓ The setting up of Recycling Centres at all PMSB project sites and the implementation of a RMIR;
- ✓ The complementary hand out of reusable beverage and food containers to all site construction workers at all construction sites. This aims to reduce the amount of polystyrene food container waste and other types of non-recyclable materials waste (such as plastic bags used for beverages) generated at PMSB's worksites.

Recycling Talks at Project Sites



Sustainability Report

(Cont'd)

As part of PMSB's efforts to educate its staff as well as sub-contractors and general workers on the importance of protecting the environment from waste pollution, it carried out a major recycling campaign in collaboration with the international charity organisation, the Taiwan Buddhist Tzu Chi Foundation Malaysia. The campaign included a monthly recycling charity event organised by PMSB staff at the Tzu Chi recycling centre in Sungai Chua, Kajang on every third Sunday of the month.

Besides the monthly campaign, the Group initiated the Recycling Talk at project sites in 2017. This recycling talk that was mooted by the Group's Managing Director, Mr. Wie Hock Beng, was aimed to create awareness among the workers at project sites on the Group's 3R (Reduce, Reuse and Recycle) efforts in reducing waste. On 26 March 2017, the inaugural Recycling Talk took place at the Third Avenue project site in Cyberjaya. This event, which was well supported by sub-contractors, was a resounding success with over 400 participants in attendance. Workers at the site were briefed on the importance of recycling and the various 3R methods to reduce waste. Participants pledged not to use environmentally-hazardous food packaging while PMSB sponsored personal reusable food containers and water bottles to encourage workers to pack their own food and beverages to reduce waste. Recycling talks were also held at the Residensi Gen worksite in Kuala Lumpur on 28 October 2017 and the Central Plaza i-City Mall worksite in Shah Alam on 2 December 2017. PMSB intends to implement the campaign at all its construction sites to ensure all employees and workers are guided dutifully in supporting this green initiative.

SIRIM Green 5-S Certification

In addition to the above waste monitoring and reduction initiatives, PMSB has also implemented the 5-S implementation programme at all its construction sites based on the SIRIM Green 5-S certification programme 50-point audit checklist introduced by Prof. Samuel K. M. Ho, the Founder and Chairperson of the Hong Kong 5-S Association in collaboration with the Standards and Industrial Research Institute of Malaysia ("SIRIM").

To date, the following PMSB project sites have been awarded with SIRIM Green 5-S certification:

- ✓ Ampang Sastra U-Thant, Kuala Lumpur – March 2012
- ✓ UniMAP, Perlis – December 2015
- ✓ The MEWS, Kuala Lumpur – December 2015
- ✓ 3rd Avenue, Cyberjaya – December 2015
- ✓ KPJ Specialist Hospital Bandar Dato' Onn Johor – January 2017
- ✓ Gua Musang (Section 3E2), Pahang – May 2017
- ✓ Residensi Gen, Kuala Lumpur – May 2017
- ✓ Central Plaza i-City Mall, Selangor – December 2017



Well-organised storage at project sites



Tools display board at project site



Three projects by PMSB were awarded with the SIRIM Green 5S Awards at Majlis SIRIM Industri 2017

Sustainability Report

(Cont'd)

Documented Environmental Protection Practices

Back in 2013, PMSB was certified as having complied with ISO 14001:2004, the International Standard for Environmental Management Systems. Following this, the company went on to establish several environmental procedures in its day-to-day operations with respect to protection of the environment in all its business activities, particularly its construction activities. Today, these include:

- ✓ 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 or DOE regulations;



Sustainability Report

(Cont'd)

the Group continued to establish annual objectives, targets and programmes relating to energy and resource conservation

- ✓ The establishment of the SIRIM Green 5-S implementation programme and an annual certification exercise to promote good housekeeping at construction project sites;
- ✓ 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 Sub-contractors regarding Environmental Performance whereby all sub-contractors and suppliers are evaluated by the respective site project management team on their environmental performance with respect to their work on an annual basis.

Other Conservation Initiatives

PMHB's efforts to conserve the environment also see it implementing energy efficiency, recycling and water harvesting activities measures, among other things. In 2017, the Group continued to establish 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 paper consumption by 10% as compared to the previous year.

Leveraging on Innovation

Timber is one of the essential materials used in conventional construction activities especially in relation to formwork preparation. 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 table formwork, aluminium and steel form methods. Today, by leveraging on lift core jump-form systems, table formwork, aluminium formwork systems and the PM2 Modular Panel, PMSB is not only mitigating the use of timber, but also improving the quality of construction and shortening the construction period.

UPHOLDING GOOD SOCIAL PRACTICES

LABOUR PRACTICES AND DECENT WORK

The Group's Workforce

PMHB's success to date comes on the back of its greatest asset – its loyal, diligent and talented workforce. As at the end of 2017, PMHB's total staff workforce stood at 382 employees (end 2016: 330 employees). The composition of the Group's workforce over 2016 and 2017 is as follows:

	2017	2016
Gender		
Male	289	256
Female	93	74
Education		
Degree & Above	32.46%	29.09%
Diploma & Certification	36.65%	39.39%
Others	30.89%	31.52%
Age		
Above 50 years old	50	42
Below 50 years old	332	288
Type of Employment		
Permanent	135	118
Contractual	247	212
Type of Skills		
Technical	76.44%	73.03%
Non-Technical	23.56%	26.97%
Total Staff Force	382	330
	employees	employees

The Group's staff structure is seemingly lop-sided with the majority of employees comprising male employees, this is due to the inherent nature of the construction industry where male employees are better suited to the rough and tough conditions of the industry. While most of the Group's male employees are located at worksites, female employees make up the majority of the workforce at the Head Office where they play administrative and supportive roles in the areas of purchasing, accounting and human resources, among other areas. Meanwhile, both the contract and tender departments have a well-balanced spread of employees from both genders.

Sustainability Report

(Cont'd)

Upholding Diversity

PMHB today has in place policies and initiatives relating to recruitment, retention, training and development, as well as Group-sponsored corporate and social activities that are all implemented in a manner that does not discriminate against ethnicity, religion, gender, age, disability, or status. The Group 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 and Retention

PMHB continues to prioritise employee engagement activities to communicate with, unify and retain its employees. Today, engaged employees are more satisfied with their work, are more productive and committed, as well as tend to stay longer. For the year in review, the Group organised various engagement activities including the Group's Annual Dinner event and festive gatherings, as well as CR activities that included reaching out to those in need.



The Pesona Metro Sports Club continues to play an important role in helping foster interaction and strengthen employee ties through various weekly sports activities such as futsal, bowling and badminton. In view of the Group's growing workforce and in accordance with the Group's business strategy, the club is providing support for employees' emotional and physical wellbeing through sports and social activities.

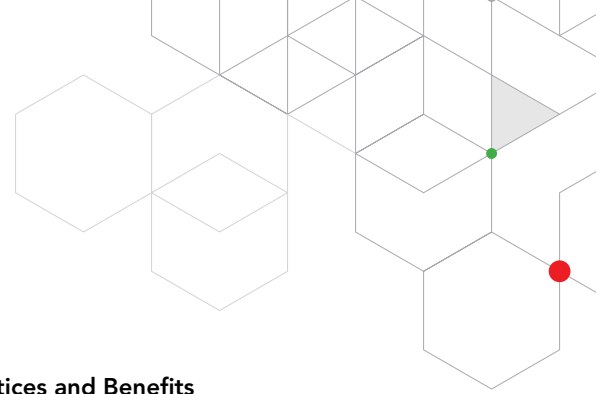
Ensuring that the PMHB family remains a well-balanced, safe and harmonious one



Pesona Metro Gymnasium was set up in 2017 for staff to improve their physical well being

Sustainability Report

(Cont'd)



PMHB values and recognises loyal employees who carry out their tasks faithfully

In 2017, the Pesona Metro Gymnasium was set up in a space previously used as an office to provide a venue for employees to improve their physical wellbeing. The gym is equipped with treadmills, bicycles, weights and other fitness equipment for employees who want to work out. Weekly exercise programmes such as yoga and fitness classes are also organised to cater to the needs of employees. A trainer has been engaged to ensure that employees get the most out of their daily workout and avoid injuries during their sessions. The new gym has strengthened the interaction between employees and is providing them a better work-life balance.

Innovation at the Workplace

The Group continues to tap a variety of innovative tools to keep employees informed and engaged as well as to facilitate administrative matters. This includes eBoard, the employee intranet platform whereby the Group can readily disseminate information to employees.

In 2017, the Group rolled out the Human Resource Management System ("HRMS") which, among other things, is enabling employees to readily update their personal information and apply for leave on the HR Portal. At the same time, employees' supervisors can now approve their leave applications anywhere, anytime as long as there is an Internet connection. To complement the HRMS, a mobile app was introduced which enables employees and their managers to access the system anytime of the day. The Group plans to complete the Employee Appraisal Module of the HRMS by 2018 which will simplify the entire employee evaluation process.

Employee Practices and Benefits

To maintain its edge in the marketplace, the Group continues to ensure its people receive employment benefits that are on par with other companies in the marketplace. Aside from the regular statutory contributions, PMHB's employees also receive the following additional staff benefits according to their work requirements:

- ✓ Paid and special leave
- ✓ Group health insurance
- ✓ Medical claim
- ✓ Overtime meal allowance
- ✓ Mileage claim
- ✓ Parking and toll claim
- ✓ Accommodation claim
- ✓ Company vehicle benefit
- ✓ Shell petrol card
- ✓ Company mobile phone with data plan
- ✓ Overtime claim
- ✓ CIDB green card
- ✓ Staff House

Every employee of the Group is protected under Malaysian Labour Law. No one is discriminated against or 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

PMHB values and recognises loyal employees who carry out their tasks faithfully. The Group 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 acknowledge the contributions of outstanding employees who are self-starters and who are keen to initiate new methods to improve work performance and ensure the timely delivery of high quality products to their respective stakeholders and clients.

Employee Awards and Recognition in 2017

Award	Individual	Team
Good Action Award	15	NA
HSE Excellence Award	2	1
Good Attendance Award	2	NA
10-year Long Service Award	8	NA
5-S Award	2	1

Sustainability Report (Cont'd)



Employee recognition awards were given out during the Group's annual dinner held in February 2018

Talent Development and Succession Planning

In tandem with the Group's commitment to inculcating excellence, technical competence and professionalism among its workforce, the Human Resource Department continues to implement training programmes across all levels of the organisation. The Group's programmes are designed to equip the workforce not only with technical skills and expertise, but also with non-technical, behavioural and personal enhancement opportunities that will enable them to effectively manage time, resources and people.

Training and Development Activities in 2017

	2017	2016	2015
Health & Safety	13	11	8
Quality & Technical	58	61	18
Environment	29	22	35
Personal Enhancement & Soft skills	0	6	39

the Group continues to improve and implement stringent safety measures

In 2017, employees underwent a total of 5.54 training hours per employee.

The Group is currently putting in place 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 remains one of the Group's top priorities.

Sustainability Report (Cont'd)



OCCUPATIONAL HEALTH AND SAFETY

Committed to Safeguarding People

Being a responsible builder, the Group is well aware of the occupational hazards which its employees and workers are exposed to daily. These hazards encompass 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. As such, the Group continues to improve and implement stringent safety measures across the length and breadth of its operations, both at its headquarters and worksites.

Each of 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 is required to maintain a Project Occupational Safety and Health ("POSH") Plan which is monitored by a Health & Safety Officer. The POSH Plan sets out 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 Officers 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 employees and workers are protected at all times. PMSB has been certified as being OHSAS 18001:2007-compliant since 2014. This relates to the International Standard for Occupational Health & Safety Management System.

In 2017, the respective sites registered a total of 7,433,767 man-hours of work (2016: 7,348,175 man-hours) without any fatality or lost time injury recorded.

Accumulative Man-Hours for 2016 and 2017

Project	Man-Hours in 2016	Man-Hours in 2017
Gua Musang (Section 3E2), Pahang	914,386	1,805,109
Government Complex, Johor	396,788	-
The Mews, Kuala Lumpur	2,366,077	961,267
Third Avenue, Cyberjaya	2,237,150	1,439,600
KPJ Bandar Dato' Onn Specialist Hospital, Johor	1,024,300	855,990
UniMAP, Perlis	192,842	-
Residensi Gen, Kuala Lumpur	20,340	716,191
Eaton Residences, Kuala Lumpur	19,200	240,140
UniSZA Teaching Hospital, Terengganu	30,862	298,774
Central Plaza I-City Mall, Shah Alam, Selangor	163,530	1,023,096
West Coast Expressway, Selangor	-	93,600
TOTAL	7,348,175	7,433,767



DOKA System which served as foundational support for all high-rise buildings

Sustainability Report

(Cont'd)

A total of nine external trainings were carried out for workers and employees at sites while another 20 health and safety-related training sessions were conducted internally.

Innovative Health and Safety Measures at Worksites

For the year in review, the Group took worksite health and safety efforts up several notches by introducing new and innovative measures.

As part of the Group's efforts to safeguard its workers at the Central Plaza i-City Mall project in Shah Alam, it introduced the DOKA scaffolding formwork for the very first time. The Group's substantial investment into this modular system underscores its commitment towards improving work quality, efficiency and above all, worker safety.

To ensure that the installation of the suspended sky bridge linking the two buildings at the Third Avenue project in Cyberjaya was completed without a hitch, the Group engaged a specialist contractor to handle this high-risk job. The Group also set in place more effective life-lines, better fall protection with GI pipes serving as hard barriers, and heavy-duty nets to catch falling objects. A special crew was also tasked with handling safe lifting operations to ensure onsite safety.



Y Columns at the KPJ Bandar Dato' Onn Specialist Hospital project

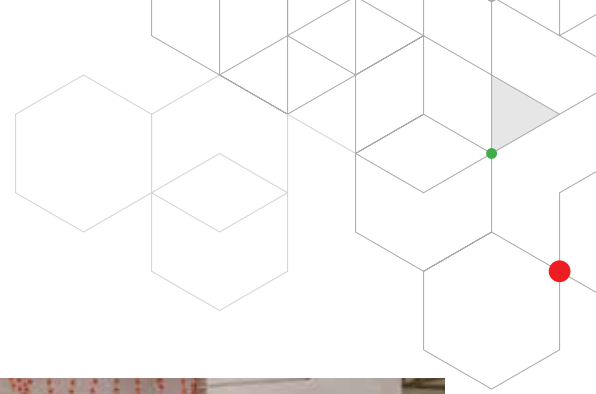
The year also saw the use of heavy-duty scaffolding for the construction of Y Columns at the KPJ Bandar Dato' Onn Specialist Hospital project and transfer beams at the The Mews, Central Plaza i-City Mall and Residensi Gen projects which served as foundational support for all these high-rise buildings. Again, a specialised team was engaged to provide advice and construct the structures as well as select the special materials for the concreting task.

