



**PESONA METRO HOLDINGS BERHAD**  
(957876-T)



**ANNUAL REPORT 2018**

# Towards Sustainable Growth





## 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 Eighth Annual General Meeting ("8th 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 Thursday, 13 June 2019 at 10.30 a.m.** for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 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 up to an aggregate amount of RM399,000.00 for the financial year ending 31 December 2019 to be paid quarterly in arrears. *(Ordinary Resolution 1)*
3. To approve the payment of Directors' benefits of RM35,500.00 from the date of the forthcoming Annual General Meeting ("AGM") until the next AGM of the Company. *(Ordinary Resolution 2)*
4. To re-elect the following Directors who are retiring in accordance with Article 82 of the Articles of Association of the Company:-
  - (a) Mr Loh Kong Fatt *(Ordinary Resolution 3)*
  - (b) Datuk Hj Subhi Bin Dziauddin *(Ordinary Resolution 4)*
5. To re-elect Puan Salwa Binti Shamshuddin who is retiring in accordance with Article 85 of the Articles of Association of the Company. *(Ordinary Resolution 5)*
6. 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 2018. *(Ordinary Resolution 6)*
7. To re-appoint UHY as the Auditors of the Company and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 7)*

## AS SPECIAL BUSINESS:

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

8. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")**  
  
"THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company and/or its subsidiaries ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.4 of Part A of the Circular to Shareholders dated 30 April 2019 ("the Related Parties") provided that such transactions are:-  
  
(a) necessary for the Group's day-to-day operations; *(Ordinary Resolution 8)*

# Notice of Annual General Meeting

## (Cont'd)

- (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
- (c) are not detrimental to the interest of the minority shareholders of the Company.

**THAT** the authority conferred shall continue to be in force until:-

- (i) the conclusion of the next AGM of the Company following this AGM at which the Proposed Renewal of 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 must 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 or in the best interest of the Company to give effect to the Proposed Renewal of Shareholders' Mandate."

### 9. **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 Act and subject to the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Securities and the approvals of the relevant governmental/regulatory authorities (if any), the Directors of the Company be and are hereby authorised to allot and issue shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued 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 authorised to do all such things as they may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Securities for the listing of and quotation for the additional shares so issued on Bursa Securities AND THAT such authority shall continue to be in force until the conclusion of the next 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 9)**

# Notice of Annual General Meeting

## (Cont'd)

### 10. Proposed Alteration of the Existing Memorandum and Articles of Association by replacing with a New Constitution ("Proposed Alteration")

"**THAT** the existing Memorandum and Articles of Association of the Company be hereby altered by replacing with a new Constitution as set out in Part B of the Circular to Shareholders dated 30 April 2019 with effect from the date of passing this special resolution.

**(Special Resolution)**

**AND THAT** the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

### 11. To transact any other business of which due notice shall have been given in accordance with the Act and the Memorandum and Articles of Association of the Company.

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN** that subject to the approval of the shareholders at the 8th AGM, a single tier final dividend of 1.0 sen per ordinary share will be payable on 12 July 2019 to shareholders whose names appear in the Record of Depositors at the close of business on 20 June 2019.

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

- (a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 20 June 2019 in respect of ordinary shares;
- (b) shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

**WONG WAI FOONG (MAICSA 7001358)**

**LIM HOOI MOOI (MAICSA 0799764)**

**TE HOCK WEE (MAICSA 7054787)**

Company Secretaries

Kuala Lumpur

30 April 2019

# 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 in 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. There shall be no restriction as to the qualification of the 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 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 at 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 31 May 2019. Only a depositor whose name appears on the Record of Depositors as at 31 May 2019 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote in his/her stead.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, 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**  
**Audited Financial Statements for the financial year ended 31 December 2018**

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

(ii) **Ordinary Resolution 1**  
**Directors' fees for the financial year ending 31 December 2019**

The Directors' fees proposed for the financial year ending 31 December 2019 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 AGM. This resolution is to facilitate payment of Directors' fees on current financial year basis. The increase in Directors' fees is mainly due to the increasing number of Directors.

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 AGM for additional fees to meet the shortfall.

# Notice of Annual General Meeting

(Cont'd)

**(iii) Ordinary Resolution 2**

**Directors' benefits from the date of the forthcoming Annual General Meeting 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's size, number of scheduled meetings for the Board and Board Committee meetings for the period from the date of the forthcoming AGM until the next AGM. The increase in Directors' benefits is mainly due to the increasing number of Directors. In the event the proposed amount is insufficient, approval will be sought at the next AGM for the shortfall.

**(iv) Ordinary Resolutions 3, 4 and 5**

**Re-election of Directors**

Loh Kong Fatt, Datuk Hj Subhi Bin Dziauddin and Salwa Binti Shamshuddin are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 8th 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 7**

**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 8th AGM are disclosed in the Corporate Governance Overview Statement of the 2018 Annual Report.

**(vi) Ordinary Resolution 8**

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

The proposed resolution, if passed, will allow the Group to enter into recurrent related party transactions of a revenue or trading nature with its related parties as identified in Section 2.4 of the Circular to Shareholders dated 30 April 2019 in accordance with the Main Market Listing Requirements of Bursa Securities without the necessity to convene separate general meetings to seek shareholders' approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. This authority, unless revoke or varied at a general meeting, will expire at the next AGM of the Company and is subject to renewal on an annual basis.

Further details relating to this proposed resolution are set out in Part A of the Circular to Shareholders dated 30 April 2019, which was circulated together with the Company's 2018 Annual Report.

# Notice of Annual General Meeting

(Cont'd)

**(vii) Ordinary Resolution 9**

**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 best 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 AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.*

*This is a renewal of the mandate obtained from shareholders at the last AGM held on 13 June 2018. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit in the best interest of the Company.*

*As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 13 June 2018 and the mandate will lapse at the conclusion of the 8th AGM.*

**(viii) Special Resolution**

**Proposed Alteration**

*This proposed Special Resolution, if passed, will enable the Company to alter its existing Memorandum and Articles of Association by replacing with a new Constitution which is drafted in accordance with the relevant provisions of the Companies Act 2016, relevant amendments of Chapter 7 and other Chapters of the Main Market Listing Requirements of Bursa Securities and other provisions of laws and regulations that are applicable to the Company.*

*For further information on the Proposed Alteration, please refer to Part B of the Circular to Shareholders dated 30 April 2019, which was circulated together with the Company's 2018 Annual Report.*

# 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)

### Salwa Binti Shamshuddin

(Independent Non-Executive Director)

## COMPANY SECRETARIES

Wong Wai Foong  
(MAICSA 7001358)

Lim Hooi Mooi  
(MAICSA 0799764)

Te Hock Wee  
(MAICSA 7054787)

## HEAD OFFICE/ REGISTERED OFFICE

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

## AUDIT COMMITTEE

Loh Kong Fatt (Chairman)  
Dato' Sri Lee Tuck Fook  
Wie Hock Kiong  
Salwa Binti Shamshuddin

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
Main Market  
Construction Sector

## STOCK NAME AND CODE

PESONA (8311)

PESONA-WC (8311-WC)

## AUDITORS

UHY (AF1411)  
Chartered Accountants  
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  
Tel : +60 3 2783 9299  
Fax : +60 3 2783 9222