To ensure the safety of workers at project sites, the Group has begun the upgrading process for scaffolding, catch nets, approved body harnesses, anti-climb railings and basket stretchers. This upgrading will be carried out gradually at all project sites to ensure all sites are equipped with safety equipment that meets the requirement of the various governing bodies. The upgrading exercise has seen or will see the following measures being implemented:

- ✓ Scaffolding – complied with the CIDB Code of Conduct for MS1462-approved scaffolding;
- ✓ Catch nets – currently upgrading from green coloured nets to blue and orange coloured nets which are of a higher grade with thicker and better material;
- ✓ Approved body harnesses – upgraded to the minimum SIRIM-approved standard in the first quarter of 2018;
- ✓ Anti-climb railings – currently replacing GI pipes and net railings with anti-climb steel railings. These will be concreted into the floor to give better protection to works at edges of buildings; and
- ✓ Basket stretchers – these will be utilised in the event any injured personnel need to be transported from high rise buildings to the ground level using a crane. This will enable quick and safe evacuation of injured personnel with minimal impact to the victim.

the Group continues to
focus its efforts
on developing a
sustainable future
for communities

Sustainability Report (Cont'd)



SOCIETY/COMMUNITY

Enriching Communities

PMHB 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 2017, the Group continued to roll out several community-based CR efforts.

The year saw the Group visiting a charity home every quarter where all staff were encouraged to participate in the visits and contribute to the welfare of the following homes:

- ✓ 1Q2017 Persatuan Insan Istimewa, Cheras, Kuala Lumpur (48 participants)
- ✓ 2Q2017 Persatuan Kebajikan Mental Titian Kasih, Petaling Jaya, Selangor (51 participants)
- ✓ 3Q2017 Persatuan Kebajikan Vinashini, Seremban, Negeri Sembilan (43 participants)
- ✓ 4Q2017 Pusat Jagaan Kanak-kanak Down Syndrome and Hyper Active, Klang, Selangor (73 participants)

Scholarship Programme

The Group continues to elevate the wellbeing of communities and promote education through its scholarship programme. The programme aims to assist deserving financially-challenged families to support their children in furthering their higher education. The scholarships are open to undergraduates with excellent results who are currently pursuing their degrees in construction-related studies such as in Civil Engineering, Electrical Engineering (Power), Mechanical Engineering, Architecture or Quantity Surveying. All scholarship applications come in via an online survey form which is first filtered by the Scholarship Committee. Only shortlisted applicants (based on their household income, academic achievements and family background) will be invited to attend the one-time interview with committee members.





Sustainability Report

(Cont'd)

PMHB's help to its scholars does not just stop at their undergraduate education. The Group continues to support them by providing them career paths within the Company related to their respective fields of study. This ensures that when scholars kick-start their careers with PMHB, they can support their families. Since the inception of the scholarship programme in 2008, the Group has sponsored a total of 25 scholars.

PRODUCT RESPONSIBILITY

Upholding Excellence

The Group's companies are committed to continually delivering projects on time, within specifications and within budget. They are also focused on strengthening their management systems and rolling out various quality activities to ensure they remain at the leading edge of their respective fields.

For the year in review, the Group was awarded the Silver Award (Category 4: Public and Institutional) at the PAM Awards 2017 event for its work on the Elections Commissions Tower or Menara Suruhanjaya Pilihanraya project. Moreover, PMHB received the MINO Best Project Award 2017 (Category 1: High Volume Road) from the Road Engineering Association of Asia and Australasia or REAAA for its work on the Gua Musang 3F1 project. These awards are apt testament of the market's confidence in PMHB's capabilities as a reputable construction player.

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

TOWARDS A SUSTAINABLE FUTURE

As PMHB ventures forth, it remains committed to embedding sustainability into its operations and business strategies in a greater measure. The various stakeholders that have oversight for the Group's sustainability agenda will continue to plan, implement and review sustainability measures to ensure that the Group's sustainability agenda aligns with its business strategies 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.

Corporate Governance Overview Statement

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

This Statement gives an overview as to how the Group has applied the Practices of the Code in the financial year ended 31 December 2017 ("FY 2017"). The detailed application of each Practice as set out in the Code is disclosed in the Corporate Governance Report ("CG Report") which can be viewed on the corporate website at www.pesona.com.my.

The Board considers that the Company has complied with all Practices of the Code for the FY 2017 except for the following Practices:-

- Practice 4.1 (At least half of the board comprises independent directors); and
- Practice 7.2 (The board discloses on a named basis the top five senior management's remuneration component in bands of RM50,000).

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

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

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

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

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

The Board provides stewardship to the Group's strategic direction and operations.

2. Code of Conduct and Ethics

The code of conduct for Directors is embedded in the Board Charter which was last updated on 27 February 2018. Directors are expected to act in good faith and in the best interest of the Company and exercise due diligence when discharging their duties as Director. The Directors are also aware that they have to declare their interests in transactions with the Group, and abstain from deliberation and voting in respect of such transactions at Board or general meetings convened to consider the matter. All related party transactions are reviewed as part of the annual internal audit plan. The Audit Committee reviews all related party transactions and conflict of interest situation which arise within the Group that may challenge the Group's integrity. For the Group's employees, the code of conduct is defined in the human resource policies and procedures.

Moving forward, the Board will further enhance the Code of Conduct to combine the ethical standards of behaviour expected of Directors, Management, employees and integrate group-wide management practices therein.



Corporate Governance Overview Statement

(Cont'd)

3. Whistleblowing Policy

On 27 February 2018, the Board adopted the Whistleblowing Policy which sets out the avenues where legitimate concerns can be objectively investigated and addressed. The Whistleblowing Policy is available on the corporate website at www.pesona.com.my.

4. Strategies Promoting Sustainability

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

5. Access to Information and Advice

The Board have full and unrestricted access to any information pertaining to the Group. The agenda, reports and information are furnished to Directors and Board Committee members prior to meetings to allow the Directors time to peruse for effective discussion and decision making during meetings. 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.

6. Qualified and Competent Company Secretaries

The Company Secretaries are qualified to act under Section 235 of the Companies Act 2016. The Company Secretaries are Fellow and Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").

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

7. Board Charter

The Board had on 8 August 2012, adopted the Board Charter which sets out the roles and responsibilities of the Board, Chairman, Managing Director and Company Secretaries, the formal schedule of matters and Board Committees amongst others.

The Board Charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities. The Board Charter was last reviewed by the Board on 27 February 2018 and can be viewed at www.pesona.com.my.

8. Board Composition

The Board currently has five members, comprising one Non-Independent Executive Director (being the Managing Director), two Non-Independent Non-Executive Directors and two Independent Non-Executive Directors. The composition of the Board fulfils the requirement of Paragraph 15.02(1) of the MMLR. Together, the Directors bring characteristics which allow a mix of qualifications, skills and experience which is necessary for the successful direction of the Group.

Although less than half of the Board comprises of Independent Directors, the Board is of the view that the Independent Directors are able to provide an effective check and balance in the functioning of the Board and the Board composition fairly reflects the interest of minority shareholders within the Group.

Corporate Governance Overview Statement

(Cont'd)

A brief profile of each Director is presented on pages 12 to 14 of this Annual Report.

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

9. Appointment and re-election of Directors

The appointment of a new Director and the criteria used for selection is a matter for consideration and decision by the 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 Company Secretaries have the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed.

In accordance with the Company's Constitution, at least one third of the Directors shall retire from office but shall be eligible for re-election. An election of the Directors shall take place every year and all the Directors shall retire from office once at least in every three (3) years. The Company's Constitution further provides that 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.

There was no new appointment of Director during FY 2017.

10. Nomination Committee

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

- Dato' Sri Lee Tuck Fook - Chairman
- Loh Kong Fatt
- Wie Hock Kiong

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

Meetings of the Nomination Committee are held as and when necessary, and at least once a year. The Nomination Committee held two (2) meetings during the financial year and all members registered full attendance.

The Nomination Committee undertook the following activities in FY 2017:

- assessed the effectiveness and required mix of skills and experience and other qualities, including core competencies of the Board as a whole, the committees of the Board and the contribution of each existing Director and thereafter, recommend the findings to the Board;
- reviewed the re-election and re-appointment of Directors;
- reviewed the independence of the Independent Directors based on criteria set out in the MMLR;
- recommended the re-designation of Loh Kong Fatt as Chairman of the Audit Committee and Dato' Sri Lee Tuck Fook as member of the Audit Committee to align the composition of the Audit Committee with Practice 8.1 of the Code which states that the Chairman of the Audit Committee is not the Chairman of the Board.

Corporate Governance Overview Statement

(Cont'd)

On 27 February 2018, the Nomination Committee carried out the annual evaluation on the Board and Board Committees in accordance with its Terms of Reference, reported its findings and made recommendations to the Board. This annual exercise involved Directors completing questionnaires covering the assessment of the Board and Board Committee's performance, assessment of individual Directors and assessment on independence. The Directors' responses were collated by the Company Secretaries and a summary of the findings was presented to the Nomination Committee for deliberation.

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

Based on the report of the Nomination Committee, the Board is of the view that the current size and composition is appropriate for its purpose, and is satisfied that the current Board composition fairly reflects the interest of minority shareholders within the Group. In view thereof, the Board will be seeking shareholders' approval to re-elect Dato' Sri Lee Tuck Fook and Mr Wie Hock Beng as Directors at the Seventh AGM.

The Board note that the Code recommends for gender diversification and is on the look-out for a suitable female candidate who best fits the Company's needs, for appointment as Director.

11. Independent Directors

Independent Non-Executive Directors play a leading role in Board Committees. In accordance with the Board Charter, an Independent Director whose tenure exceeds a cumulative term of nine (9) years may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. The Board shall justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board shall seek annual shareholders' approval through a two-tier voting process – Tier 1: large shareholders and Tier 2: other shareholders.

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

12. Time Commitment

The Directors are aware of the time commitment expected of them to attend to matters of the Group. An annual meeting calendar is planned and agreed with the Directors and reviewed on quarterly basis. The Board is satisfied with the time commitment given by the Directors in discharging their duties for FY 2017.

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	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 & 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

Corporate Governance Overview Statement

(Cont'd)

13. Directors' Training

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

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

- 2018 Budget Proposals
- Sustainability Engagement Series for Directors
- Maybank Kim Eng's Investment ASEAN Malaysia 2017
- Companies Act 2016 – Key Insights & Implication for Directors, Auditors/Accountants & Company Secretaries
- Opportunities Amidst Geopolitical Shifts

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

14. Remuneration Committee

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

- Loh Kong Fatt - Chairman
- Dato' Sri Lee Tuck Fook
- Wie Hock Kiong

The Remuneration Committee reviews the remuneration packages, reward structure and fringe benefits applicable to the Managing Director, 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 Managing Director and the Executive Director with each individual Director abstaining from decision in respect of his own remuneration.

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

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

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

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

Corporate Governance Overview Statement

(Cont'd)

15. Directors' Remuneration

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

The details of the remuneration of each individual director for FY 2017 are as follows:

Director	Salary/ Fees RM'000	Bonus RM'000	EPF RM'000	Other benefits RM'000	Total RM'000
Executive					
Wie Hock Beng	552	276	97	16	941
Non-Executive					
Dato' Sri Lee Tuck Fook	84	-	-	3	87
Datuk Hj Subhi bin Dziauddin	60	-	-	3	63
Wie Hock Kiong	60	-	-	3	63
Loh Kong Fatt	60	-	-	3	63

16. Senior Management's Remuneration

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

	Senior Management
From RM300,001 to RM350,000	2
From RM350,001 to RM450,000	1
From RM450,001 to RM500,000	1
From RM600,001 to RM650,000	1

The Board is of the opinion that the disclosure of the Senior Management personnel's names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) is not in the best interest of the Group due to confidentiality and privacy issues.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee

The Company has an Audit Committee comprising three (3) Non-Executive Directors, a majority of whom are Independent Directors. The Audit Committee is tasked by the Board to review matters relating to financial report, internal controls, external and internal audits and related party transactions amongst others.

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

Corporate Governance Overview Statement

(Cont'd)

2. 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.

3. Assessment of Suitability and Independence of External Auditors

The Audit Committee reviews the appointment, performance and remuneration of the External Auditors before recommending to the Board and 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. The External Auditors report directly to the Audit Committee.

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.

4. 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.

5. Internal Control Function

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

The internal auditors report independently and directly to the Audit Committee in respect of the Internal Audit function. The Audit Committee together with the internal auditors agreed on the scope and planned Internal Audit activity annually and all audit findings arising 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.



Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE C: INTEGRITY IN REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Corporate Disclosure Policy

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

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

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

The primary contact for investor relation matters is:

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

2. Leverage on Information Technology for Effective Dissemination of Information

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

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

3. Engagement with Shareholders

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

The Company provides sufficient information to the shareholders for the 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.

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

Audit Committee Report



The Audit Committee was established by the Board of Directors ("Board") of Pesona Metro Holdings Berhad on 8 August 2012. The Terms of Reference of the Audit Committee was last reviewed by the Board on 27 February 2018 and is available on the corporate website at www.pesona.com.my.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee comprises the following members:

Chairman

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

Members

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

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

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

Dato' Sri Lee Tuck Fook was the Chairman of the Audit Committee until 25 August 2017 when Mr Loh Kong Fatt was re-designated as Chairman of the Audit Committee. The change was to align the composition of the Audit Committee with Practice 8.1 (the Chairman of the Audit Committee is not the Chairman of the Board) of the Malaysian Code on Corporate Governance.

MEETINGS

The Audit Committee held five (5) meetings during the financial year ended 31 December 2017 ("FY 2017") which were attended by all the members as shown below:-

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

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

WORK OF THE AUDIT COMMITTEE

Some of the work carried out by the Audit Committee in discharging its duties and responsibilities during FY 2017 included the following:-

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



Audit Committee Report

(Cont'd)

- (b) Reviewed the financial statements for the financial year ended 31 December 2016 and recommended the same to the Board for approval. The Audit Committee communicated with the External Auditors with particular focus on significant matters highlighted including financial reporting issues, significant judgements made by Management and compliance with the applicable approved accounting standards and other legal and regulatory requirements;
- (c) Reviewed the External Auditors' audit plan for FY 2017, covering the audit engagement team, materiality, independence and objectivity, areas of audit emphasis and audit timetable;
- (d) Reviewed the fees of the External Auditors';
- (e) Reviewed the internal audit reports presented by the Internal Auditors and the findings highlighted by the Internal Auditors;
- (f) Reviewed the follow-up reports issued by the Internal Auditors and the status of corrective actions taken by Management;
- (g) Reviewed the internal audit plan for the financial year ending 31 December 2018 tabled by the Internal Auditors;
- (h) Reviewed the quarterly progress reports on risk management prepared by Management;
- (i) Reviewed recurrent related party transactions to ensure the transactions entered into were at arm's length, on normal commercial terms and within the limit approved by the shareholders during the Sixth Annual General Meeting held on 25 May 2017.

The Audit Committee had on 12 April 2018, conducted an assessment on the suitability and independence of the External Auditors and took into consideration the following:-

- quality and scope of the planning of the audit in assessing risks and how the External Auditors maintain or update the audit plan to respond to changing risks and circumstances;
- quality of reports provided to the Audit Committee;
- level of non-audit fee;
- competency;
- level of understanding demonstrated of the Group's business; and
- communication to the Audit Committee about new and applicable accounting practices and auditing standards and the impact on the Company's financial statements.

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

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

Audit Committee Report

(Cont'd)



INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to Axcelasia Columbus Sdn Bhd. The Internal Auditors have developed an annual audit plan to support and execute internal control reviews.

Activities carried out by the Internal Auditors during the FY 2017 included the following:-

- (a) Performed audit work in accordance with the pre-approved internal audit plan, which mainly focused on the construction activities of the main subsidiary, Pesona Metro Sdn Bhd;
- (b) Carried out reviews on the systems of internal control of the Group to ensure proper safeguarding of assets, maintaining accurate records and transactions, compliance with relevant laws and regulations, adherence to established policies and procedures as well as management efficiency;
- (c) Internal audit adopts a risk-based approach to prioritise the audit work and the audit recommendations for improvements to the existing system of internal controls and work processes are made to the Management for resolutions where necessary; and
- (d) Reviewed and commented on the effectiveness and adequacy of the existing internal control policies and procedures.

Based on the assessment conducted by the Audit Committee on 12 April 2018, the Audit Committee was satisfied that Axcelasia Columbus Sdn Bhd continued to possess the competency, independence, experience and resources required to fulfil their duties effectively.

For more information on the internal audit function, please refer to the Statement on Risk Management and Internal Control in the Annual Report 2017.



Statement on Risk Management and Internal Control

1. INTRODUCTION

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

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

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

2. BOARD RESPONSIBILITY

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

The Board is also aware that a sound internal control system provides reasonable and not absolute assurance that the Company will not be hindered in achieving its business objectives in the ordinary course of business. It should also be appreciated that the whole system of internal control is designed to manage and control risks appropriately rather than a definitive system designed for the total avoidance of risks or for eliminating the risk of failure. For the financial year ended 31 December 2017, the Company has undertaken processes to review its risk management framework.

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

3. CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK

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

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

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

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

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

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

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

4. INTERNAL AUDIT FUNCTION

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

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

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

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

In the year under review and based on the Audit Plan 2017, the following areas are the internal audit compliance reviews undertook by the Internal Auditors:

- 1) Procurement of support and materials;
- 2) Review of Progress Billing Processing;
- 3) Human resource management;
- 4) Project management;
- 5) Project site documentations; and
- 6) 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 Axcelasia Columbus to manage the internal audit functions of the Company on an outsourced basis will ensure greater independence and accountability.

6. CONCLUSION

For the financial year ended 31 December 2017, 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 2017 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 2017 as set out on pages 71 to 150 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 the Company. During the financial year ended 31 December 2017, a total of 12,505,800 new ordinary shares of RM0.25 each were issued pursuant to the conversion of the warrants. The proceeds amounting to RM3,126,450.00 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 charged for services rendered to the Group and the Company by the External Auditors for the year ended 31 December 2017 were RM110,554 and RM5,000 and RM30,000 and RM5,000 respectively.

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

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

The 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 25 May 2017.

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 2017.

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Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

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	20,683,363	44,656,875
Attributable to:		
Owners of the parent	19,169,991	44,656,875
Non-controlling interests	1,513,372	-
	20,683,363	44,656,875

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

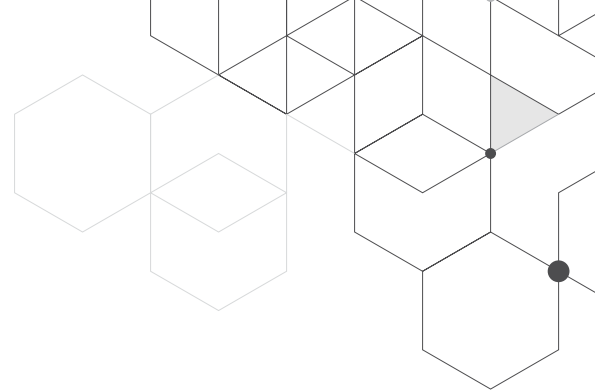
Since the end of the last financial year, the Company paid:

	RM
A single-tier final dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2016 on 22 June 2017	6,670,753

The Directors recommend the payment of a single-tier final dividend of RM0.01 per ordinary share amounting to RM6,948,910, in respect of the current financial year, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Directors' Report

(Cont'd)



ISSUE OF SHARES AND DEBENTURES

During the financial year, the number of issued and paid-up ordinary share capital of the Company was increased as follows:

- (i) the issuance of 12,505,800 ordinary shares through conversion of Warrants at an exercise price of RM0.25 for a total cash consideration of RM3,126,450; and
- (ii) the issuance of 27,650,000 ordinary shares at an issue price of RM0.70 per ordinary share as consideration for the acquisition of a subsidiary company.

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

The Company did not issue any debentures during the financial year.

WARRANTS

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

A total free warrants up to 255,101,244 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.

As at 31 December 2017, the total numbers of warrants that remained unexercised were 98,062,713.

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 during the financial year until the date of this report are:

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

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) during the financial year up to the date of this report:

Chong Kien Eng @ Teo Kien Eng
Maszeallan bin Mohamad
Mohamed Izran bin Mohamed Al Amin

* Directors of the Company and its subsidiary companies

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

Directors' Report

(Cont'd)

DIRECTORS' INTERESTS IN SHARES

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

	At 1.1.2017	Number of ordinary shares		At 31.12.2017
		Acquired	Disposed	
Interests in the Company				
Direct interests:				
Wie Hock Beng	8	-	-	8
Indirect interests:				
Wie Hock Beng ¹	376,879,300	-	-	376,879,300
Wie Hock Kiong ¹	376,879,300	-	-	376,879,300

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

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

DIRECTORS' BENEFITS

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

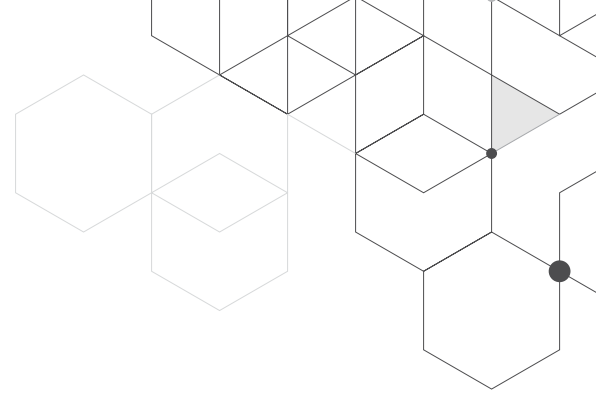
Neither during nor at the end of the financial year, was the Group or the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE COSTS

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

Directors' Report

(Cont'd)



OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for 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 which would render any amount stated in the financial statements of the Group and of the Company misleading; or
 - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group 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 their obligations 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, 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 37 to the financial statements.

SUBSIDIARY COMPANIES

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

AUDITORS

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

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 12 April 2018.

WIE HOCK BENG

DATUK HJ SUBHI BIN DZIYAUDDIN

KUALA LUMPUR

Statement By Directors

Pursuant to Section 251(2) of the Companies Act, 2016



We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 82 to 150 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 12 April 2018.

WIE HOCK BENG

DATUK HJ SUBHI BIN DZIYAUDDIN

KUALA LUMPUR

Statutory Declaration

Pursuant to Section 251(1) of the Companies Act, 2016

I, CHONG KIEN ENG @ TEO KIEN ENG (MIA Membership No: CA 16812), being the Officer primarily responsible for the financial management of PESONA METRO HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 82 to 150 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed CHONG KIEN ENG)
@ TEO KIEN ENG at KUALA LUMPUR)
in the Federal Territory on 12 April 2018)

CHONG KIEN ENG @ TEO KIEN ENG

Before me,

No. W710
MOHAN A.S. MANIAM
Commissioner for oaths

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 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 150.

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 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p><u>Recognition of construction contract revenue and costs</u></p> <p>Refer to Note 3(l) (Significant Accounting Policies), Note 2(d) (Significant accounting judgements, estimates and assumptions), Note 11 (Amount due from/to contract customers) and Note 25 (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)

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

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
<p><u>Impairment of receivables</u></p> <p>Refer to Note 2(d) (Significant accounting judgements, estimates and assumptions), and Note 9 (Trade receivables).</p> <p>We focused on this area given the use of significant estimates and judgement in determining the appropriate level of impairment for trade receivables.</p>	<p>Our audit procedures performed in this area included, among others:</p> <ul style="list-style-type: none"> • Developing an understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports or other collection reports; • Evaluated and tested the credit process in place to assess and manage the recoverability of trade receivables; • Critically assessed recoverability of receivables that were past due but not impaired with reference to their historical records and repayment trends; • Reviewing receipts of collections subsequent to the financial year end, customer correspondence, and considering level of activity with the customer and explanation on recoverability with significantly past due balances; and • Assessing the reasonableness of impairment charges for identified credit exposures.
<p><u>Acquisition of SEP Resources (M) Sdn. Bhd. and its subsidiary company ("SEP Group") – Purchase price allocation</u></p> <p>Refer to Note 3(a) (Significant Accounting Policies), and Note 7 (Investment in Subsidiary Companies).</p> <p>During the financial year, the Group completed the acquisition of 70% equity interest in SEP Group for a total consideration of RM14,954,500. Accounting for business combinations is complex and requires the recognition of both consideration paid and acquired assets and liabilities at the acquisition date at fair values, which can involve significant judgement and estimates.</p> <p>In addition, accounting policies of the acquired entities must be aligned to the group's accounting policies, which may involve significant judgement and estimates.</p> <p>MFRS 3 Business Combinations requires the Group to recognise the identifiable assets, liabilities and contingent liabilities at fair value at the date of acquisition, with the excess of the acquisition cost over the identified fair values recognised as goodwill. This requires a significant amount of management estimation, particularly in relation to the identification and valuation of intangible assets and assignment of their useful lives.</p>	<p>We have discussed with management and their external specialists to assess the appropriateness and reasonableness of the purchase price allocation. Our procedures included the followings:</p> <ul style="list-style-type: none"> • Reviewed the appropriateness of the acquisition accounting applied, including the timing at which control was deemed to have passes; • Reviewed and considered the appropriateness of the fair values ascribed to assets and liabilities of the acquired business; • Challenged the management's assumptions in supporting goodwill; • Assessed management's key assumptions applied in the purchase price allocation in arriving at the fair value of the assets acquired and liabilities assumed, including the fair valuation of identified intangible assets, to be within a reasonable range of our audit expectations; and • Assessed the adequacy of the disclosure in the financial statements.



Independent Auditors' Report

To The Members Of Pesona Metro Holdings Berhad
(Company No.: 957876-T) (Incorporated in Malaysia) (Cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (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, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditors' Report

To The Members Of Pesona Metro Holdings Berhad
(Company No.: 957876-T) (Incorporated in Malaysia) (Cont'd)

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

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

- 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 year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY

Firm Number: AF 1411
Chartered Accountants

TAN TIAN WOUI

Approved Number: 2969/05/18 (J)
Chartered Accountant

KUALA LUMPUR

12 April 2018

Statements Of Financial Position

As At 31 December 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Non-Current Assets					
Property, plant and equipment	4	71,166,350	58,461,012	-	-
Investment properties	5	12,666,514	12,314,492	-	-
Intangible assets	6	64,754,598	3,034,543	-	-
Investments in subsidiary companies	7	-	-	120,714,521	105,760,021
Concession receivables	8	139,106,864	-	-	-
Trade receivables	9	30,987,582	16,335,731	-	-
		318,681,908	90,145,778	120,714,521	105,760,021
Current Assets					
Inventories	10	847,207	1,184,286	-	-
Amounts due from contract customers	11	24,189,592	21,590,269	-	-
Concession receivables	8	1,878,380	-	-	-
Trade receivables	9	130,915,548	204,443,782	47,000,000	14,000,000
Other receivables	12	26,244,726	21,846,679	34,407	5,246,194
Amounts due from subsidiary companies	13	-	-	71,654,979	54,657,079
Amount due from an associate company	14	2,300,000	2,300,000	-	-
Tax recoverable		1,205,814	375,057	25,278	-
Fixed deposits with licensed banks	15	13,006,071	2,807,979	11,850	11,451
Cash and bank balances	16	11,797,151	4,036,047	375,492	629,049
		212,384,489	258,584,099	119,102,006	74,543,773
Total Assets		531,066,397	348,729,877	239,816,527	180,303,794

Statements Of Financial Position

As At 31 December 2017 (Cont'd)

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Equity					
Share capital	17	194,007,825	163,683,790	194,007,825	163,683,790
Share premium	18	-	8,659,138	-	8,659,138
Reverse acquisition reserve	19	(91,000,000)	(91,000,000)	-	-
Retained earnings		74,675,424	62,176,186	45,710,702	7,724,580
Equity attributable to owners of the parent		177,683,249	143,519,114	239,718,527	180,067,508
Non-controlling interests		7,922,442	-	-	-
Total equity		185,605,691	143,519,114	239,718,527	180,067,508
Non-Current Liabilities					
Trade payables	20	14,167,841	13,903,974	-	-
Bank borrowings	21	90,170,354	4,112,582	-	-
Finance lease payables	22	9,036,294	7,700,584	-	-
Deferred tax liabilities	23	15,292,669	953,634	-	-
		128,667,158	26,670,774	-	-
Current Liabilities					
Amounts due to contract customers	11	25,612,541	68,520,079	-	-
Trade payables	20	143,566,229	87,781,800	-	-
Other payables	24	17,471,975	17,145,694	98,000	212,675
Finance lease payables	22	4,940,613	3,496,213	-	-
Bank borrowings	21	25,044,452	1,542,228	-	-
Tax payable		157,738	53,975	-	23,611
		216,793,548	178,539,989	98,000	236,286
Total Liabilities		345,460,706	205,210,763	98,000	236,286
Total Equity and Liabilities		531,066,397	348,729,877	239,816,527	180,303,794