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

## BANKERS

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

# Corporate Structure



100%

**PESONA METRO SDN BHD**  
(401658-P)

100%

**PESONA SAFERAY SDN BHD**  
(229174-V)

100%

**PESONA ASSET MANAGEMENT SDN BHD**  
(1014328-M)

100%

**PM2 BUILDING SYSTEM SDN BHD**  
(1071828-W)

100%

**MEGAH MESTIKA SDN BHD**  
(1001643-P)

70%

**SEP RESOURCES (M) SDN BHD**  
(1043220-T)

100%

**IMEJ MAYANG SDN BHD**  
(402553-M)

100%

**INSAMEWAH SDN BHD**  
(590902-X)

100%

**RATUS SYABAS SDN BHD**  
(1120461-X)

100%

**AWANA INFRA SDN BHD**  
(933204-M)

30%

**SALURAN ARENA SDN BHD**  
(914382-X)

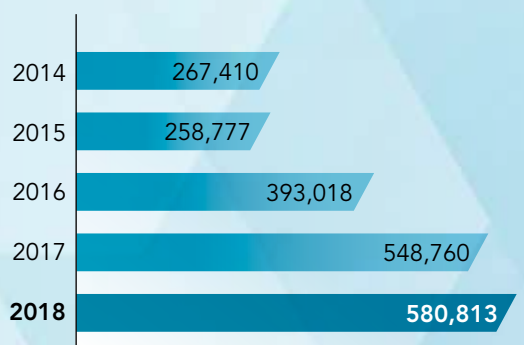
100%

**BUDAYA POSITIF SDN BHD**  
(1023510-U)

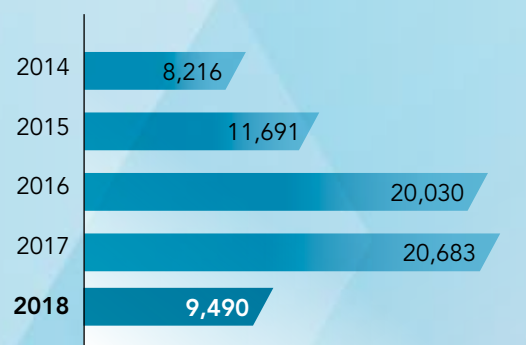
# Financial Highlights

In RM '000 (Except otherwise indicated)	2018	2017	2016	2015	2014
Revenue	580,813	548,760	393,018	258,777	267,410
Profit before tax	14,057	29,235	28,705	16,099	10,658
Profit after tax	9,490	20,683	20,030	11,691	8,216
Total assets	569,128	531,066	348,730	283,511	215,213
Share capital	194,020	194,008	163,684	163,499	127,551
Total equity attributable to owners of the parent	178,998	177,683	143,519	136,391	88,830
No. of shares ('000) (Unit)	694,941	694,891	654,735	653,995	510,203
Earnings per share (Sen)	1.19	2.76	3.06	1.79	1.61
Net assets per share (Sen)	25.76	25.57	21.92	20.86	17.41
Dividend (Sen)	1.00	1.00	2.00	1.00	1.00

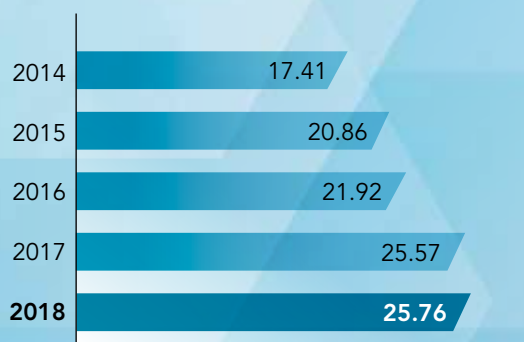
**REVENUE**  
RM '000



**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
6. SALWA BINTI SHAMSHUDDIN



# Profile of Directors



## **DATO' SRI LEE TUCK FOOK**

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

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

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

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

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

He is currently the Managing Director of WCT Holdings Bhd. He is also an Independent Non-Executive Director of SAM Engineering & Equipment Berhad, a company listed on Bursa Securities. He was appointed to the Board on July 2008 and is a member of its Audit & 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 2018.

# Profile of Directors

## (Cont'd)



### **DATUK HJ SUBHI BIN DZIAUDDIN**

Deputy Chairman  
(Non-Independent Non-Executive Director)  
Male, Age 55, 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 hold any directorship in public companies and listed issuers other than the Company. He does not have any family relationship with other Directors and/or major shareholders of the Company. He has no conflict of interest and does not hold any shares in the Company and its subsidiaries. He has no conviction of any offences within the past 5 years.

Datuk Hj Subhi attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2018.

### **WIE HOCK BENG**

Managing Director  
(Non-Independent Executive Director)  
Male, Age 46, 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 27 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 does not hold any directorship in public companies and listed issuers other than the Company. He is the substantial and major shareholder of the Company and brother to another Director, Wie Hock Kiong. He has no conflict of interest with the Company and its subsidiaries. He has no conviction of any offences within the past 5 years.

Wie Hock Beng attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2018.

# Profile of Directors

(Cont'd)



## WIE HOCK KIONG

(Non-Independent Non-Executive Director)  
Male, Age 58, Malaysian

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

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

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

Wie Hock Kiong does not hold any directorship in public companies and listed issuers other than the Company. He is the substantial and major shareholder of the Company and brother to the Managing Director, Wie Hock Beng. He has no conflict of interest with the Company and its subsidiaries. He has no conviction of any offences within the past 5 years.

Wie Hock Kiong attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2018.

## LOH KONG FATT

(Senior Independent Non-Executive Director)  
Male, Age 65, Malaysian

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

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

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

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

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

Loh Kong Fatt attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2018.

# Profile of Directors

(Cont'd)



## **SALWA BINTI SHAMSHUDDIN**

(Independent Non-Executive Director)

Female, Age 42, Malaysian

Salwa binti Shamshuddin was appointed to the Board as a Director of the Company on 1 October 2018. She is currently a member of the Audit Committee of the Company.

She holds a Master of Industrial Psychology from Universiti Kebangsaan Malaysia and a Bachelor of Human Resources Management Degree from Universiti Utara Malaysia.

She began her career with Rasah Kemayan Golf Club & Country Club as its Sports & Recreational Officer in 1998 and subsequently joined Universiti Kebangsaan Malaysia in 1999 as a Tutor and Research Assistant. In 2000, she was recruited as a Management Trainee for SKF Bearing Industries (Malaysia) Sdn Bhd for a year. In 2002, she joined Kurnia Insurans Sdn Bhd primarily responsible for the corporate business development of the insurance company.

Salwa binti Shamshuddin is currently the Director of Kelik Highway Sdn Bhd, Sungai Klang Link Sdn Bhd and Omazol Corporation Sdn Bhd. She is also the Advisor of Golden Hook Mining Sdn Bhd and Deputy Chairman of Propadu Engineering Sdn Bhd.

Salwa binti Shamshuddin does not hold any directorship in public companies and listed issuers other than the Company. She does not have any family relationship with other Directors and/or major shareholders of the Company. She has no conflict of interest and does not hold any shares in the Company and its subsidiaries. She has no conviction of any offences within the past 5 years.

Salwa binti Shamshuddin attended one (1) Board Meeting of the Company held during the financial year ended 31 December 2018 since her appointment to the Board in October 2018.

# Key Senior Management

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

## CHONG KIEN ENG

Male, Age 47, Malaysian  
Chief Financial Officer

Mr. 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 restructuring.

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

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

## IR. NG WENG WOH

Male, Age 62, Malaysian  
Chief Operating Officer (Infrastructure Division)

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

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

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

## SOH CHOON GUAN

Male, Age 51, Malaysian  
Chief Operating Officer (Building Division)

Mr. Soh Choon Guan, a Bachelor Degree holder of Technology (Honours) in Construction Management, has to-date more than 30 years of experience in the construction and property development industry in construction and project management.

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

His specialises 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 Operating Officer for the Building Division in overseeing the Building Division from project planning to execution.

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

# Corporate Milestones

1996

## ESTABLISHED

Pesona Metro Sdn Bhd ("PMSB") was established and commenced business as sub-contractor.

2005

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



2002

## FIRST "DESIGN & BUILD"

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

2006

## FIRST HIGH-RISE

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



# Corporate Milestones

(Cont'd)

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.



2008

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



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 and 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 2010.
- PMSB again was awarded with the Malaysia Independence Award under the Malaysia's Prominent Property Construction Company category.



# Corporate Milestones

(Cont'd)

2012

## LISTED ON THE MAIN MARKET OF BURSA SECURITIES

- 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.



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.



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 Milestones

(Cont'd)

2014

## COMPLETION OF ITS FIRST GREEN BUILDING

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

2015

## OBTAINED 3 GREEN 5S CERTIFICATIONS OF RECOGNITION FROM SIRIM

- The Menara SPR project received the Highest Merit Points 2014 for the Health, Safety and Environment category for high-rise buildings. Subsequently, the same building achieved a score of 81% in 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.

# Corporate Milestones

(Cont'd)

## 2016

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



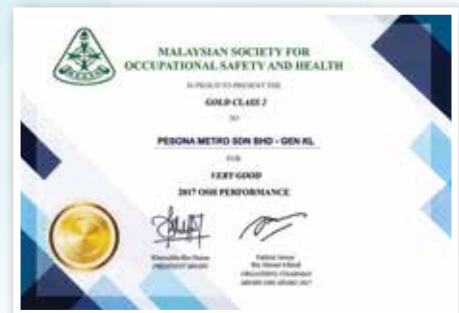
## 2017

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

# Corporate Milestones (Cont'd)

## 2018

- The KPJ Bandar Dato' Onn Specialist Hospital achieved a score of 79% in the QCLASSIC Assessment from CIDB.
- The Gua Musang Seksyen 3E2 Central Spine Road project was awarded with unprecedented outstanding performance certifications by Jabatan Kerja Raya Malaysia for completing the project ahead of time and within budget with zero accident.
- PMSB bagged the GOLD CLASS 2 for the 2017 OSH PERFORMANCE AWARD by Malaysian Society for Occupational Safety and Health for its Residensi Gen project. This project also scored 93% in SHASSIC by CIDB in December 2018.
- The Central Plaza i-City Mall project achieved a score of 92% in the SHASSIC Assessment from CIDB.
- PMSB emerged as the Top Winner for the Eminent Eagles category of the Golden Eagle Award 2018 organised by Nanyang Siang Pau.