Statements Of Profit Or Loss And Other Comprehensive Income

For The Financial Year Ended 31 December 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	25	548,759,792	393,017,748	47,008,997	14,195,390
Cost of sales		(485,289,996)	(351,714,901)	-	-
Gross profit		63,469,796	41,302,847	47,008,997	14,195,390
Other income		5,320,263	14,292,453	-	-
Administrative expenses		(35,624,762)	(25,931,698)	(2,350,056)	(703,254)
Finance costs	26	(3,929,968)	(958,808)	-	-
Profit before taxation	27	29,235,329	28,704,794	44,658,941	13,492,136
Taxation	28	(8,551,966)	(8,674,867)	(2,066)	(30,158)
Net profit for the financial year, representing total comprehensive income for the financial year		20,683,363	20,029,927	44,656,875	13,461,978
Profit for the financial year attributable to:					
Owner of the parent		19,169,991	20,029,927		
Non-controlling interest		1,513,372	-		
		20,683,363	20,029,927		
Total comprehensive income for the financial year attributable to:					
Owner of the parent		19,169,991	20,029,927		
Non-controlling interest		1,513,372	-		
		20,683,363	20,029,927		
Earnings per share (sen):					
Basic	29	2.76	3.06		
Diluted	29	2.42	2.62		

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

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2017

Group	Note	Attributable to Owners of the Parent						Total RM
		Non-Distributable			Distributable			
		Share Capital RM	Share Premium RM	Reverse Acquisition Reserve RM	Retained Earnings RM	Controlling Interests RM	Non Controlling Interests RM	
At 1 January 2017		163,683,790	8,659,138	(91,000,000)	62,176,186	-	143,519,114	143,519,114
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	-	19,169,991	1,513,372	20,683,363	20,683,363
Transactions with owners:								
Conversion of warrants	17	3,126,450	-	-	-	-	3,126,450	3,126,450
Dividend on ordinary shares	31	-	-	-	(6,670,753)	-	(6,670,753)	(6,670,753)
Share issuance expenses		(816,553)	-	-	-	-	(816,553)	(816,553)
Shares issued for acquisition of subsidiary companies		19,355,000	-	-	-	6,409,070	19,355,000	25,764,070
Total transactions with owners		21,664,897	-	-	(6,670,753)	6,409,070	14,994,144	21,403,214
Transfer in accordance with Section 618(2) of the Companies Act, 2016		8,659,138	(8,659,138)	-	-	-	-	-
At 31 December 2017		194,007,825	-	(91,000,000)	74,675,424	7,922,442	177,683,249	185,605,691
At 1 January 2016		163,498,790	8,659,138	(91,000,000)	55,233,162	-	136,391,090	136,391,090
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	-	20,029,927	-	20,029,927	20,029,927
Transactions with owners:								
Conversion of warrants	17	185,000	-	-	-	-	185,000	185,000
Dividend on ordinary shares	31	-	-	-	(13,086,903)	-	(13,086,903)	(13,086,903)
Total transactions with owners		185,000	-	-	(13,086,903)	-	(12,901,903)	(12,901,903)
At 31 December 2016		163,683,790	8,659,138	(91,000,000)	62,176,186	-	143,519,114	143,519,114

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2017 (Cont'd)

Company	Note	Non-distributable		Distributable	Total RM
		Share Capital RM	Share Premium RM	Retained Earnings RM	
At 1 January 2017		163,683,790	8,659,138	7,724,580	180,067,508
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	44,656,875	44,656,875
Transactions with owners:					
Conversion of warrants	17	3,126,450	-	-	3,126,450
Dividend on ordinary shares	31	-	-	(6,670,753)	(6,670,753)
Share issued for acquisition of subsidiary companies		19,355,000	-	-	19,355,000
Share issuance expense		(816,553)	-	-	(816,553)
Total transactions with owners		21,664,897	-	(6,670,753)	14,994,144
Transfer in accordance with Section 618(2) of the Companies Act, 2016		8,659,138	(8,659,138)	-	-
At 31 December 2017		194,007,825	-	45,710,702	239,718,527
At 1 January 2016		163,498,790	8,659,138	7,349,505	179,507,433
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	13,461,978	13,461,978
Transactions with owners:					
Conversion of warrants	17	185,000	-	-	185,000
Dividend on ordinary shares	31	-	-	(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

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2017



	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Cash Flows From Operating Activities					
Profit before taxation		29,235,329	28,704,794	44,658,941	13,492,136
Adjustments for:					
Amortisation of concession right		413,186	-	-	-
Bad debt written off		6,825	-	-	-
Depreciation of property, plant and equipment		16,094,673	11,062,769	-	-
Impairment loss		1,700,000	-	1,700,000	-
Inventories written down		211,844	273,191	-	-
Interest expenses		3,929,968	958,808	-	-
Property, plant and equipment written off		9,807	577,745	-	-
Dividend income		-	-	(47,000,000)	(14,000,000)
Fair value adjustment on investment properties		(200,000)	(200,000)	-	-
Loss/(Gain) on disposal of property, plant and equipment		91,247	(113,666)	-	-
Interest income		(4,597,865)	(13,288,807)	(8,997)	(195,390)
Reversal of inventories written down		(120,769)	(213,603)	-	-
Unrealised gain on foreign exchange		(90)	(64,709)	-	-
Operating profit/(loss) before working capital changes		46,774,155	27,696,522	(650,056)	(703,254)
Changes in working capital:					
Inventories		246,004	578,383	-	-
Receivables		54,093,699	(33,878,818)	3,711,787	(163,499)
Payables		(54,056,123)	37,210,051	(114,675)	137,075
Customers on contracts		(45,506,861)	(5,539,958)	-	-
Subsidiary companies		-	-	(12,797,400)	8,620,501
Associate		-	(500,000)	-	-
		(45,223,281)	(2,130,342)	(9,200,288)	8,594,077
Cash (used in)/from operations		1,550,874	25,566,180	(9,850,344)	7,890,823
Interest received		6,728,208	10,709,198	8,997	195,390
Interest paid		(3,874,909)	(958,808)	-	-
Dividend received		-	-	14,000,000	2,000,000
Tax refund		162,088	-	-	-
Tax paid		(10,013,991)	(6,734,644)	(50,955)	(14,375)
		(6,998,604)	3,015,746	13,958,042	2,181,015
Net cash (used in)/from operating activities		(5,447,730)	28,581,926	4,107,698	10,071,838

Statements Of Cash Flows

For The Financial Year Ended 31 December 2017 (Cont'd)

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Cash Flows From Investing Activities					
Purchases of property, plant and equipment	4(b)	(22,028,828)	(24,930,062)	-	-
Purchases of investment properties	5	(152,022)	(3,374,492)	-	-
Proceeds from disposals of property, plant and equipment		445,755	112,522	-	-
Acquisition of subsidiary companies, net of cash acquired	7(b)	6,630,673	-	-	-
Net cash used in investing activities		(15,104,422)	(28,192,032)	-	-
Cash Flows From Financing Activities					
Repayment of finance lease payables		(4,537,882)	(2,904,088)	-	-
Repayment of Commodity murabahah term financing-i and term loan		(3,312,228)	(1,285,192)	-	-
Proceeds from issuance of shares		3,126,450	185,000	3,126,450	185,000
Share issuance expenses		(816,553)	-	(816,553)	-
Changes in invoice financing and structure commodity financing		12,882,224	-	-	-
Changes in fixed deposits pledged with licensed banks		(1,106,876)	3,686,413	-	-
Changes in pledged cash and bank balances		(1,375,000)	-	-	-
Drawdown of Commodity murabahah term financing-i		37,840,000	-	-	-
Dividend paid		(6,670,753)	(13,086,903)	(6,670,753)	(13,086,903)
Net cash from/(used in) financing activities		36,029,382	(13,404,770)	(4,360,856)	(12,901,903)
Net changes in cash and cash equivalents		15,477,230	(13,014,876)	(253,158)	(2,830,065)
Cash and cash equivalents at the beginning of the financial year		4,061,451	17,011,618	640,500	3,470,565
Effect of exchange translation difference on cash and cash equivalents		90	64,709	-	-
Cash and cash equivalents at the end of the financial year		19,538,771	4,061,451	387,342	640,500
Cash and cash equivalents at the end of the financial year comprises:					
Fixed deposits with licensed banks		13,006,071	2,807,979	11,850	11,451
Cash and bank balances		11,797,151	4,036,047	375,492	629,049
		24,803,222	6,844,026	387,342	640,500
Less: Fixed deposits pledged with licensed banks		(3,889,451)	(2,782,575)	-	-
Less: Pledged cash and bank balances		(1,375,000)	-	-	-
		19,538,771	4,061,451	387,342	640,500

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

Notes To The Financial Statements

31 December 2017



1. CORPORATE INFORMATION

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

The principal place of business and registered office of the Company 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 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, 2016 in Malaysia.

Adoption of new and amended standards

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

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 – 2016 Cycle	Amendments to MFRS 12

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities in Note 32 to the financial statements. Other than that, the adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
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
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018

Notes To The Financial Statements

31 December 2017 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

		Effective dates for financial periods beginning on or after
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i>	1 January 2018*
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term interests in Associates or Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

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.

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:

Notes To The Financial Statements

31 December 2017 (Cont'd)



2. BASIS OF PREPARATION (CONT'D)

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

(i) MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 9, Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 *Financial Instruments: Recognition and Measurement*.

(a) Classification of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost ("AC");
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL").

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

Based on its assessment, the financial assets held by the Group and the Company as at 31 December 2017 will be reclassified to the following classifications:

Group	2017	Existing	New
	RM	classification under MFRS 139	classification under MFRS 9
Financial assets			
Concession receivables	139,106,864	L&R	AC
Trade receivables	161,903,130	L&R	AC
Other receivables	23,213,424	L&R	AC
Amount due from an associated company	2,300,000	L&R	AC
Fixed deposits with licensed banks	13,006,071	L&R	AC
Cash and bank balances	11,797,151	L&R	AC

Notes To The Financial Statements

31 December 2017 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

(i) MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) (Cont'd)

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

Company	2017 RM	Existing classification under MFRS 139	New classification under MFRS 9
Financial assets			
Trade receivables	47,000,000	L&R	AC
Other receivables	5,000	L&R	AC
Amounts due from subsidiary companies	71,654,979	L&R	AC
Fixed deposits with licensed banks	11,850	L&R	AC
Cash and bank balances	375,492	L&R	AC

(b) Impairment of financial assets

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at AC or FVOCI, except for investment securities.

Under MFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. A financial asset's credit risk deemed not increased significantly if the asset has low credit risk at the reporting date. However, the Group and the Company have adopted lifetime ECL measurements for loans and receivables due to the expected lifetime period of loans and receivables are generally less than 12 months.

(c) Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes is that, in case where the fair value option is taken for financial liabilities, the part of fair value change due to entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this create an accounting mismatch.

Notes To The Financial Statements

31 December 2017 (Cont'd)



2. BASIS OF PREPARATION (CONT'D)

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

(i) MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) (Cont'd)

Based on the assessments undertaken to date, the Group and the Company do not expect the above new requirements to affect the classification and measurements of its financial assets and financial liabilities. On the ECL impact, the Group and the Company expects an increase in the Group's and the Company's allowance for impairment by less than 5% of loans and receivables.

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces MFRS 118 Revenue, MFRS 111 Construction Contracts and related IC Interpretations. 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.

The Group has assessed the impact of initial application of MFRS 15 on its businesses and does not expect significant impact on the Group's financial statements.

(iii) 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 Group and the Company are assessing the impact of the above new standard on the financial statements of the Group and of the Company in the year of initial adoption.



Notes To The Financial Statements

31 December 2017 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

(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 to the financial statements.

(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 rounded to nearest RM, unless otherwise stated.

(d) Significant accounting judgements, estimates and assumptions

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

Judgements

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

Recognition of construction contract revenue and costs

The Group recognises contract revenue and costs 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 11 to the financial statements.

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

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

Notes To The Financial Statements

31 December 2017 (Cont'd)



2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

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 2017 for investment properties. For investment properties, a valuation methodology based on sales comparison approach was used. Fair value was determined by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, condition and property size.

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

Impairment of goodwill on consolidation

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

Inventories valuation

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

Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable 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 financial assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Note 8, 9, 12, 13 and 14 to the financial statements respectively.

Income taxes

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

The Group 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 deferred tax provisions in the period in which such determination is made. The 31 December 2017, the Group has tax recoverable and payable of RM1,205,814 (2016: RM375,057) and RM157,738 (2016: RM53,975) respectively



Notes To The Financial Statements

31 December 2017 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiary companies

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

Acquisition method

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

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

If the business combination is achieved in stages, 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 instruments 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(n)(i) to the financial statements on impairment of non-financial assets.

Notes To The Financial Statements

31 December 2017 (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(n)(i) to the financial statements on impairment of non-financial assets.



Notes To The Financial Statements

31 December 2017 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Investments in associated companies

An associated company 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 associated company, 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 associated company's profit or loss for the period in which the investment is acquired.

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

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

The financial statements of the associated companies 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 associated company. 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 of disposal) 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(n)(i) to the financial statements on impairment of non-financial assets.

Notes To The Financial Statements

31 December 2017 (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(n)(i) to the financial statements.

(i) Recognition and measurement

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

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

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

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

Notes To The Financial Statements

31 December 2017 (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	3⅓ - 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

31 December 2017 (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, including transaction costs. Subsequently, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

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

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.



Notes To The Financial Statements

31 December 2017 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investment properties (Cont'd)

Investment properties are valued by independent professionally qualified valuers, having appropriate recognised professional qualifications and recent experience in the locations and segments of the investment properties valued. The management team reviewed and discussed the valuations, including valuation processes, performed by the independent valuers for financial reporting purposes

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the reporting period of retirement or disposal.

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

(g) Intangible assets

(i) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(ii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(n)(i) to the financial statements on impairment of non-financial assets for intangible assets.

(h) 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:

Notes To The Financial Statements

31 December 2017 (Cont'd)



3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets (Cont'd)

(i) 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.

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.



Notes To The Financial Statements

31 December 2017 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) 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) 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.

(ii) Financial guarantee contracts

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

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.

(iii) 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.

(j) 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.

Notes To The Financial Statements

31 December 2017 (Cont'd)



3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) 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.

(l) 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 probable 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.

(m) 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.



Notes To The Financial Statements

31 December 2017 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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.

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 and associates 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.

Notes To The Financial Statements

31 December 2017 (Cont'd)



3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

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.