# Chairman's Statement



DEAR SHAREHOLDERS,

On behalf of your Board of Directors, it is my pleasure and privilege to present the Annual Report and Financial Statements of Pesona Metro Holdings Berhad ("PMHB" or "the Group") for the financial year ended 31 December 2018.

I am pleased to report that PMHB turned in another resilient performance for the year in review despite challenging operating conditions. The year saw us achieving our highest revenue ever. However, our profit declined, primarily on the back of impairments and higher construction costs. We successfully delivered two projects on time to our clients and secured four new projects in 2018. In early 2019, we added another two contracts thereby giving us an outstanding order book of over RM2.1 billion comprising 10 ongoing projects. These projects are expected to contribute positively towards the Group's revenue for the next two years. We also began to earn a continuous stream of revenue from our concessionaire business. All in all, despite tough market conditions, your Company continues to make good headway and is positioned to deliver resilient growth for the coming financial year.

## A RESILIENT PERFORMANCE

For the financial year ended 31 December 2018, PMHB recorded revenue of RM580.8 million, a 6% improvement in comparison to revenue of RM548.8 million in 2017. Our construction business continued to contribute the bulk of the Group's revenue with revenue generated by 11 projects over the course of 2018. Of these 11 projects, two projects, namely the Gua Musang Seksyen 3E2 Central Spine Road project in Pahang and the Third Avenue project in Cyberjaya, were completed, while the project relating to the West Coast Expressway was mutually terminated. The other eight projects are ongoing. The Group also continued to reap the fruits of its maiden foray into the concessionaire business.

# Chairman's Statement

(Cont'd)

PMHB recorded revenue of RM580.8 million in 2018, a 6% improvement in comparison to revenue of RM548.8 million in 2017

The Group, however, saw its profit before tax ("PBT") dropping by some 52% to RM14.1 million against PBT of RM29.2 million previously. This was primarily due to the impairment of investments and advances, higher construction costs and depreciation charges incurred.

The finer details of our operational and financial performance can be found in the Management Discussion and Analysis section of this Annual Report.



*PMSB won the Gold Class 2 Award for OSH Performance for its excellent occupational safety and health practices at the Residensi Gen project site*

## GOOD SHAREHOLDER VALUE CREATION

In respect of the financial year ended 31 December 2017, the Board declared a single tier final dividend of 1.0 sen per ordinary share, amounting to RM6.9 million which was paid on 12 July 2018.

In respect of the financial year ended 31 December 2018, your Board is pleased to recommend a single tier final dividend of 1.0 sen per ordinary share amounting to RM6.9 million which will be subject to shareholders' approval at the forthcoming Eighth Annual General Meeting.



*PMSB emerged the Winner of the Eminent Eagles category at the Nanyang Siang Pau's Golden Eagle Award 2018*

The year saw your Company recognised for its commitment to excellence even as our main subsidiary, Pesona Metro Sdn Bhd ("PMSB"), emerged the Winner among the top three Eminent Eagles at Nanyang Siang Pau's Golden Eagle Award 2018 event. This event benchmarks successful businesses and gives them due recognition for their hard-earned success and outstanding achievements. This award attests to the market's continued confidence in our capabilities and track record as a reputable construction player.

## KEY CORPORATE DEVELOPMENTS

To ensure PMHB's sustainable growth for the long-term, we remain committed to diversifying our businesses so as to secure recurring revenue streams for the Group.

Following the Group's completion of Phase 1 of its acquisition agreement with SEP Resources Sdn Bhd ("SEP") which saw PMHB acquire 70% of SEP's equity in October 2017, the parties to the acquisition mutually agreed not to proceed with Phase 2 of the acquisition. The acquisition of SEP is thus deemed completed with PMHB owning a 70% equity stake in SEP. Through SEP, the Group today has a concessionaire arm which will contribute consistent revenue to the Group for the long-term.

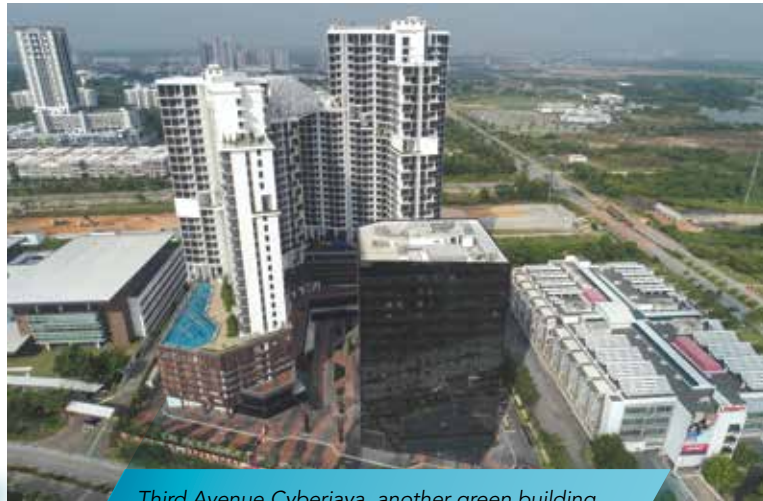
For the year in review, PMSB successfully secured four new high-rise projects, namely the Lot 15 SJCC project in Selangor; an affordable homes project at Bukit Jalil, Kuala Lumpur; an office building project along Jalan Conlay, Kuala Lumpur and the Ativo Suites project at Bandar Sri Damansara, Selangor. All in all, these projects added a total of RM859.7 million to the Group's 2018 order book.

# Chairman's Statement

(Cont'd)



*PMHB was awarded a RM408.8 million construction job for TRIA Seputeh Phase 2 by MRCB Builders in February 2019*



*Third Avenue Cyberjaya, another green building with GBI Certificate (Provisional), was completed in October 2018*

In late February 2019, we announced that we had secured a new RM408.8 million contract from MRCB Builders Sdn Bhd for superstructure works for a mixed development in Kuala Lumpur. The project, which will take 30.5 months to complete, is expected to contribute positively to the Group's earnings.

Subsequently in mid-March 2019, we announced that we had secured a RM238.5 million contract for the execution and completion of the main building and mechanical and engineering works in relation to a gated and guarded residential project in Cyberjaya. The project from Lakefront Residence Sdn Bhd, a subsidiary of MCT Berhad, will take 27 months to complete and will also contribute positively to our earnings.

## RESPONSIBLE CORPORATE PRACTICES

The Board of PMHB remains committed to upholding and implementing strong standards of corporate governance as well as robust risk management and internal control measures across the Group. These measures are going a long way in helping us to protect our corporate reputation, bolster investor confidence, as well as ensure continued shareholder value creation and the sustainable growth of our business. The details of our Board Charter, the Terms of Reference for the Audit Committee, Remuneration Committee and Nomination Committee, as well as our Whistleblowing Policy can be accessed on our website at [www.pesona.com.my](http://www.pesona.com.my).

## MOVING FORWARD

As PMHB ventures into 2019 amidst mixed global and domestic economic conditions, we remain cautiously optimistic about our prospects. To date, we have an outstanding order book of RM2.1 billion, comprising 10 ongoing projects, including the two new ones secured in the first quarter of 2019. This will ensure a steady source of income for the Group over the next two years or more.

To ensure the smooth rollout of our projects, we continue to implement several improvement measures among which are initiatives to strengthen the Group's Human Resource Development programme. This entails the rollout of a new framework of processes, training and coaching initiatives, as well as frequent staff engagement activities to uplift our workforce's efficiency and productivity. At the same time, we continue to reinforce our position of strength as one of the preferred builders in the country through our proven ability in delivering quality products within budget and the given timeframe.

In 2018, the domestic construction sector recorded moderate growth of 4.2% (2017 : 6.7%) due to weaknesses in the property segment. Moving forward, growth is expected to moderate further to 3% in 2019 due to the completion of large petrochemical projects in the civil engineering sub-sector. With less infrastructure projects in the pipeline, a more competitive construction landscape is expected to emerge. In view of this, PMHB will continue to take the necessary sustainable and economically viable measures to mitigate risks and strengthen its capabilities. These include making continuous investments in construction equipment and machinery, securing higher

# Chairman's Statement

(Cont'd)

profit margins from projects for our Construction Division, and adopting a laser-focused approach towards mitigating rising operational costs that could affect our performance. We will also continue to proactively explore ways to dispose of our non-profitable businesses. All in all, the Group will be prudent in its undertakings and will chart its steps properly so as to remain profitable in the coming years.

We will also continue to focus our efforts on generating higher profit margins by improving operational efficiencies and optimising costs. This will see us working to improve the efficiency and quality of our work to derive higher income within a shorter timeframe, as well as centralising or making material bulk purchases so that we have more bargaining power. At the same time, we will set our sights on securing infrastructure jobs through joint ventures and business partnerships. All these measures will help balance our project portfolio while improving our overall profit margins.