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.

(o) Share capital

(i) Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable transaction costs. Ordinary shares are classified as equity.

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

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

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



Notes To The Financial Statements

31 December 2017 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Provisions

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

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

Any reimbursement that the Group 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.

(q) 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.

Notes To The Financial Statements

31 December 2017 (Cont'd)



3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

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

(s) 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.

(t) 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.



Notes To The Financial Statements

31 December 2017 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Revenue recognition (Cont'd)

(iii) Dividend income

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

(iv) Interest income

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

(v) Rental income

Rental income is 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.

(vi) Maintenance and management services income

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

(vii) Finance income

Finance income is recognised as it accrues using the effective interest method in profit or loss. The notional interest income resulting from the accretion or unwinding its financial asset using effective interest method is recognised in the profit or loss.

(u) Service concession arrangements

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy set out in Note 3(h) to the financial statements.

When the Group has contractual obligations that it must fulfill under the agreement:

- (i) to maintain the infrastructure to a specified standard; or
- (ii) to restore the infrastructure when the infrastructure has deteriorated below a specified condition.

The Group recognises and measures these contractual obligations in accordance with the accounting policy for provisions in Note 3(p) to the financial statements. Repairs and maintenance and other expenses that are routine in nature are expensed and recognised in profit or loss as incurred.

(v) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are recognised inclusive of GST.

Notes To The Financial Statements

31 December 2017 (Cont'd)



3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Goods and Services Tax ("GST") (Cont'd)

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

(w) 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.

(x) 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.

(y) Fair value measurement

Fair Value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes To The Financial Statements

31 December 2017 (Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group 2017	Freehold land RM	Building RM	Long term leasehold land and building		Buildings Under Construction RM	Motor vehicles RM	Office equipment and fittings RM	Furniture and fittings RM	Plant and machinery RM	Computers RM	Moulds RM	Renovation RM	Total RM
			RM	RM									
Cost													
At 1 January 2017	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	
Additions	-	-	-	165,988	1,491,448	690,487	27,516	24,944,716	333,316	56,626	1,636,723	29,346,820	
Disposals	-	-	-	-	(148,311)	-	-	(1,061,921)	-	-	-	(1,210,232)	
Written off	-	-	-	-	(4,013)	(71,110)	(1,203)	(4,350)	-	(3,277)	-	(83,953)	
At 31 December 2017	3,370,986	139,214	9,697,658	2,833,673	13,517,392	2,337,838	2,252,348	83,316,904	2,459,397	8,080,908	2,139,510	130,145,828	
Accumulated depreciation													
At 1 January 2017	-	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	
Charges for the financial year	-	3,036	123,435	-	1,677,176	363,673	69,195	13,057,817	310,459	119,759	370,123	16,094,673	
Disposals	-	-	-	-	(148,311)	-	-	(524,919)	-	-	-	(673,230)	
Written off	-	-	-	-	(4,013)	(62,978)	(1,203)	(2,675)	-	(3,277)	-	(74,146)	
At 31 December 2017	-	26,817	463,678	-	10,145,979	1,269,783	1,908,598	34,529,795	1,983,082	7,504,355	661,057	58,493,144	
Accumulated impairment loss													
At 1 January/ 31 December 2017	-	-	-	-	-	-	-	486,334	-	-	-	-	486,334
Carrying amount													
At 31 December 2017	3,370,986	112,397	9,233,980	2,833,673	3,371,413	1,068,055	343,750	48,300,775	476,315	576,553	1,478,453	71,166,350	

Notes To The Financial Statements

31 December 2017 (Cont'd)



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

	Freehold land RM	Building RM	Long term leasehold land and building RM	Buildings Under Construction RM	Motor vehicles RM	Office equipment and fittings RM	Furniture 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
Disposals	-	-	-	-	(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
Disposals	-	-	-	-	(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

31 December 2017 (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 (2016: 75 years).
- (b) The aggregate additional cost for the property, plant and equipment of the Group during the financial year acquired under hire purchase arrangement and cash payment are as follows:

	Group	
	2017 RM	2016 RM
Aggregate costs	29,346,820	29,404,483
Less: Finance lease payables	(7,317,992)	(4,474,421)
Cash payments	22,028,828	24,930,062

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

	Group	
	2017 RM	2016 RM
Plant and machinery	18,003,831	16,412,916
Motor vehicle	104,333	193,333
	18,108,164	16,606,249

Leased assets are pledged for the related financing facilities as disclosed in Note 22 to the financial statements.

5. INVESTMENT PROPERTIES

	Freehold land and buildings RM	Capital work-in progress RM	Total RM
Group			
At 1 January 2017	12,314,492	-	12,314,492
Additions	-	152,022	152,022
Change in fair value recognised in profit or loss	200,000	-	200,000
At 31 December 2017	12,514,492	152,022	12,666,514
At 1 January 2016	1,800,000	-	1,800,000
Additions	10,314,492	-	10,314,492
Change in fair value recognised in profit or loss	200,000	-	200,000
At 31 December 2016	12,314,492	-	12,314,492

Notes To The Financial Statements

31 December 2017 (Cont'd)



5. INVESTMENT PROPERTIES (CONT'D)

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

Investment property of the Group amounting to RM10,314,492 (2016: RM10,314,492) has been charged to secure banking facilities granted to its certain subsidiary companies as disclosed in Note 21 to the financial statements.

(a) 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 RM12,514,492 (2016: RM12,314,492). The independent professional qualified valuers hold recognised relevant professional qualifications and have recent experience in the locations and segment of the investment properties valued. The fair value measurement of the investment properties are based on the highest and best use. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location and property size. The most significant input into this valuation approach is price per square foot of comparable properties.

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

The increase in the fair values of RM200,000 (2016: RM200,000) has been recognised in the profit or loss during the financial year.

(b) Income and expenses recognised in profit or loss

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

	Group	
	2017 RM	2016 RM
Rental income	100,320	100,320
Direct operating expenses:		
- income generating investment properties	278,356	313,789

Notes To The Financial Statements

31 December 2017 (Cont'd)

6. INTANGIBLE ASSETS

Group	Goodwill on Consolidation RM	Concession Right RM	Total RM
Costs			
At 1 January 2016/31 December 2016	3,034,543	-	3,034,543
Acquisition of subsidiary companies	-	62,133,241	62,133,241
At 31 December 2017	3,034,543	62,133,241	65,167,784
Amortisation			
At 1 January 2016/31 December 2016	-	-	-
Charge for the financial year	-	413,186	413,186
At 31 December 2017	-	413,186	413,186
Carrying amount			
At 31 December 2016	3,034,543	-	3,034,543
At 31 December 2017	3,034,543	61,720,055	64,754,598

(a) Goodwill on consolidation

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

Impairment testing for goodwill on consolidation

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

Pre-tax discount rate 6% per annum

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.

Notes To The Financial Statements

31 December 2017 (Cont'd)



6. INTANGIBLE ASSETS (CONT'D)

(b) Concession right

This is a 20-year concession (expected to expire in 2037) granted by the Government of Malaysia to Budaya Positif Sdn. Bhd., a wholly-owned subsidiary company of SEP Resources (M) Sdn. Bhd. in which 70% owned subsidiary company of the Company, for design, development and maintenance of the Student's Residential Building Blocks ("Student Hostel") of Universiti Malaysia Perlis ("UNIMAP") in Padang Siding, Perlis Indera Kayangan, as disclosed in notes 7, 8 and 37.

The concession right shall be amortised over the concession period and have an average remaining amortisation period of 19 years (2016: 20 years).

Impairment testing for concession right

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

The recoverable amount of CGU in respect of the concession rights were determined based on VIU calculation. Cash flow projections used in these calculations were based on five-year financial budgets approved by management. Pre-tax discount rates of 13.04% (2016: Nil) have been applied to cash flow projections.

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

7. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2017 RM	2016 RM
Unquoted shares, at cost		
In Malaysia	120,714,521	105,760,021

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

Name of company	Effective interest		Principal activities
	2017 %	2016 %	

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.	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
SEP Resources (M) Sdn. Bhd.	70	-	Investment holding

Notes To The Financial Statements

31 December 2017 (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
	2017	2016	
	%	%	

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 company of Megah Mestika Sdn. Bhd.:

Awana Infra Sdn. Bhd.	100	100	Investment holding
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Subsidiary company of SEP Resources (M) Sdn. Bhd.:

Budaya Positif Sdn. Bhd.	70	-	Development of facilities through private finance initiatives
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(a) Material partly-owned subsidiary companies

Set out below are the Group's subsidiary companies that have material non-controlling interests:

Name of Company	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2017	2016	2017	2016	2017	2016
	%	%	RM	RM	RM	RM

SEP Resources (M) Sdn. Bhd. and its subsidiary company ("SEP Group")

30	-	1,513,372	-	1,513,372	-
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Notes To The Financial Statements

31 December 2017 (Cont'd)



7. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

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

Summarised financial information for each subsidiary company that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company elimination.

(i) Summarised statements of financial position

	SEP Group	
	2017 RM	2016 RM
Non-current assets	139,106,864	-
Current assets	12,831,012	-
Non-current liabilities	(87,600,000)	-
Current liabilities	(85,150,993)	-
Net assets/(liabilities)	(20,813,117)	-

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

	SEP Group	
	2017 RM	2016 RM
Revenue	9,378,921	-
Profit for the financial year, representing total comprehensive income for financial year	5,044,574	-

(iii) Summarised statements of cash flows

	SEP Group	
	RM	RM
Net cash used in operating activities	(40,630,779)	-
Net cash from financing activities	35,067,503	-
Net changes in cash and cash equivalents	(5,563,276)	-

Notes To The Financial Statements

31 December 2017 (Cont'd)

7. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(b) Acquisition of subsidiary companies

On 9 October 2017, the Company acquired 70% equity interest in SEP Resources (M) Sdn. Bhd. ("SEP") and its subsidiary company ("SEP Group"). SEP is a private limited company, incorporated and domiciled in Malaysia. Upon completion of the acquisition, SEP Group became a subsidiary companies of the Company.

The fair values of the identifiable assets and liabilities of SEP Group as at the date of acquisition were:

	2017 RM
Concession right	62,133,241
Concession receivables	138,495,922
Trade receivables	2,696,255
Other receivables	1,545,599
Cash and bank balances	8,130,673
Trade payables	(105,911,076)
Other payables	(8,665,066)
Bank borrowings	(62,150,000)
Deferred tax liabilities	(14,911,978)
Net identifiable assets	21,363,570
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	(6,409,070)
	<u>14,954,500</u>

The fair value of consideration transferred is as follows:

	2017 RM
Cash consideration	1,500,000
Equity instruments issued:	
- 27,650,000 ordinary shares issued at RM0.70 each	19,355,000
Novation of debts	(5,900,500)
	<u>14,954,500</u>

The effect of the acquisition on cash flows is as follows:

	2017 RM
Purchase consideration settled in cash	1,500,000
Less: cash and cash equivalents of subsidiary company acquired	(8,130,673)
Net cash inflows on acquisition	<u>(6,630,673)</u>

Notes To The Financial Statements

31 December 2017 (Cont'd)

8. CONCESSION RECEIVABLES

	Group	
	2017 RM	2016 RM
Concession receivables:		
- Non-current	139,106,864	-
- Current	1,878,380	-
	<u>140,985,244</u>	<u>-</u>

A subsidiary company had entered into a Concession Agreement ("CA") with the Government of Malaysia and UNIMAP for the design, development and maintenance of Student Hostel for UNIMAP in Padang Siding, Perlis Indera Kayangan through Public Private Partnership ("the Project"). The construction period of the Project is 2.5 years, thereafter, followed by maintenance of the Project for a period of 20 years ("Concession Period").

In consideration of the subsidiary company completed and making available the Student Hostel, and subject to the terms and conditions of the CA, UNIMAP shall pay a sublease rental and asset management service charges on a monthly basis until the end of the Concession Period, at rates which are stipulated in the CA.

9. TRADE RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-current				
Retention sums				
- third parties	25,078,807	13,993,505	-	-
- related parties	5,908,775	2,342,226	-	-
	<u>30,987,582</u>	<u>16,335,731</u>	<u>-</u>	<u>-</u>
Current				
Trade receivables				
- third parties	112,273,388	184,819,710	-	-
- related parties	-	-	47,000,000	14,000,000
	<u>112,273,388</u>	<u>184,819,710</u>	<u>47,000,000</u>	<u>14,000,000</u>
Less: Accumulated impairment losses	-	(1,702,119)	-	-
	<u>112,273,388</u>	<u>183,117,591</u>	<u>47,000,000</u>	<u>14,000,000</u>
Retention sums				
- third parties	18,642,160	15,723,076	-	-
- related parties	-	5,603,115	-	-
	<u>18,642,160</u>	<u>21,326,191</u>	<u>-</u>	<u>-</u>
	<u>130,915,548</u>	<u>204,443,782</u>	<u>47,000,000</u>	<u>14,000,000</u>
	<u>161,903,130</u>	<u>220,779,513</u>	<u>47,000,000</u>	<u>14,000,000</u>

Notes To The Financial Statements

31 December 2017 (Cont'd)

9. 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 (2016: 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	
	2017 RM	2016 RM
At 1 January	1,702,119	1,702,119
Reversals	(1,702,119)	-
At 1 January/31 December	-	1,702,119

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Neither past due nor impaired	94,526,103	73,659,924	47,000,000	14,000,000
<i>Past due not impaired:</i>				
Less than 30 days	16,358,611	19,811,639	-	-
31 to 60 days	792,718	1,836,538	-	-
More than 60 days	595,956	89,511,609	-	-
Retention sums	17,747,285	111,159,786	-	-
Impaired	49,629,742	37,661,922	-	-
	-	(1,702,119)	-	-
	161,903,130	220,779,513	47,000,000	14,000,000

As at 31 December 2017, trade receivables of the Group amounting to RM17,747,285 (2016: RM111,159,786) were past due but not impaired. These relate to a number of customers from whom there is no recent history of default.

Notes To The Financial Statements

31 December 2017 (Cont'd)

9. TRADE RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

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 RMNil (2016: RM1,702,119) related to customers have defaulted on payments. These balances are expected to be recovered through the debt recovery process.

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

	Group	
	2017	2016
	RM	RM
Within one year	18,642,160	21,326,191
Between one to two years	30,987,582	16,335,731
	<u>49,629,742</u>	<u>37,661,922</u>

10. INVENTORIES

	Group	
	2017	2016
	RM	RM
Raw Materials	405,851	489,843
Work-in-progress	233,082	337,224
Finished goods	208,274	357,219
	<u>847,207</u>	<u>1,184,286</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,126,000	1,405,131
Inventories written down	211,844	273,191
Reversal of inventories written down	120,769	213,603

The Group has written down slow moving obsolete inventories amounting to RM211,844 (2016: RM273,191) respectively during the financial year. The amount written down has been included in cost of sales. The reversal of inventories written down amounting to RM120,769 (2016: RM213,603) was made during the financial year when the related inventories were sold above their carrying amounts.