Barring any unforeseen circumstances, your Board is confident that the Group will deliver another satisfactory performance in 2019.

To the dedicated and diligent management teams and employees of our subsidiaries and our associate companies, please accept my utmost appreciation for your unwavering support and cooperation. We look forward to continuing the mutually beneficial relationship we have with all of you for years to come.

To my esteemed colleagues on the Board, please accept my deep appreciation for your guidance and wise counsel that have helped PMHB steer through many challenges and capitalise on the opportunities before us. At this time, I would like to take the opportunity to welcome Puan Salwa binti Shamshuddin who joined us as an Independent Non-Executive Director on 1 October 2018. Her appointment is in line with the Group's aim to achieve 30% female representation on the Board. Puan Salwa brings to the table a wealth of experience in the areas of manufacturing management, finance and product development. We certainly look forward to her insights and contributions.

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

## ACKNOWLEDGEMENTS

There are many parties that have helped us on the road to success and we want to acknowledge them here. On behalf of the Board of Directors, I wish to convey my sincere gratitude to our valued shareholders, 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.

**DATO' SRI LEE TUCK FOOK**  
Chairman



The Gua Musang Seksyen 3E2 Project Team at the project handover ceremony



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

# Management Discussion and Analysis

The Group's Construction Division under Pesona Metro Sdn Bhd ("PMSB") remains the primary contributor to PMHB's overall performance and generated 95.5% of the Group's revenue in 2018.

## OVERVIEW OF THE BUSINESS

Pesona Metro Holdings Berhad ("PMHB" or "the Group") is an investment holding company with core business activities in the construction of residential and commercial buildings as well as infrastructure works. The Group's Construction Division under PMSB remains the primary contributor to PMHB's overall performance and generated 95.5% of the Group's revenue in 2018. PMSB's project portfolio today encompasses 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.

Back in October 2017, PMHB completed the first phase of a two-phase corporate exercise for the acquisition of SEP Resources (M) Sdn Bhd ("SEP"). This 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 the provision of asset management services for student hostels at Universiti Malaysia Perlis ("UNIMAP"). Subsequently, in October 2018, the parties to the acquisition mutually agreed not to proceed with the second phase of the acquisition. In view of this, the acquisition of SEP is now completed with PMHB owning a 70.0% equity stake in SEP. The Concessionaire Division is expected to contribute consistent revenue to the Group for the long-term.

PMHB also has a Manufacturing Division which plays a supporting role to the Construction Division. The 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 continues to actively explore opportunities to dispose of both these loss-making businesses.



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

# Management Discussion and Analysis

(Cont'd)



Artist's impression of the Ativo Suites, Selangor



Artist's impression of the UniSZA Teaching Hospital in Terengganu

## STRATEGIC OBJECTIVES

The Group is committed to ensuring sustainable operations so that it can consistently reward stakeholders with value added returns, including high quality products and a consistent dividend pay-out. To this end, PMHB continues to implement its near-term and long-term strategies.

### NEAR-TERM STRATEGIES

For the near-term, the Group will continue to implement a two-pronged business strategy that has an external and internal outlook. Externally, the Group will set its sights on generating higher profit margins by implementing better control measures over its material and labour costs. It will also continue to focus its efforts on securing infrastructure jobs through joint-ventures and business partnership with the aim of balancing its project portfolio and improving its profit margins.

At the same time, it will continue to ensure its core construction business implements and delivers on existing projects with excellent quality (i.e. in line with the Group's minimum internal quality rating of a 73% QLASSIQ score for all projects), and within the agreed schedule. Even as the new Concessionaire Division begins to deliver a steady stream of revenue, the Group will explore efforts to develop new partnerships which will contribute positively to its overall sustainable growth. As part of the efforts to relinquish its loss-making manufacturing businesses, the Group will continue to look for interested buyers.

On the internal front, the Group continues to make good progress by way of strengthening the technical skills and expertise of its workforce through in-house and external training to ensure good work processes and a well-aligned workflow both at its project sites and its Headquarters.

# Management Discussion and Analysis

## (Cont'd)

### LONG-TERM STRATEGIES

For the long-term, the Group will focus its efforts on growing the size of the Company in terms of revenue, profitability and manpower. The Group also intends to continue mapping out a pathway which will see it venturing into property development activities that will provide a consistent stream of construction projects for PMSB. However, given the current economic challenges and weak market sentiment, the Group will put these plans on the backburner for now and wait for the market to recover before pursuing such opportunities in a more focused manner.

### OPERATING ENVIRONMENT

The value of construction work undertaken by the domestic construction industry in 2018 grew by 5.1% to RM145.5 billion in comparison to RM138.5 billion in the previous year. The expansion in the value of construction work done was driven by positive growth in the civil engineering, special trades activities and non-residential buildings sub-sectors, which grew by 14.3%, 8.2% and 2.5% respectively. The residential buildings sub-sector, however, declined to 9.2%.

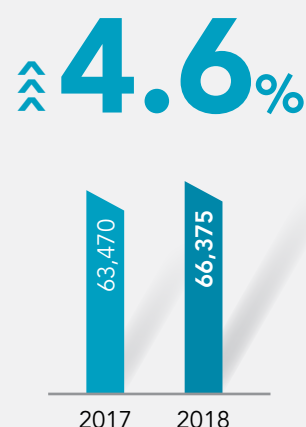
The year 2018 was especially challenging for the domestic construction industry, particularly following the unprecedented victory of Pakatan Harapan on 9 May 2018 which marked the first regime change in Malaysia's history. Upon coming into power, the new ruling Pakatan Harapan's administration commenced reviews of several mega infrastructure projects and rationalised the development expenditure ceiling for the overall 11th Malaysian Plan to RM220 billion from the original allocation of RM260 billion. This led to many government projects, especially infrastructure projects, being put on hold. The effect of these developments was reflected in the drop in the Construction Index on Bursa Malaysia Securities Berhad ("Bursa Securities"), which saw it plummeting to 147 points at the end of December 2018 from 327 points in early 2018.

PMHB was one among many construction players that were affected by these developments and which faced an uphill battle securing infrastructure jobs in 2018. In fact, while PMHB managed to successfully secure four new construction contracts in 2018, it failed to secure any infrastructure jobs over the course of the year.

#### GROUP REVENUE



#### GROUP GROSS PROFIT



### FINANCIAL PERFORMANCE

#### Statement of Comprehensive Income

	2018	2017	Variance	
	RM'000	RM'000	RM'000	%
Revenue	580,813	548,760	32,053	5.8
Gross Profit	66,375	63,470	2,905	4.6
Other Operating Income	2,490	5,320	(2,830)	(53.2)
Administrative Expenses	43,918	35,625	8,293	23.3
Finance Costs	10,890	3,930	6,960	177.1
Profit Before Tax	14,057	29,235	(15,178)	(51.9)

# Management Discussion and Analysis

(Cont'd)



The Central Plaza i-City Mall in Shah Alam, Selangor

For the financial year ended 31 December 2018, the Group registered total revenue of RM580.8 million, its highest revenue to date and a 6% improvement over revenue of RM548.8 million in 2017. The bulk of the Group's revenue came in primarily from the Construction Division where higher construction progress was recognised from ongoing projects, particularly the Central Plaza i-City Mall and Third Avenue projects.

However, the Group's profit before tax ("PBT") dropped to RM14.1 million, some 52% lower than PBT of RM29.2 million in 2017. The lower PBT was mainly attributable to the impairment of investments and advances totalling RM5.3 million, higher construction costs and depreciation charges incurred, as well as the additional interest costs and amortisation charges arising from the concessionaire asset acquired in October 2017. Excluding the impairment, the Group would have registered a PBT of RM19.4 million.

## Statement of Financial Position

	2018	2017	Variance	
	RM'000	RM'000	RM'000	%
Non-current Assets	314,157	318,682	(4,525)	(1.4)
Current Assets	254,971	212,384	42,587	20.1
Equity	188,159	185,605	2,554	1.4
Non-current Liabilities	117,074	128,667	(11,593)	(9.0)
Current Liabilities	263,894	216,794	47,100	21.7

For the financial year in review, the Group's non-current assets reduced by RM4.5 million or 1.4% in comparison to the previous year. This was primarily due to the impairment of investments. The Group's current assets on the other hand increased by 20.1% mainly due to higher project billings. The Group's non-current liabilities also reduced by RM11.6 million as a result of repayment of bank borrowings.