Notes To The Financial Statements

31 December 2017 (Cont'd)

11. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2017 RM	2016 RM
Construction cost incurred to date	516,757,224	583,395,542
Add: Attributable profits	29,994,336	59,366,291
	546,751,560	642,761,833
Less: Progress billings	(548,174,509)	(689,691,643)
	(1,422,949)	(46,929,810)
Represented as:		
Amount due from contract customers	24,189,592	21,590,269
Amount due to contract customers	(25,612,541)	(68,520,079)
	(1,422,949)	(46,929,810)

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

	Note	Group	
		2017 RM	2016 RM
Hire of plant and machinery		3,618,586	3,102,552
Rental of premises		567,800	637,242
Secondment of staffs	30	5,492,852	6,285,311
Staff costs:			
- Salaries and other emoluments	30	19,317,168	18,165,407
- EPF	30	1,232,027	1,121,161

12. OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	12,720,958	13,776,822	-	38,800
Less: Accumulated impairment loss	(75,333)	(75,333)	-	-
	12,645,625	13,701,489	-	38,800
Deposits	10,567,799	6,476,768	5,000	4,505,000
Prepayments	990,980	1,668,312	29,407	702,394
GST recoverable	2,040,322	110	-	-
	26,244,726	21,846,679	34,407	5,246,194

Notes To The Financial Statements

31 December 2017 (Cont'd)



12. OTHER RECEIVABLES (CONT'D)

- (a) Included in the Group's other receivables are advances to sub-contractors amounting to RM10,633,698 (2016: RM8,813,527) and advance payment made to acquiring property, plant and equipment amounting to RM66,293 (2016: RM2,643,484).
- (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 RMNil (2016: RM1.5 million) and RMNil (2016: RM3 million) respectively as disclosed in Note 37 to the financial statements.

13. AMOUNT DUE FROM SUBSIDIARY COMPANIES

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

14. AMOUNT DUE FROM AN ASSOCIATED COMPANY

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

15. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits of the Group amounting to RM3,889,451 (2016: RM2,782,575) is pledged to licensed banks as security for bank facilities granted to the Group as disclosed in Note 21 to the financial statements.

The interest rates of deposits range from 2.70% to 3.59% (2016: 2.70% to 3.47%) per annum and mature with 12 months (2016: 12 months) respectively.

16. CASH AND BANK BALANCES

The cash and bank balances of the Group amounting to RM1,375,000 (2016: RMNil) is pledged to licensed banks as security for bank facilities granted to the Group as disclosed in Note 21 to the financial statements.

Notes To The Financial Statements

31 December 2017 (Cont'd)

17. SHARE CAPITAL

	Group and Company					
	2017		Par Value	2016		
	Number of shares	Amount RM	RM	Number of shares	Amount RM	
Authorised						
At 1 January/31 December	*	*	0.25	1,200,000,000	300,000,000	
Issued and fully paid						
At 1 January	654,735,159	163,683,790	0.25	653,995,159	163,498,790	
Conversion of Warrants	12,505,800	3,126,450	0.25	740,000	185,000	
Shares issued for acquisition of subsidiary companies	27,650,000	19,355,000	0.25	-	-	
Transfer in accordance with Section 618(2) of the Companies Act, 2016	-	8,659,138	0.25	-	-	
Share issuance expenses	-	(816,553)	0.25	-	-	
At 31 December	694,890,959	194,007,825	0.25	654,735,159	163,683,790	

* The new Companies Act 2016 (the "Act"), which come into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM7,842,568 become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM7,842,568 for purposes as set out in Sections 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

During the financial year, the number of issued and paid-up ordinary share capital of the Company was increased as follows:

- (i) the issuance of 12,505,800 ordinary shares through conversion of Warrants at an exercise price of RM0.25 for a total cash consideration of RM3,126,450; and
- (ii) the issuance of 27,650,000 ordinary shares at an issue price of RM0.70 per ordinary share as consideration for the acquisition of a subsidiary company.

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

31 December 2017 (Cont'd)

18. SHARE PREMIUM

	Group and Company 2017 RM	2016 RM
At January	8,659,138	8,659,138
Transfer to share capital in accordance with Section 618(2) of the Companies Act, 2016	(8,659,138)	-
At 31 December	-	8,659,138

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of shares. As disclosed in Note 17 to the financial statements, share premium has become part of the Company's share capital.

19. REVERSE ACQUISITION RESERVE

	Group 2017 RM	2016 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

20. TRADE PAYABLES

	Group 2017 RM	2016 RM
Non-current		
Retention sum on contracts	14,167,841	13,903,974
Current		
Trade payables	125,190,960	75,566,067
Retention sum on contracts	18,375,269	12,215,733
	143,566,229	87,781,800
	157,734,070	101,685,774

The normal trade credit terms granted to the Group range from 30 to 60 days (2016: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.

Notes To The Financial Statements

31 December 2017 (Cont'd)

21. BANK BORROWING

	Group	
	2017 RM	2016 RM
Secured		
Commodity murabahah term financing-i	98,220,000	-
Invoice financing	1,869,706	-
Structure commodity financing	11,012,518	-
Term loan	4,112,582	5,654,810
	115,214,806	5,654,810
Analysed as:		
Current		
Commodity murabahah term financing-i	10,620,000	-
Invoice financing	1,869,706	-
Structure commodity financing	11,012,518	-
Term loan	1,542,228	1,542,228
	25,044,452	1,542,228
Non-current		
Commodity murabahah term financing-i	87,600,000	-
Term loan	2,570,354	4,112,582
	90,170,354	4,112,582

Interest rates per annum are as follows:

	Group	
	2017 %	2016 %
Commodity murabahah term financing-i	ECOF + 2.75%	-
Invoice financing	BLR + 0.00%	-
Structure commodity financing	ECOF + 2.5%	-
Term loan	ECOF + 2.00%	ECOF + 2.00%

The above credit facilities are secured by:

- (i) first party legal charge over the investment properties of the Group as disclosed in Note 5 to the financial statements;
- (ii) pledge over the Group's fixed deposits with licensed banks as disclosed in Note 15 to the financial statements;
- (iii) pledge over the Group's cash and bank balances as disclosed in Note 16 to the financial statements;
- (iv) Corporate guarantee by the Company.

Notes To The Financial Statements

31 December 2017 (Cont'd)

22. FINANCE LEASE PAYABLES

	Group	
	2017 RM	2016 RM
Minimum lease payments:		
Within one year	5,645,409	4,076,427
Between one to two years	4,075,378	4,035,381
Between two to five years	5,726,416	4,258,008
	15,447,203	12,369,816
Less: Future finance charges	(1,470,296)	(1,173,019)
Present value of minimum lease payments	13,976,907	11,196,797
Present value of minimum lease payments:		
Within one year	4,940,613	3,496,213
Between one to two years	3,648,512	3,680,609
Between two to five years	5,387,782	4,019,975
	13,976,907	11,196,797
Analysed as:		
Repayable within twelve months	4,940,613	3,496,213
Repayable after twelve months	9,036,294	7,700,584
	13,976,907	11,196,797

The finance lease payables are secured by a charge over the leased assets as disclosed in Note 4 to the financial statements. The interest rate for the leases is ranging from 3.2% to 3.6% (2016: 3.2% to 3.6%) per annum.

23. DEFERRED TAX LIABILITIES

	Group	
	2017 RM	2016 RM
At 1 January	953,634	1,142,438
Acquisition of subsidiary companies	14,911,978	-
Recognised in profit or loss (Note 28)	(572,943)	(188,804)
At 31 December	15,292,669	953,634

Notes To The Financial Statements

31 December 2017 (Cont'd)

23. DEFERRED TAX LIABILITIES (CONT'D)

The components and movements of deferred tax liabilities are as follows:

	Property, plant and equipment RM	Concession right RM	Total RM
Group			
At 1 January 2017	953,634	-	953,634
Acquisition of subsidiary companies	-	14,911,978	14,911,978
Recognised in profit or loss	(572,943)	-	(572,943)
At 31 December 2017	380,691	14,911,978	15,292,669
At 1 January 2016	1,142,438	-	1,142,438
Recognised in profit or loss	(188,804)	-	(188,804)
At 31 December 2016	953,634	-	953,634

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

	Group	
	2017 RM	2016 RM
Unused tax losses	17,534,839	17,217,312
Unabsorbed capital allowances	7,635,700	6,349,991
	25,170,539	23,567,303

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.

24. OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	11,707,108	11,652,539	-	129,315
Accruals	4,695,493	3,952,240	98,000	83,360
Deposits received	167,293	107,188	-	-
GST payables	902,081	1,433,727	-	-
	17,471,975	17,145,694	98,000	212,675

Included in the other payables of the Group are advances from customers amounting to RM8,961,488 (2016: RM10,052,067).

Notes To The Financial Statements

31 December 2017 (Cont'd)

25. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Construction contracts	508,719,399	377,875,369	-	-
Sale of goods	24,061,049	14,946,989	-	-
Interest income	8,997	195,390	8,997	195,390
Maintenance service	6,591,426	-	-	-
Finance income	7,555,939	-	-	-
Management service	1,822,982	-	-	-
Dividend income	-	-	47,000,000	14,000,000
	<u>548,759,792</u>	<u>393,017,748</u>	<u>47,008,997</u>	<u>14,195,390</u>

26. FINANCE COSTS

	Group	
	2017 RM	2016 RM
Interest expenses on:		
Term loan	1,758,563	304,377
Commodity murabahah term financing-I, invoice financing and structure commodity financing	1,139,333	-
Finance lease payables	857,399	654,367
Others	174,673	64
	<u>3,929,968</u>	<u>958,808</u>

Notes To The Financial Statements

31 December 2017 (Cont'd)

27. PROFIT BEFORE TAXATION

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration				
- statutory audit				
- current year	115,554	97,894	35,000	30,000
- underprovision in prior year	6	8,508	-	1,000
- other	68,750	41,250	-	-
Amortisation of concession right	413,186	-	-	-
Bad debt written off	6,825	-	-	-
Depreciation of property, plant and equipment	16,094,673	11,062,769	-	-
Directors' remuneration				
- Fees	264,000	216,000	264,000	216,000
- Salary and other emoluments	856,329	799,242	12,000	-
- EPF	96,750	96,570	-	-
Hire of plant and machinery	-	14,240	-	-
Impairment loss	1,700,000	-	1,700,000	-
Inventories written down	211,844	273,191	-	-
Loss/(Gain) on disposals of property, plant and equipment	91,247	(113,666)	-	-
Property, plant and equipment written off	9,807	577,745	-	-
Rental of premises	203,660	651,092	-	-
Fair value adjustment of investment properties	(200,000)	(200,000)	-	-
Gain on foreign exchange				
- realised	(8,156)	-	-	-
- unrealised	(90)	(64,709)	-	-
Interest income	(4,588,868)	(13,093,417)	-	-
Rental income	(159,820)	(135,312)	-	-
Reversal of inventories written down	(120,769)	(213,603)	-	-

Notes To The Financial Statements

31 December 2017 (Cont'd)

28. TAXATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Tax expenses for the financial year:				
Current tax provision	8,559,016	8,618,356	1,972	30,211
Under/(Over) provision in prior years	565,893	245,315	94	(53)
	9,124,909	8,863,671	2,066	30,158
Deferred tax: (Note 23)				
Relating to origination and reversal of temporary differences	(533,943)	(82,348)	-	-
Relating to changes in tax rate	-	(43,165)	-	-
Over provision in prior years	(39,000)	(63,291)	-	-
	(572,943)	(188,804)	-	-
	8,551,966	8,674,867	2,066	30,158

Income tax is calculated at the statutory tax rate of 24% (2016: 24%) 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before taxation	29,235,329	28,704,794	44,658,941	13,492,136
Taxation at statutory tax rate of 24% (2016: 24%)	7,016,479	6,889,151	10,718,146	3,238,113
Relating to changes in tax rate	-	(43,165)	-	-
Income not subject to tax	(2,230,838)	(18,697)	(11,280,096)	(3,376,025)
Expenses not deductible for tax purposes	2,854,655	928,286	563,922	168,123
Deferred tax assets not recognised	588,021	737,268	-	-
Utilisation of previously unrecognised deferred tax	(203,244)	-	-	-
Under/(Over) provision of income tax expense in prior years	565,893	245,315	94	(53)
Under provision of deferred tax expense in prior years	(39,000)	(63,291)	-	-
Tax expense for the financial year	8,551,966	8,674,867	2,066	30,158

Notes To The Financial Statements

31 December 2017 (Cont'd)

29. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group	
	2017 RM	2016 RM
Basic Earnings Per Share		
Net profit for the financial year (RM)	19,169,991	20,029,927
Weighted average number of ordinary shares in issue	694,890,959	654,735,159
Basic earnings per share (sen)	2.76	3.06

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

	Group	
	2017	2016
As at 1 January	654,735,159	653,995,159
Share issue pursuant to:		
- conversion of warrants	12,505,800	740,000
- Issuance of ordinary shares	27,650,000	-
As at 31 December	694,890,959	654,735,159

(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	
	2017	2016
Net profit for the financial year attributable to owners of the Parent (RM)	19,169,991	20,029,927
Weighted average number of ordinary shares used in the calculation of basic earnings per share	694,890,959	654,735,159
Adjusted for:		
Assumed conversion of warrants	98,062,713	110,568,513
Weighted average number of ordinary shares as at 31 December	792,953,672	765,303,672
Diluted earnings per share (sen)	2.42	2.62

Notes To The Financial Statements

31 December 2017 (Cont'd)

30. STAFF COSTS

		Group	
	Note	2017 RM	2016 RM
Staff costs (excluding Directors)		38,966,832	29,971,303
Add:			
Secondment of staffs from third party		8,169,643	6,760,761
		47,136,475	36,732,064
Less:			
Capitalised in construction costs	11	(26,042,047)	(25,571,879)
		21,094,428	11,160,185

Included in the staff costs are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM1,488,774 (2016: RM983,462).

31. DIVIDENDS

	Group and Company	
	2017 RM	2016 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
A single tier final dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2016 paid on 22 June 2017	6,670,753	-
	6,670,753	13,086,903

The Directors recommend the payment of a single-tier final dividend of RM0.01 per ordinary share amounting to RM6,948,910 in respect of the current financial year ended 31 December 2017, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Notes To The Financial Statements

31 December 2017 (Cont'd)

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	At 1.1.2017 RM	Additions RM	New finance lease payable (Note 22) RM	Acquisition of subsidiary companies (Note 7) RM	(Repayments)/ Drawdown RM	At 31.12.2017 RM
Group						
Finance lease payables (Note 22)	11,196,797	-	7,317,992	-	(4,537,882)	13,976,907
Commodity murabahah term financing-i (Note 21)	-	37,840,000	-	62,150,000	(1,770,000)	98,220,000
Invoice financing (Note 21)	-	1,869,706	-	-	-	1,869,706
Structure commodity financing (Note 21)	-	11,012,518	-	-	-	11,012,518
Term loan (Note 21)	5,654,810	-	-	-	(1,542,228)	4,112,582
Pledged fixed deposits	2,782,575	1,000,000	-	-	106,876	3,889,451
Pledged cash and bank balances	-	-	-	1,375,000	-	1,375,000
Dividend payable	-	6,670,753	-	-	(6,670,753)	-
	19,634,182	58,392,977	7,317,992	63,525,000	(14,413,987)	134,456,164
Company						
Dividend payable	-	6,670,753	-	-	(6,670,753)	-
	-	6,670,753	-	-	(6,670,753)	-

33. RELATED PARTY DISCLOSURES

(a) Identified related parties

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

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

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

Notes To The Financial Statements

31 December 2017 (Cont'd)

33. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant related party transactions

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

	2017 RM	2016 RM
Group		
Other Related Parties*:		
Progress billing received/receivable	36,108,584	31,838,814
Company		
Subsidiary Company		
Dividend income	47,000,000	14,000,000

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

(c) Compensation of key management personnel.

Information regarding compensation of key management personnel is as follows:

	Group	
	2017 RM	2016 RM
Short-term employee benefits		
- Salaries and other emoluments	5,107,698	5,392,561

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.

34. SEGMENTAL INFORMATION

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

Construction works	Construct building, infrastructure and project planning cum implementation contractor
Manufacturing and trading of polyurethane	Manufacturing and trading of polyurethane and building system
Concession	Maintenance service of Student Hostel
Investment holding	Investment holding

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

Notes To The Financial Statements

31 December 2017 (Cont'd)

34. SEGMENTAL INFORMATION (CONT'D)

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

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

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

	Construction RM	Manufacturing and trading RM	Concession RM	Investment holding RM	Adjustments and eliminations * RM	Per consolidated financial statements RM
2017						
Revenue						
External sales	530,218,456	2,561,992	15,970,347	8,997	-	548,759,792
Inter-segment	80,689,947	-	1,459,187	47,000,000	(129,149,134)	-
Total revenue	610,908,403	2,561,992	17,429,534	47,008,997	(129,149,134)	548,759,792
Results						
Segment results	35,001,001	(925,268)	13,348,568	46,349,944	(47,000,000)	46,774,245
Interest income	5,559,539	435	6,202	8,997	(977,308)	4,597,865
Finance costs	(2,086,780)	(176,287)	(2,644,209)	-	977,308	(3,929,968)
Depreciation of property, plant and equipment	(14,750,364)	(1,344,309)	-	-	-	(16,094,673)
Fair value gain on investment properties	200,000	-	-	-	-	200,000
Other non-cash items	(101,054)	(97,900)	-	(1,700,000)	(413,186)	(2,312,140)
Profit before taxation	23,822,342	(2,543,329)	10,710,561	44,658,941	(47,413,186)	29,235,329
Taxation	(7,549,649)	157,459	(1,157,710)	(2,066)	-	(8,551,966)
Net profit for the financial year	16,272,693	(2,385,870)	9,552,851	44,656,875	(47,413,186)	20,683,363

Notes To The Financial Statements

31 December 2017 (Cont'd)

34. SEGMENTAL INFORMATION (CONT'D)

	Construction RM	Manufacturing and trading RM	Concession RM	Investment holding RM	Adjustments and eliminations * RM	Per consolidated financial statements RM
2017						
Assets						
Additions to non-current assets	29,281,994	64,826	-	-	-	29,346,820
Segment assets	336,566,052	9,109,236	161,531,605	239,403,908	(270,900,260)	475,710,541
Unallocated assets	21,029,640	468,223	4,098,553	412,620	-	26,009,036
Total assets	386,877,686	9,642,285	165,630,158	201,516,528	(232,600,260)	531,066,397
Non-cash expenses/ (income)						
Bad debt written off	-	6,825	-	-	-	6,825
Impairment loss	-	-	-	1,700,000	-	1,700,000
Inventories written down	-	211,844	-	-	-	211,844
Property, plant and equipment written off	9,807	-	-	-	-	9,807
Amortisation of concession right	-	-	-	-	413,186	413,186
Loss on disposal of property, plant and equipment	91,247	-	-	-	-	91,247
Reversal of inventories written off	-	(120,769)	-	-	-	(120,769)
	101,054	97,900	-	1,700,000	413,186	2,312,140

Notes To The Financial Statements

31 December 2017 (Cont'd)

34. SEGMENTAL INFORMATION (CONT'D)

	Construction RM	Manufacturing and trading RM	Investment holding 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
Loss on foreign exchange - Unrealised	-	(4,768)	-	-	(4,768)
Gain on disposal of property, plant and equipment	(113,665)	-	-	-	(113,665)
Reversal of inventories written off	-	(213,603)	-	-	(213,603)
	459,633	59,267	-	-	518,900

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

Notes To The Financial Statements

31 December 2017 (Cont'd)

35. 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 measured at amortised cost RM	Total RM
Group			
2017			
Financial Assets			
Concession receivables	140,985,244	-	140,985,244
Trade receivables	161,903,130	-	161,903,130
Other receivables	23,213,424	-	23,213,424
Fixed deposits with licensed banks	13,006,071	-	13,006,071
Cash and bank balances	11,797,151	-	11,797,151
Total financial assets	209,919,776	-	209,919,776
Financial Liabilities			
Trade payables	-	157,734,070	157,734,070
Other payables	-	16,569,894	16,569,894
Finance lease payables	-	13,976,907	13,976,907
Bank borrowings	-	115,214,806	115,214,806
Total financial liabilities	-	303,495,677	303,495,677
2016			
Financial Assets			
Trade receivables	220,779,513	-	220,779,513
Other receivables	20,178,257	-	20,178,257
Fixed deposits with licensed banks	2,807,979	-	2,807,979
Cash and bank balances	4,036,047	-	4,036,047
Total financial assets	247,801,796	-	247,801,796
Financial Liabilities			
Trade payables	-	101,685,774	101,685,774
Other payables	-	15,711,967	15,711,967
Finance lease payables	-	11,196,797	11,196,797
Bank borrowings	-	5,654,810	5,654,810
Total financial liabilities	-	134,249,348	134,249,348

Notes To The Financial Statements

31 December 2017 (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

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

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
Company			
2017			
Financial Assets			
Trade receivables	47,000,000	-	47,000,000
Other receivables	34,407	-	34,407
Fixed deposits with licensed banks	11,850	-	11,850
Cash and bank balances	375,492	-	375,492
Total financial assets	47,421,749	-	47,421,749
Financial Liabilities			
Other payables	-	98,000	98,000
Total financial liability	-	98,000	98,000
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 liability	-	212,675	212,675

(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

31 December 2017 (Cont'd)



35. 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 RM176,382,051 (2016: RM151,366,346). 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 76% (2016: 81%) of the Group's trade receivables were due from 5 (2016: 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

31 December 2017 (Cont'd)

35. 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						
2017						
Trade payables	143,566,229	6,341,034	7,826,807	-	157,734,070	157,734,070
Other payables	16,569,894	-	-	-	16,569,894	16,569,894
Finance lease payables	5,645,409	4,075,378	5,726,416	-	15,447,203	13,976,907
Bank borrowings	29,511,864	17,822,807	45,461,515	51,833,965	144,630,151	115,214,806
Total undiscounted financial liabilities	195,293,396	28,239,219	59,014,738	51,833,965	334,381,318	303,495,677
2016						
Trade payables	87,781,800	5,790,902	8,113,072	-	101,685,774	101,685,774
Other payables	15,711,967	-	-	-	15,711,967	15,711,967
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	109,502,941	11,759,030	15,592,299	-	136,854,270	134,249,348

Notes To The Financial Statements

31 December 2017 (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Total Contractual Cash Outflow RM	Total Carrying Amount RM
Company			
2017			
Other payables	98,000	98,000	98,000
Financial guarantee liabilities*	115,214,806	115,214,806	115,214,806
Total undiscounted financial liability	115,312,806	115,312,806	115,312,806
2016			
Other payables	212,675	212,675	212,675
Financial guarantee liabilities*	5,654,810	5,654,810	5,654,810
Total undiscounted financial liability	5,867,485	5,867,485	5,867,485

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

(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	
	2017 RM	2016 RM
Cash and bank balances	91,245	549,345
Trade receivables	434	315,770
	91,679	865,115

Notes To The Financial Statements

31 December 2017 (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risks (Cont'd)

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

Sensitivity analysis for foreign currency exchange risk

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

	Group	
	2017 RM	2016 RM
Effect to profit or loss		
USD/RM		
- Strengthened 5%	4,584	43,256
- Weakened 5%	(4,584)	(43,256)

(ii) Interest rate risk

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

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

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

	2017 RM	2016 RM
Group		
Fixed rate instruments		
Financial asset		
Fixed deposits with licensed banks	13,006,071	2,807,979
Financial liability		
Finance lease payables	13,976,907	11,196,797
Floating rate instrument		
Financial Liability		
Bank borrowings	115,214,806	5,654,810

Notes To The Financial Statements

31 December 2017 (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risks (Cont'd)

(ii) Interest rate risk (Cont'd)

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

This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

	2017 RM	2016 RM
Effect to profit or loss		
Group		
Interest rate increased by 1%	1,152,148	56,548
Interest rate decreased by 1%	(1,152,148)	(56,548)

(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.

	Fair value of financial instruments carried at fair value		Fair value of financial instruments not carried at fair value		Total fair value RM	Carrying amount RM
	Level 2 RM	Total RM	Level 3 RM	Total RM		
2017						
Group						
Financial assets						
Concession receivables	-	-	139,106,864	139,106,864	139,106,864	139,106,864
Trade receivables	-	-	-	#	#	30,987,582
	-	-	139,106,864	139,106,864	139,106,864	170,094,446
Financial liabilities						
Trade payables	-	-	-	#	#	14,167,841
Finance lease payables	14,800,866	14,800,866	-	-	14,800,866	9,036,294
	14,800,866	14,800,866	-	-	14,800,866	23,204,135

Notes To The Financial Statements

31 December 2017 (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

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

	Fair value of financial instruments carried at fair value		Fair value of financial instruments not carried at fair value		Total fair value RM	Carrying amount RM
	Level 2	Total	Level 3	Total		
	RM	RM	RM	RM		
2016						
Group						
Financial assets						
Trade receivables	-	-	-	#	#	16,335,731
	-	-	-	-	-	16,335,731
Financial liabilities						
Trade payables	-	-	-	#	#	13,903,974
Finance lease payables	11,901,609	11,901,609	-	-	11,901,609	7,700,584
	11,901,609	11,901,609	-	-	11,901,609	21,604,558

The fair value cannot be reliably measured using valuation techniques

36. CAPITAL MANAGEMENT

The Group's management manage its capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholders value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

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

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

	Group	
	2017 RM	2016 RM
Total loans and borrowings	129,191,713	16,851,607
Less: Cash and cash equivalents	(19,538,771)	(4,061,451)
Net debt	109,652,942	12,790,156
Total equity	177,683,249	143,519,114
Gearing ratio	0.62	0.09

Notes To The Financial Statements

31 December 2017 (Cont'd)



37. SIGNIFICANT AND SUBSEQUENT EVENTS

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.

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

The acquisition has been completed on 9 October 2017 as disclosed in Note 7 to the financial statements.

(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.



Notes To The Financial Statements

31 December 2017 (Cont'd)

38. CAPITAL COMMITMENTS

	Group	
	2017 RM	2016 RM
Approved and contracted:		
- Acquisition of property, plant and equipment	1,886,968	5,338,977

39. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 12 April 2018.

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 @ 31/12/2017 (RM)
Vacant (3 Floors)	2,131.25	5,717.57	Leasehold 99 years expiring on 05.01.2091 (Balance 74 years)	No.19,19A & 19B, Jalan SB Indah 1/18, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	20/8/2003	19 years	1,248,629
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	7 years	1,100,000
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	7 years	1,100,000
Store	216,171.61	-	Freehold	Lot 4627, Jalan Broga Besar, 71750 Broga, Negeri Sembilan.	3/8/2009	-	1,092,648
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 81 years)	No.7, Jalan MU Empat, Medan Universiti, 02600 Arau, Perlis.	26/3/2015	2 years	577,434
Shop Office	1,173.27	2,922.40	Leasehold 99 years expiring on 08.07.2098 (Balance 81 years)	No.5, Jalan MU Empat, Medan Universiti, 02600 Arau, Perlis.	26/3/2015	2 years	577,434

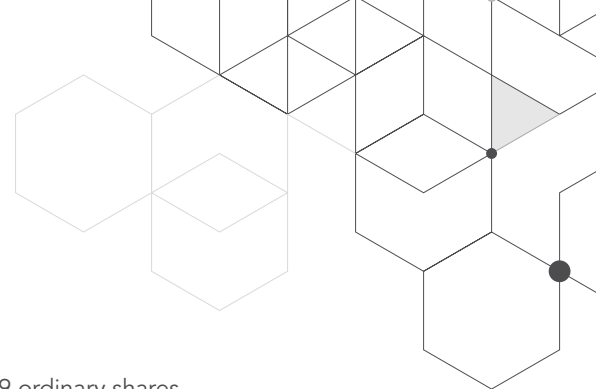
List Of Properties

(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 @ 31/12/2017 (RM)
Vacant Land	2,730,776.40	-	Freehold	Lot 11 & 12, In the Mukim of Bagan Datuk, District of Hilir Perak, Perak.	29/5/2015	-	10,314,492
Head Office (3½ Floors)	1,530.94	5,900.52	Leasehold 99 years expiring on 05.01.2091 (Balance 74 years)	No.39, Jalan Sungai Besi Indah 1/19, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	12/7/2016	14 years	3,415,241
Head Office (3½ Floors)	1,530.94	5,965.14	Leasehold 99 years expiring on 05.01.2091 (Balance 74 years)	No.41, Jalan Sungai Besi Indah 1/19, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	12/7/2016	14 years	3,415,241