## GROUP CURRENT ASSETS

↑↑ 20.1%



# Management Discussion and Analysis

## (Cont'd)

### PERFORMANCE OF THE BUSINESS SEGMENTS

#### CONSTRUCTION DIVISION

##### Financial Overview

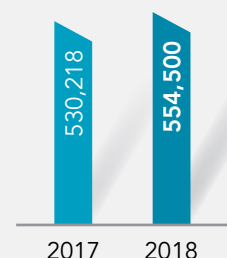
##### Statement of Comprehensive Income

	2018 RM'000	2017 RM'000	Variance	
			RM'000	%
Revenue	554,500	530,218	24,282	4.6
Profit Before Tax	15,204	23,822	(8,618)	(36.2)

PMHB's construction arm under PMSB continued to be the primary contributor to the Group's revenue in 2018, accounting for 95.5% of overall revenue. The Construction Division recorded revenue of RM554.5 million and a PBT of RM15.2 million for the year in review, a 4.6% rise and 36.2% drop respectively over revenue of RM530.2 million and PBT of RM23.8 million in 2017. The increase in revenue was contributed by 11 projects over the span of 2018. Two of these were brought to completion, eight are ongoing and another project, namely the West Coast Expressway project, was cancelled as a result of a mutual termination. The Construction Division's PBT, however, was lower due to higher construction cost and depreciation charges incurred.

##### CONSTRUCTION REVENUE

4.6%



##### Performance Highlights

For the financial year in review, the Construction Division successfully completed two projects. These were the Gua Musang Seksyen 3E2 Central Spine Road in Pahang which was completed and handed over on 14 March 2018, and the Third Avenue project in Cyberjaya that was completed and handed over on 17 October 2018.

The year also saw PMSB successfully securing four new high-rise projects. These were the Lot 15 SJCC project in Selangor; an affordable homes project at Bukit Jalil, Kuala Lumpur; an office building project along Jalan Conlay, Kuala Lumpur; and the Ativo Suites project at Damansara Avenue, Selangor. Together, these projects added a total of RM859.7 million to the Group's 2018 order book.

As at 31 December 2018, the Group had an outstanding order book of RM1.5 billion (2017: RM1.5 billion), comprising eight ongoing projects which are expected to contribute to the Group's revenue stream over the next two years.

##### Project Status as at 31 December 2018

	Project Description	Percentage Completed as at 31 December 2018 (%)	Target Completion Date
1	Residensi Gen, Kuala Lumpur	89.2	May 2019
2	UniSZA Training Hospital, Terengganu	34.9	May 2020
3	Central Plaza i-City Mall, Shah Alam, Selangor	90.5	April 2019
4	Eaton Residences, Kuala Lumpur	22.8	June 2020
5	Lot 15 SJCC, Selangor	13.6	April 2021
6	Affordable Homes at Bukit Jalil, Kuala Lumpur	1.6	February 2021
7	Office Building at Jalan Conlay, Kuala Lumpur	3.6	October 2020
8	Ativo Suites @ Damansara Avenue, Selangor	1.8	April 2021

# Management Discussion and Analysis

## (Cont'd)

### Moving Forward

According to Bank Negara Malaysia, growth in the construction sector is expected to moderate to 3% in 2019 from 4.2% in 2018. This is in view of the soon-to-be completed mega petrochemical projects in the civil engineering sub-sector as well as the subdued climate in the residential and non-residential sub-sectors (due to the oversupply of residential and commercial properties).

Meanwhile, the ongoing progress of large transportation and utility projects will provide support to the sector's growth. These projects include the Pan Borneo Highway in Sabah and Sarawak, the Central Spine Road in the East Coast, the Mass Rapid Transit Sungai Buloh-Serdang-Putrajaya Line, and the Light Rail Transit Line 3 in the Klang Valley. At the same time, ongoing projects such as the Deepwater Petroleum Terminal 2 at the RAPID Complex in Pegerang, Johor; the Floating LNG 2 terminal in Sabah; and the Central Processing Platform in Bokor, Sarawak; are expected to spur the petrochemical and power plant segment of the construction sector. In addition, mixed-use development projects such as the Tun Razak Exchange and Bukit Bintang City Centre in Kuala Lumpur are also expected to support growth.

The residential sub-sector is expected to grow at a marginal pace following the mismatch between supply and demand. To resolve the mismatch, aside from continuing its efforts to provide more affordable housing to the low and middle-income groups, the Malaysian Government has also suspended the development of residential properties priced over RM1 million in prime areas since November 2017. The non-residential sub-sector too is projected to decline following the oversupply and overhang of high-end shops and shopping complexes, as well as the downward trend in the incoming supply of commercial buildings.

Amidst a backdrop of slowing growth in the construction sector, the Group's construction arm will continue to take measures to explore opportunities while mitigating challenges. To date, the Construction Division has submitted several competitive tenders for a number of jobs throughout Peninsular Malaysia and is awaiting the outcome of these tenders.

The division achieved early success in 2019 when PMSB secured two new contracts. The first was a new RM408.80 million contract from MRCB Builders Sdn Bhd for superstructure works for a mixed development in Seksyen 98, Kuala Lumpur. The contract calls for PMSB to undertake construction works on three blocks of apartments comprising 734 units, together with 10 floors of parking (including a basement) and six units of retail space. The project, which will be funded by internal funds, will span a duration of 30.5 months beginning 18 February 2019.

The second contract for RM238.5 million from Lakefront Residence Sdn Bhd relates to a gated and guarded residential project in Cyberjaya. It will entail the execution and completion of three apartment blocks and a four-storey car park as well as related mechanical and engineering works. This project, which will also be funded by internal funds, will span a duration of 27 months commencing 15 March 2019.

These two projects are expected to contribute positively to the Group's earnings and enhance its net assets over the course of the projects.

These two new projects coupled with the Group's eight other ongoing projects bring the Group's total outstanding order book to over RM2.1 billion at the time of writing.



Construction work in progress at the 52-storey Eaton Residences at Jalan Kia Peng, Kuala Lumpur

# Management Discussion and Analysis

## (Cont'd)

### CONCESSIONAIRE DIVISION

#### Financial Overview

The Group's venture into the concessionaire business continues to contribute positively towards PMHB's revenue. Since the completion of Phase 1 of the corporate exercise for the acquisition of SEP Resources Sdn Bhd or SEP, the UNIMAP project has been generating a steady flow of income. As at 31 December 2018, the Concessionaire Division generated a total of RM23.4 million (2017: RM16.0 million) in revenue and a PBT of RM9.7 million (2017: RM10.3 million) as expected.

The concessionaire business is expected to continue providing a stable revenue and profit to the Group going forward.



Student hostels at UNIMAP, Perlis

### MANUFACTURING DIVISION

The Manufacturing Division continued to register a loss, albeit a lower loss, in 2018. The Group is actively looking for suitable buyers to divest of both PM2 and PSSB.

### 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
<b>Strategic</b>	Over-reliance on the construction segment.	With 95.5% 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.	Diversify into other businesses such as the concessionaire and property development businesses. This will offer a safety buffer in the event there is a slump in the construction industry.
<b>External</b>	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>Undertake daily monitoring of material prices.</p> <p>Negotiate for a Price Fluctuation Clause during tenders as a safeguard in times of sudden price hikes in the market.</p> <p>Centralise all material purchases in order to command a better bulk purchase price for all our projects.</p>

# Management Discussion and Analysis

(Cont'd)

KEY RISKS FOR PMHB			
KEY AREA	RISK	DESCRIPTION	MITIGATION MEASURES
<b>Operational</b>	Poor performance by sub-contractors.	This may arise as a result of the lack of planning and coordination by sub-contractors causing delays, unplanned abortive works and project cost overruns which will affect the overall company performance.	<p>Increase the frequency of audits on work progress and issue warning letters leading to back-charges whenever necessary to ensure that sub-contractors deliver on their promises.</p> <p>Ensure consultants such as architectural, civil and structural supervision teams are involved in closely monitoring and supervising work quality and progress.</p> <p>Provide weekly on-site coordination and progress updates for sub-contractors and the project management team.</p>
<b>Operational</b>	Shortage of construction materials.	From time to time, the construction market faces shortages in steel bars and cement due to the temporary shutdown of manufacturing plants for maintenance.	Undertake monitoring of a centralised construction material procurement process on a weekly basis.
<b>Operational</b>	Personal injuries and accidents	A higher frequency of personal injuries tends to occur during construction work in high rise buildings.	<p>Ensure talks (Toolbox Meetings) are conducted daily before the start of work to highlight the importance of observing safety guidelines at sites as set out in the Project Occupational Safety and Health ("POSH") Plan.</p> <p>Ensure 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>Station 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>Conduct weekly internal training for workers and ensure machinery and equipment inspections are adhered to as stated in the POSH Plan.</p> <p>Ensure Safety Committee Meetings by project are held monthly to update and review safety practices and incidences at site.</p>

# Management Discussion and Analysis

(Cont'd)

KEY RISKS FOR PMHB			
KEY AREA	RISK	DESCRIPTION	MITIGATION MEASURES
<b>Operational</b>	Reduction in government-funded infrastructure projects.	Following the Government's review and suspension of many infrastructure projects, construction players are being affected by the drastic decrease in infrastructure-related projects.	Explore all possible opportunities with various highway concessionaires as well as enhance productivity and project management on private sector and non-governmental construction projects.