Analysis Of Shareholdings

As At 30 March 2018



Issued Share Capital	:	RM186,165,239.75 comprising 694,890,959 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	5,971	50,759	0.007
100 – 1,000 shares	2,930	1,036,208	0.149
1,001 – 10,000 shares	1,826	9,416,536	1.355
10,001 – 100,000 shares	1,239	44,401,620	6.389
100,001 to less than 5% of issued shares	220	263,106,536	37.862
5% and above of issued shares	3	376,879,300	54.235
Total	12,189	694,890,959	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 [#]	54.24
Wie Hock Kiong	-	-	376,879,300 [#]	54.24
Sincere Goldyear Sdn Bhd	111,372,600	16.03	-	-
Kombinasi Emas Sdn Bhd	265,506,700	38.21	-	-

Notes:

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

* negligible

DIRECTORS' SHAREHOLDINGS

Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Sri Lee Tuck Fook	-	-	-	-
Datuk Hj Subhi Bin Dziauddin	-	-	-	-
Wie Hock Beng	8	*	376,879,300 [#]	54.24
Wie Hock Kiong	-	-	376,879,300 [#]	54.24
Loh Kong Fatt	-	-	-	-

Notes:

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

* negligible

Analysis Of Shareholdings

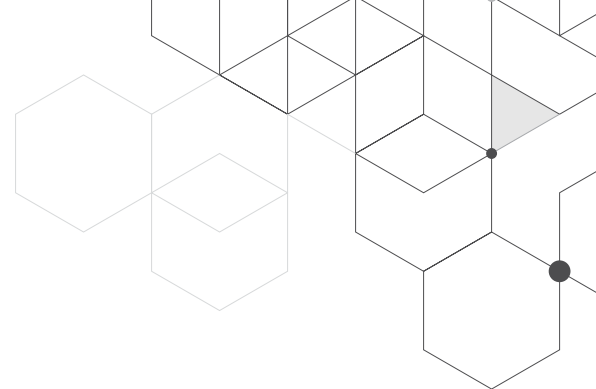
As At 30 March 2018 (Cont'd)

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>	185,506,700	26.695
2	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Sincere Goldyear Sdn Bhd</i>	111,372,600	16.027
3	AMSEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account - AmBank (M) Berhad for Kombinasi Emas Sdn Bhd (Smart)</i>	80,000,000	11.512
4	SEP Capital (M) Sdn Bhd	27,650,000	3.979
5	Advance Harvest Sdn Bhd	23,391,000	3.366
6	Chin Guek Hong	23,191,000	3.337
7	Country Dairy Sdn Bhd	18,432,000	2.652
8	Constant Uptrend Holdings Sdn Bhd	15,776,500	2.270
9	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt AN for Citibank New York (Norges Bank 14)</i>	9,469,200	1.362
10	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohamad Bolhair Bin Reduan</i>	8,950,000	1.287
11	Amanahraya Trustees Berhad <i>Public Islamic Treasures Growth Fund</i>	8,139,900	1.171
12	Wie Hock Kow	8,000,000	1.151
13	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chan Chooi Teng</i>	6,041,900	0.869
14	Tokio Marine Life Insurance Malaysia Bhd <i>As Beneficial Owner (TMEF)</i>	5,228,000	0.752
15	Ikatan Generasi Sdn Bhd	5,020,000	0.722
16	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohamed Faroz Bin Mohamed Jakel</i>	5,000,000	0.719
17	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (Affin Hwng SM CF)</i>	3,915,000	0.563
18	Yeoh Chooi Phin	3,162,000	0.455
19	Maybank Nominees (Tempatan) Sdn Bhd <i>Exempt AN for Maybank Islamic Asset Management Sdn Bhd (Resident) (475391)</i>	3,097,400	0.445
20	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for United Asean Discoveryfund</i>	2,985,300	0.429

Analysis Of Shareholdings

As At 30 March 2018 (Cont'd)



THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No. Shareholders		No. Of Shares	%
21	UOBM Nominees (Tempatan) Sdn Bhd <i>UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Life Berhad (Par Fund)</i>	2,685,700	0.386
22	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Leong Seng Wui</i>	2,548,000	0.366
23	Citigroup Nominees (Tempatan) Sdn Bhd <i>AXA Affin Life Insurance Berhad for Active Balanced Fund</i>	2,464,700	0.354
24	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Exempt AN for Affin Hwang Asset Management Berhad (TSTAC/CLNT-T)</i>	2,284,100	0.328
25	Tokio Marine Life Insurance Malaysia Bhd <i>As Beneficial Owner (NPF)</i>	2,260,400	0.325
26	Chang Yock Chai	2,131,000	0.306
27	Ang Mui Lan	2,000,000	0.287
28	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (MYBK AM SC E)</i>	1,929,900	0.277
29	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Fai Tat (CCTS)</i>	1,850,000	0.266
30	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Innofarm Sdn Bhd</i>	1,721,200	0.247
		576,203,500	82.919

Analysis Of Warrant Holdings

As At 30 March 2018

Type of Securities : 5 Years Warrants 2015/2020
 Total Warrants Issued and Not Exercised : 98,062,713
 Voting Right : One vote per warrant

DISTRIBUTION OF WARRANT HOLDINGS

Size of Holdings	No. of Holders	No. of Warrants	%
Less than 100	6,153	38,876	0.039
100 – 1,000	3,114	782,318	0.797
1,001 – 10,000	621	2,902,790	2.960
10,001 – 100,000	501	18,519,986	18.885
100,001 to less than 5%	108	44,110,593	44.982
5% and above	4	31,708,150	32.334
Total	10,501	98,062,713	100.000

DIRECTORS' WARRANT HOLDINGS

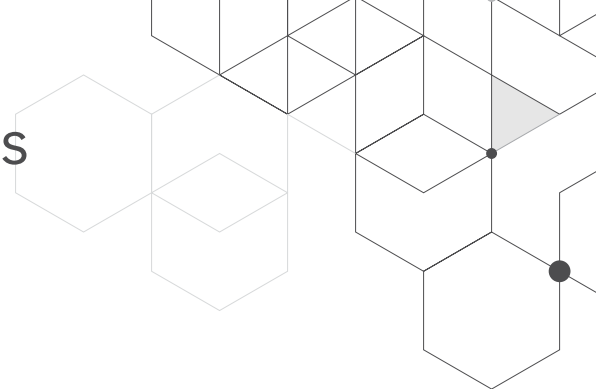
Directors	Direct Interest		Indirect Interest	
	No. of Warrants Held	%	No. of Warrants Held	%
Dato' Sri Lee Tuck Fook	-	-	-	-
Datuk Hj Subhi Bin Dziauddin	-	-	-	-
Wie Hock Beng	42	*	-	-
Wie Hock Kiong	-	-	-	-
Loh Kong Fatt	-	-	-	-

Note:

* *negligible*

Analysis Of Warrant Holdings

As At 30 March 2018 (Cont'd)



THIRTY (30) LARGEST WARRANT HOLDERS

No. Warrant Holders		No. Of Warrants	%
1	Country Dairy Sdn Bhd	9,216,000	9.398
2	Chin Guek Hong	8,093,900	8.253
3	Constant Uptrend Holdings Sdn Bhd	7,888,250	8.044
4	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Fong Siling (CEB)</i>	6,510,000	6.638
5	Wie Hock Kow	3,000,000	3.059
6	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chan Chooi Teng</i>	2,832,900	2.888
7	Ikatan Generasi Sdn Bhd	2,545,000	2.595
8	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Innofarm Sdn Bhd</i>	2,298,500	2.343
9	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Ang Kok Seong (M55015)</i>	1,377,400	1.404
10	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt AN for Phillip Capital Management Sdn Bhd</i>	1,238,826	1.263
11	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Fai Tat (CCTS)</i>	1,111,000	1.132
12	Kou Hong Developments Sdn Bhd	1,000,000	1.019
13	Book Jin Ann	960,000	0.978
14	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kok Tiu Wan</i>	887,700	0.905
15	Yap Booi Lek	866,700	0.883
16	Bea Chin Teck	829,600	0.845
17	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt AN for Phillip Capital Management Sdn Bhd</i>	790,500	0.806
18	Affin Hwang Nominees (Asing) Sdn Bhd <i>Exempt AN for DBS Vickers Securities (Singapore) Pte Ltd (Clients)</i>	720,000	0.734
19	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt AN for Phillip Capital Management Sdn Bhd</i>	711,900	0.725
20	CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Commerce Trustee Berhad for Phillip Master Equity Growth Fund (50144 TR01)</i>	694,900	0.708
21	Chiang Siong Chiew @ Chiong Siong Chiew	650,000	0.662
22	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chong Moo Ling</i>	600,000	0.611

Analysis Of Warrant Holdings

As At 30 March 2018 (Cont'd)

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

No. Warrant Holders	No. Of Warrants	%
23 Ng Yew Hoong	598,100	0.609
24 Tan Kok Hin	542,700	0.553
25 Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Foong Hon Beng (E-PTS)</i>	502,000	0.511
26 Affin Hwang Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Fong Kok Hong (M02)</i>	500,000	0.509
27 TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chin Yin Seong</i>	500,000	0.509
28 Su Ming Yaw	485,900	0.495
29 RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chua Lee Cheong</i>	477,300	0.486
30 HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tey Yee Yee</i>	475,000	0.484
	58,904,076	60.067



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/PassportNo./CompanyNo. _____
[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 Seventh Annual General Meeting ("7th AGM") of PMHB to be held at **The Zenith, Level M1, Connexion Conference & Event Centre at The Vertical (CCEC Vertical), No. 8, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur** on **Wednesday, 13 June 2018** at **10.30 a.m.** and at any adjournment thereof.

Ordinary Resolutions		For	Against
1.	To approve the payment of Directors' Fees for the financial year ending 31 December 2018.		
2.	To approve the payment of Directors' benefits from 1 July 2018 until the next Annual General Meeting.		
3.	To re-elect Dato' Sri Lee Tuck Fook as Director.		
4.	To re-elect Wie Hock Beng 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 2017.		
6.	To re-appoint UHY as the Auditors of the Company and authorise the Board of Directors to fix their remuneration.		
7.	Proposed Renewal of Shareholders' Mandate and Proposed New 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).

Signed this _____ day of _____ 2018.

Signature/Common Seal of Member(s)

Contact Tel: _____

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Company Secretary

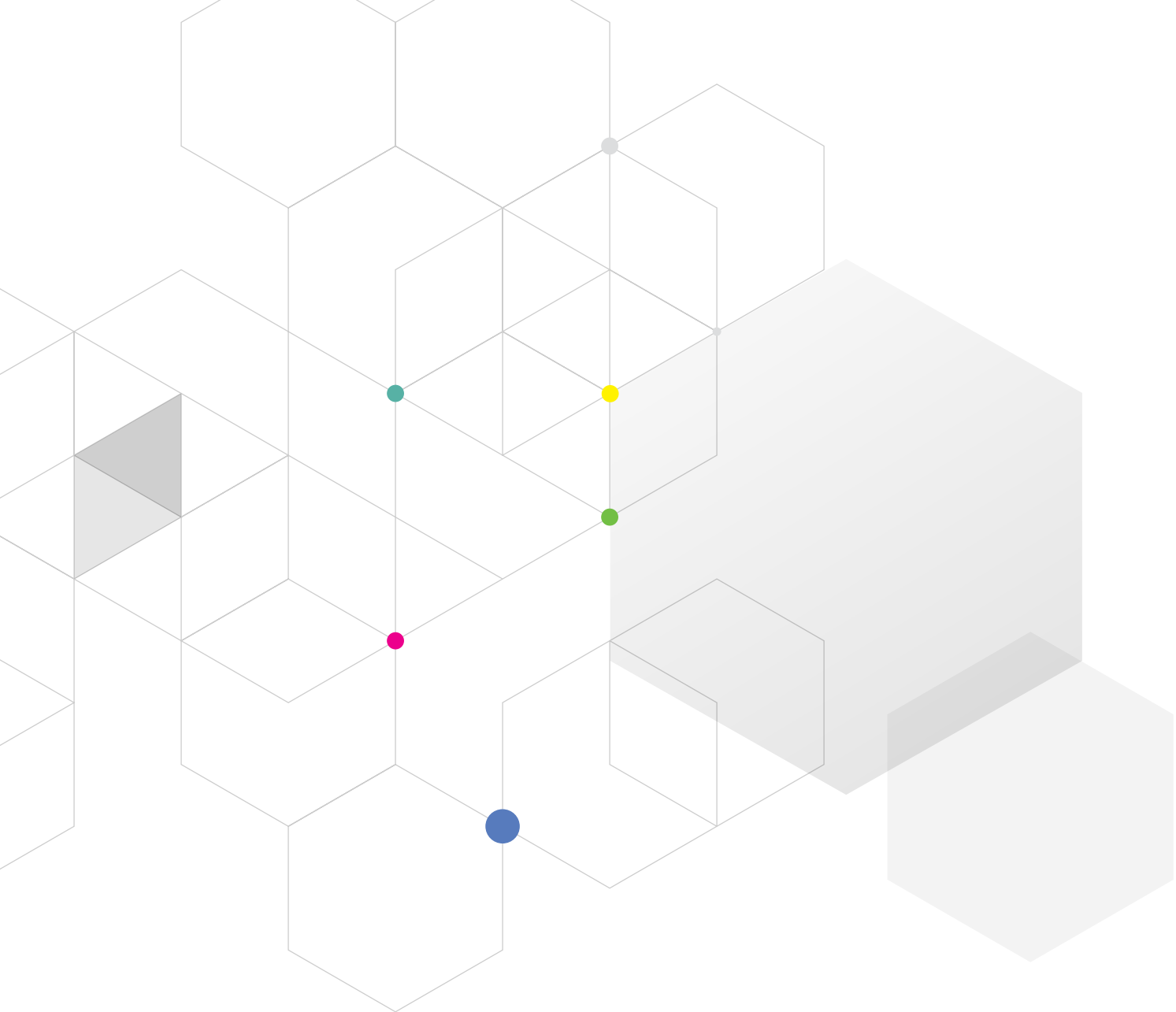
PESONA METRO HOLDINGS BERHAD
(957876-T)

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

1st Fold Here

Notes:

1. A member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote at his/her stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy.
2. 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.
3. 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.
4. Where a member appoints more than one (1) proxy to attend at the same meeting, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
5. 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.
6. 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.
7. For the purposes of determining who shall be entitled to attend, speak and vote at this meeting, the Company shall be requesting the Record of Depositors as at 6 June 2018. Only a depositor whose name appears on the Record of Depositors as at 6 June 2018 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.
8. 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.

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