Construction works in progress at the Residensi Gen, Kuala Lumpur

To ensure the sustainable growth of its businesses, PMHB will keep a steadfast focus on its near-term and long-term strategic objectives

## OUTLOOK AND PROSPECTS

As PMHB embraces a new financial year, it does so with a cautious optimism given the challenging global and domestic outlooks. The global economic expansion that kicked off in 2016 is expected to weaken with global growth projected to touch 3.5% in 2019 and 3.6% in 2020 (2018: estimated at 3.7%). The moderating growth is a result of the negative effects of tariff increases enacted in the United States and China last year, as well as the softer global growth momentum registered in the second half of 2018 due to several factors that weighed heavily on the large economies. A host of ongoing factors such as weakening financial market sentiment, escalating trade tensions, Brexit woes and concerns about China's outlook, are expected to weaken global growth too.

Seeing that Malaysia has a highly open economy with an internationally integrated financial system, the domestic economy is expected to be affected by these external headwinds. Nevertheless, the nation's fundamentals remain strong, reinforced by a diversified economy, a resilient external position and a strong financial system. According to Bank Negara Malaysia, the domestic economy is expected to remain on a steady growth path, expanding between 4.3% and 4.8% in 2019 (2018: 4.7%). Growth is expected to be anchored by ongoing private sector activity, supported by stable income and employment growth, as well as sustained capacity expansion by businesses.

# Management Discussion and Analysis

## (Cont'd)

With growth in the domestic construction sector expected to moderate to 3.0% in 2019 from 4.2% in 2018, and given the dearth of infrastructure projects in the pipeline, a more competitive construction landscape is expected to emerge. To ensure the sustainable growth of its businesses, PMHB will keep a steadfast focus on its near-term and long-term strategic objectives. The Group will also continue to maintain a strong focus on the domestic market, bolster its human capital, ensure the timely completion of projects, strengthen construction standards and implement effective cash flow management. At the same time, it will continue to implement specific initiatives to elevate its position to that of a preferred contractor. This will include ensuring that the SIRIM Green 5-S methodology continues to be rolled out at all project sites and at its Headquarters with the aim of achieving SIRIM Green 5-S certification with zero non-conformance reports for all its projects.



Artist's impression of the office building at Jalan Conlay, Kuala Lumpur

To successfully position itself among other preferred builders in the country, the Group has been strengthening the capabilities of its workforce and undertaking various improvement initiatives these last few years. Aside from the Group's proven capability in delivering quality products within budget and within the given time frame, the Group is also leveraging on the strength and expertise of its workforce to build client confidence and secure projects. The implementation of the Group's Human Resource Development programme which encompasses a new framework governing work processes, training and development needs, as well as coaching and frequent staff engagement activities has done much to elevate the efficiency and productivity of PMHB's workforce.

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

The Group also continues to leverage on Building Information Modelling or BIM technology within its building construction management activities to optimise project efficiencies and bring about significant cost and time savings. The technology is also helping to alleviate clashes in design coordination, thereby reducing rework and wastage as a whole. The Group remains confident that its adoption of BIM technology will give it a competitive advantage over other players.

Moving forward, PMHB will focus its efforts on growing its business in the construction segment while finding ways to dispose of its non-profitable businesses. The Group will be prudent in its undertakings and will chart a profitable pathway to ensure sustainable growth for the long-term. In view of the full impairment of its investment in the expressway concessionaire and the manufacturing of polyurethane products, the prospects for the 2019 financial year will rely solely on the secured construction projects and recurring revenue from the student hostels concessionaire. Barring any unforeseen circumstances, PMHB is confident of turning in another satisfactory performance in 2019.

# Sustainability Report

Pesona Metro Holdings Berhad aspires to incorporate a sustainable business model which will ensure that the efficiency of our operations and the interests of our internal and external stakeholders are safeguarded. Our goal is to continue operating in a sustainable manner to deliver holistic, long-term value to our stakeholders, inclusive of society, while protecting the environment.

## COMMITTED TO CREATING SUSTAINABLE VALUE

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

PMHB is committed to creating long-term shared value for its stakeholders while developing a sustainable future for the Group. To this end, the Group continues to engage in responsible and sustainable management practices on the Economic, Environmental and Social (“EES”) fronts. By ensuring sustainable progress across the Group’s operations, PMHB is creating the momentum for its businesses to strengthen their operational efficiencies and deliver long-term value.

# Sustainability Report

## (Cont'd)

This, PMHB's third Sustainability Report ("Report"), covers the significant activities carried out by the Group to address the material EES aspects highlighted through engagement with internal and external stakeholders.

The Group is committed to both upholding the highest level of transparency and accountability in this Report, and to employing best practice standards in its reporting endeavours.

## SCOPE OF REPORT

### Reporting Period

1 January 2018 - 31 December 2018

### Reporting Cycle

Annual

### Business Entity Covered

This Report only covers the activities of Pesona Metro Sdn Bhd ("PMSB"), the construction arm of PMHB, as it is the main contributor to the Group generating 95.5% of its turnover. It does not cover the activities of our other subsidiaries but only the material issues arising from the principal business activities of PMSB which are mainly related to the construction of commercial and residential buildings as well as infrastructural works in Peninsular Malaysia.

### Guidelines

This Report complies with Bursa Securities' Sustainability Reporting Guide.

### Report Content

The contents of this Report are focused on the significant material matters which are of importance to PMHB's stakeholders. This Report abides by the rules and regulations of the related local authorities. It is to be read in conjunction with the rest of PMHB's 2018 Annual Report, which highlights other financial and non-financial aspects of the Group's business. This Report has not been subjected to external assurance. The aim is to streamline the Group's sustainability data collection and monitoring activities first and then seek external assurance in due course.

### Methodology

The various aspects and concerns featured in this Report were proposed by the Executive Committee, approved by the Board of Directors and executed by the Working Committee.

### PMHB's Sustainability Journey

PMHB has been playing the role of a responsible corporate citizen for decades. With the introduction of Sustainability Reporting in 2016, the Group has progressively and systematically put in place a Sustainability Framework and realigned its business activities so as to build a sustainable business and future for its stakeholders. In doing so, the Group is demonstrating that it is embracing compliance in a more rigorous manner 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.

# Sustainability Report

## (Cont'd)

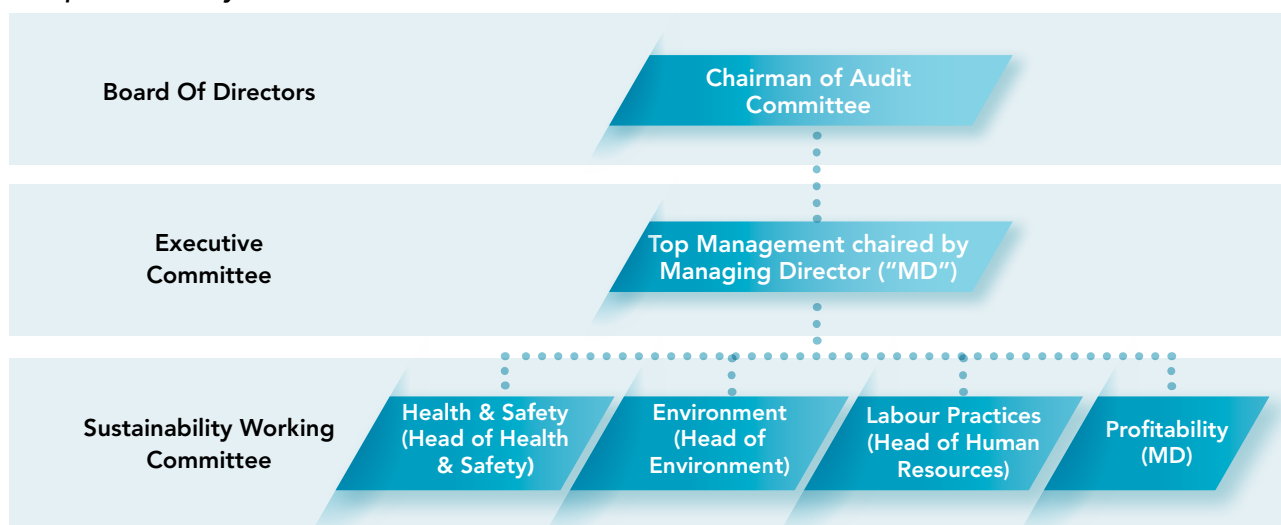
### Sustainability Themes

<b>Health &amp; Safety</b>	The health and safety of the Group's employees and the public are of the utmost importance to PMHB. We view it as our responsibility to ensure the good health and safety of our employees and the people within the vicinity of our project sites. As such, we are continuously upgrading our equipment and ensuring that our safety, health and environmental practices are in accordance with the requirements of the law.
<b>Environment</b>	PMHB is highly aware of the impact that its projects may have on the environment. As a contractor, the environment is "close to our hearts" as we have direct contact with the soil, plants, air, water bodies and animals. As these are all exhaustible resources and crucial to the survival of mankind, we handle all environmental matters very carefully. It is our duty to perform our daily operations with great awareness and sensitivity towards Mother Nature so as not to cause any imbalance in the scheme of things that may negatively affect people or the environment.
<b>Labour Practices</b>	The Group's inclusive human resource practices ensure that all employees and workers of PMHB, be they contractual or permanent, are treated fairly and justly despite our highly diversified demography in terms of nationality, race, religion and gender. We also strive to achieve a good work-life balance to ensure the physical, mental and emotional wellbeing of our people.
<b>Profitability</b>	As a business, PMHB exists to generate profits and value as well as to ensure the long-term, sustainable growth of its businesses. To this end, we are determined to keep to our promise of delivering excellent products within the stipulated budgets and timeframes.

## SUSTAINABILITY GOVERNANCE

To ensure the Group's sustainability reporting 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 formally implemented the following governance structure:

### Group Sustainability Governance Structure



# Sustainability Report

## (Cont'd)

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

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

### Board of Directors

PMHB's Board of Directors ("Board") recognises 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 shareholders.

The Board is made up of professionals with a broad and diverse range of experiences and expertise. With their professional memberships as well as their commitment towards upholding corporate governance best practices and sound internal controls, the Board shoulders the responsibility for overseeing, supporting and promoting EES efforts within the Group. The Board is also 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 our operations and management activities.

### Executive Committee

The Executive Committee is helmed by the Managing Director ("MD"), 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 encompass drawing up the Sustainability Report and Policy, setting sustainability objectives and targets, identifying internal and external stakeholders, as well as prioritising all material matters in relation to the EES aspects of sustainability reporting.

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

### Sustainability Working Committee

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

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 82 to 84 of this Annual Report.

# Sustainability Report

## (Cont'd)

### STAKEHOLDER ENGAGEMENT

An integral element of PMHB's sustainability strategy is its engagement with its stakeholders. As the Group's businesses and markets evolve, it finds itself engaging with an expanding number of different stakeholder groups. To this end, the Group is committed to developing and strengthening its ties with its stakeholders as part of its efforts to strengthen its position as a stakeholder-centric organisation. The Group's stakeholder engagement takes place regularly and is often in line with the project development process that runs throughout the project life cycle. This regular interaction with our stakeholders ensures that the interests and expectations of our stakeholders are being addressed in an accurate and timely manner.

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



*In recognition of PMSB's outstanding financial and operational achievements, the company was named winner among the top three Eminent Eagles at the Golden Eagle Award 2018 event hosted by Nanyang Siang Pau*

#### Stakeholder Engagement Matrix

Stakeholder	Stakeholder Expectations	Engagement Methods	How We Meet Our Stakeholder's Expectations
Clients	<p>Project to be completed on time, within budget and good quality.</p> <p>Full compliance with authorities' rules and regulations with minimal penalties or summons.</p> <p>Zero fatalities.</p> <p>Proper project management and communications.</p>	<p>Progress Meeting (monthly).</p> <p>Site Walk with Client (ad hoc).</p> <p>Client Satisfaction Survey (upon completion of the project).</p>	<p>QLASSIC score of 73% and above.</p> <p>Submission of monthly progress reports on time.</p> <p>Achieve a minimum 80% client satisfaction rate.</p> <p>All correspondence to be answered within 24-48 hours.</p> <p>Always assign a point of contact for clients e.g. Project Manager or Contract Manager.</p>
Authorities & Regulators	<p>Compliance with rules and regulations.</p>	<p>Site visits.</p> <p>Audits.</p> <p>Accreditation.</p> <p>Training.</p>	<p>Weekly internal site meeting and site inspection on HSE issues, 5S methodology, GBI matters to ensure compliance.</p> <p>Regularly attend training / seminars / discussions to improve work methods and get updates on new regulations.</p>

# Sustainability Report

(Cont'd)

## Stakeholder Engagement Matrix

Stakeholder	Stakeholder Expectations	Engagement Methods	How We Meet Our Stakeholder's Expectations
Employees	<p>Attractive pay-out and job security.</p> <p>Career development and progression.</p> <p>Good HSE practices.</p> <p>Fair and equal treatment.</p>	<p>Annual Staff Survey.</p> <p>Annual Appraisal.</p> <p>Fortnightly meetings.</p> <p>Business Townhall Meetings.</p>	<p>CSR activities to encourage off-site relationships with stakeholders.</p> <p>The operation of a transparent and fair rewarding mechanism based on merit.</p> <p>Regular updates on Group-related news and progress via the Group's intranet.</p> <p>The provision of both internal and external training programmes.</p> <p>Feedback on the matters raised by staff via all the engagement activities to assure them that the Group cares and will act upon the requests/ concerns which are deemed right for the Group.</p>
Business partners (suppliers & sub-contractors)	<p>Timely payment.</p> <p>Fair and transparent procurement processes.</p> <p>Safe work sites.</p>	<p>Toolbox meetings.</p> <p>Weekly meetings.</p> <p>Transparent tender processes.</p> <p>Suppliers &amp; Sub-contractors Evaluation.</p>	<p>Achieve a minimum of 75% in Grade C and above rating for supplier evaluations.</p> <p>Achieve a 75% in Grade B- and above rating for sub-contractor evaluations.</p>
General Public & Community	<p>Responsible corporate citizen.</p> <p>Transparent and timely information.</p>	<p>Corporate website.</p> <p>Feedback platform.</p>	<p>An updated website with the latest information made available to all.</p>
Media	<p>Timely and transparent financial and corporate information.</p>	<p>Press conferences.</p> <p>Corporate website.</p> <p>Press releases.</p>	<p>Meetings with media after the AGM.</p> <p>Press releases uploaded on the website for easy access by the Media.</p>

The Group is committed to developing and strengthening its ties with its stakeholders to strengthen its position as a stakeholder-centric organisation

# Sustainability Report

(Cont'd)

## STAKEHOLDER PRIORITISATION

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 Group and how these stakeholders' influence affects the Group. The findings of the Group's stakeholder prioritisation exercise (undertaken in February 2018) are tabulated as follows:

### Stakeholder Prioritisation Matrix

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

Following the stakeholder prioritisation exercise, the Group went on to incorporate its findings in a Stakeholder Prioritisation Matrix. For the purpose of this Report, the seven top stakeholders have been categorised in terms of their High Dependency-High Influence while others fall into the Low Dependency-High Influence category. 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 Prioritisation Matrix

Stakeholder dependency on the Group	High Dependency	CONSULT/INVOLVE		COLLABORATE/EMPOWER (Maximum Attention)	
					1) Employee
Low Dependency	KEEP INFORMED (Minimal Effort)		INFORM/ENGAGE		
	Community	Shareholders		3) Consultants	4) Clients
		Competitors		5) Regulators and authorities	6) Bankers
		Media		7) Suppliers	
	No Influence	Low Influence	Some Influence	Formal Power/High Influence	
<b>Stakeholder influence on the Group</b>					

# Sustainability Report

## (Cont'd)

### MATERIAL MATTERS

To gain a better understanding of the sustainability or EES-related topics that PMHB's external and internal stakeholders deem most important, the Group leverages on materiality analyses. By pinpointing the sustainability topics that are most material or most important to stakeholders, the Group can determine how best to address them. Material topics are defined as those issues which have a direct or indirect impact on PMHB's ability to create, preserve or erode EES value for the Group, its stakeholders and the community. Stakeholders' expectations on EES matters are gathered through various engagement methods including face-to-face meetings, surveys, feedback and a brief analysis of our peers' practices.

In February 2018, PMHB undertook a formal materiality analysis whereby a survey via Google Forms was sent to stakeholders within the High-Dependency and High Influence category, namely the Group's employees, customers, suppliers, sub-contractors, regulators and authorities, consultants and bankers (refer to table below). The identity of all 97 respondents and their feedback was kept confidential.

#### Parameters of Survey

Stakeholders	Parameters
Clients	Existing and past clients who have engaged the Group in jobs - both private and public organisations.
Authorities & Regulators	Governments, local councils, the Construction Industry Development Board (CIDB), SIRIM, the Fire Department, and the regulators for Green Building Index (GBI) certification.
Consultants	Professionals who have a direct influence on the Company's operations including architectural, structural, electrical, mechanical, and landscaping professionals.
Employees	Permanent, contractual and interns; locals and foreign workers.
Business partners (suppliers & sub-contractors)	Product and service providers.
General Public & Community	People living/working within a 5 km radius of our workplaces; other non-governmental organisations (NGOs) with influence.
Bankers/Financiers	Financing bodies that conduct monetary transactions with the Group.

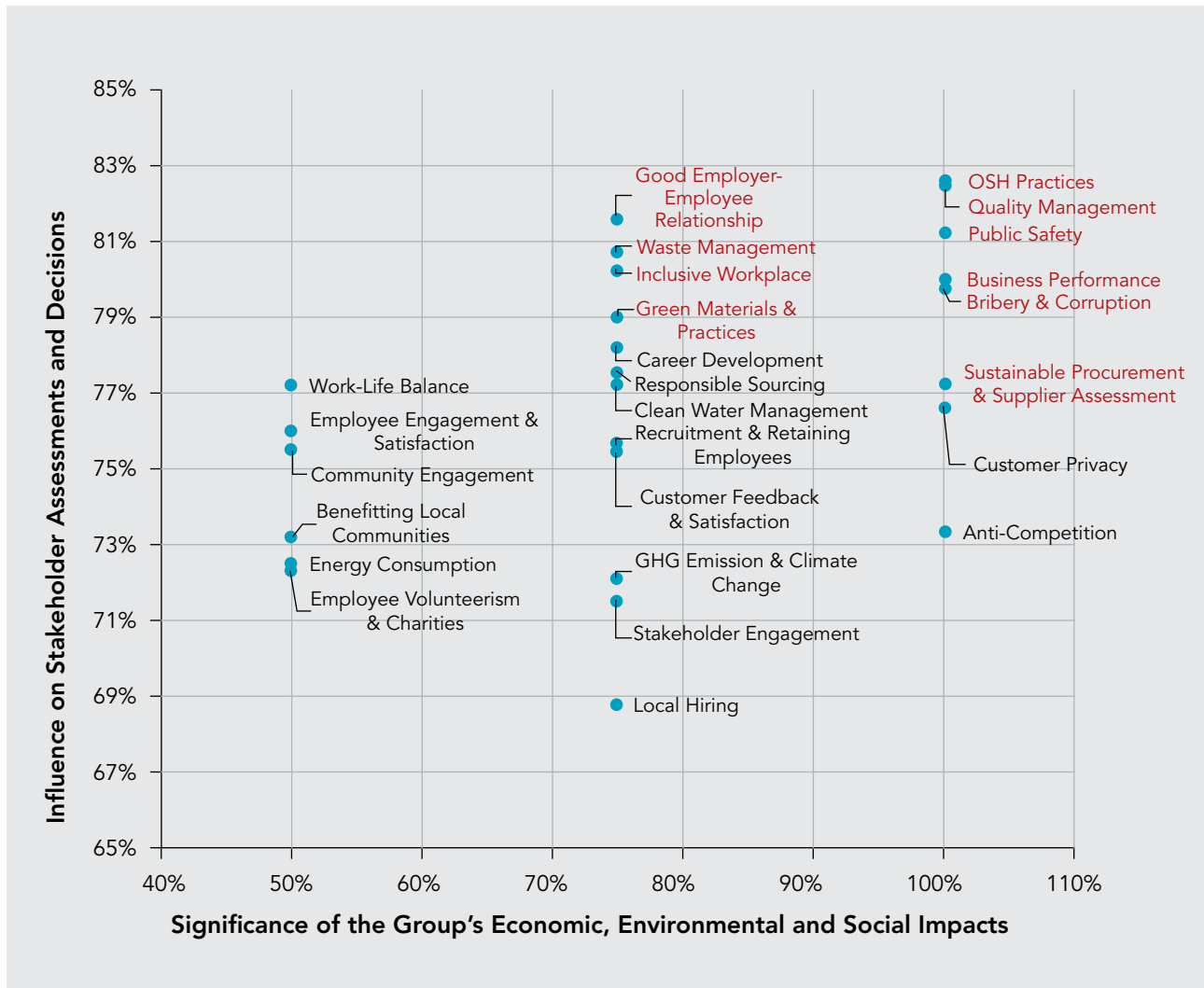
Material topics are defined as those issues which have a direct or indirect impact on PMHB's ability to create, preserve or erode EES value for the Group, its stakeholders and the community

# Sustainability Report

## (Cont'd)

In December 2018, the Group followed through with a similar stakeholder survey using Google Forms as well as the same questions and parameters. This time around, a total of 156 responses from stakeholders was garnered. The results of the survey are tabulated in the materiality matrix below:

**Materiality Matrix (as per December 2018's Analysis)**



# Sustainability Report

## (Cont'd)

The material matters from the February and December 2018 surveys are highlighted below. The latest findings are similar to the previous findings and these trends will be relied on to help us roll out our sustainability road map for 2019 (refer to the Moving Forward into 2019 sub-section towards the end of this Sustainability Report).

### Comparison of Material Matters (February 2018 vs. December 2018)

Category	February 2018 Material Matters	December 2018 Material Matters (to be utilised for 2019 planning)
Safety	Occupational Safety and Health Practices ("OSH")	OSH Practices
	Public Safety	Public Safety
Waste	Waste Management	Waste Management
	Clean Water Management	
Labour Practices	Employee Engagement and Satisfaction	Good Employer-Employee Relationship
	Anti-bribery & Corruption	Anti-bribery & Corruption
	Work-life Balance	Inclusive Workplace
Profitability	Business Performance	Business Performance
	Quality Management	Quality Management
	Financial Stability	Green Materials & Practices
		Sustainable Procurement & Supplier Assessment

## 2018 HIGHLIGHTS: SUSTAINABILITY TARGETS & ACHIEVEMENTS

EES Pillar	Targets	Achievements
Environmental	Allowable construction waste: Steel - 7% Concrete - 5% Timber - 10%	Achieved
	Zero Styrofoam food packaging at office and sites.	This goal was not achieved as 35% of our sites and offices were still found to be using Styrofoam packing boxes.
	Zero summons/notices from the authorities on environmental issues.	Achieved
Health & Safety	Zero Fatal Accidents	Achieved
	Zero Lost Time Injury Accidents	This goal was not achieved as we had the misfortune of incurring one Lost Time Injury at our site.
	Zero Critical Property Damage	Achieved
Labour Practices	Zero Employee Dismissals due to noncompliance with anti-corruption and bribery policy.	Achieved
	Anti-corruption training for employees.	Achieved

# Sustainability Report

## (Cont'd)

EES Pillar	Targets	Achievements
Product Quality	73% score in QLASSIC for all completed projects	Only the Third Avenue Office Block achieved a 73% rating. Other SOHO buildings achieved 69% which exceeded the client's requirement of 60%. The QLASSIC assessment was not applicable to the Gua Musang Seksyen 3E2 infrastructure project.
	Zero Liquidated and Ascertained Damages ("LAD") with 80% Customer Satisfaction.	Achieved. The 3E2 project achieved 98% conformance while the Third Avenue project achieved an 80% rating.
	75% of sub-contractors to achieve Grade B according to our evaluation.	Achieved.
	75% of suppliers to achieve Grade C and above according to our evaluation.	Achieved.

The detailed achievements for all the sustainability themes are spelt out in the respective sections of this Sustainability Report.

## UPHOLDING GOOD ECONOMIC PRACTICES

### Strategic Direction

PMHB continues to refine the direction of its core businesses in order to ensure the sustainable growth of the Group. The Group is continually assessing the ever-changing nature of the economic and business climates in which it operates and will continue to maintain some flexibility so it can adapt to such changes. For insights into the Group's overall strategic direction plus its financial and operational performance, please refer to the Management Discussion and Analysis section in this Annual Report.

### Strengthening the Market Ecosystem

The Group acknowledges that the key to attaining sustainable growth is to engage in marketplace activities that will help it to establish connections on every level, from its suppliers to its customers. The Group also believes in investing its efforts in initiatives that will create value in the various social and industrial circles in which it operates.

The Group continues to focus the bulk of its marketplace efforts on the construction sector via subsidiary PMSB which is also the largest contributor to the Group's revenue. While the construction industry experienced lower growth of 4.2% in 2018 from 6.7% previously, it remains a significant contributor to the nation's economic growth.



PMHB was one of the Platinum sponsors for Universiti Malaya's Concrete Bowling Competition 2018. We supported their efforts to promote responsibility and creativity in construction practices among undergraduates

# Sustainability Report

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Over the years, PMHB has been enlarging its workforce to cope with the increasing number of projects awarded to the Group. From a workforce of 20 employees some two decades ago, PMHB's workforce today comprises approximately 400 employees. Aside from its own employees (both permanent and on a contract basis), PMHB 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 is committed to helping to grow and support the local construction industry through its incorporation of new methodologies into our projects. PMHB also places priority on local suppliers when it comes to sourcing for raw materials such as cement, steel and timber. This decision has proven to be mutually beneficial as it not only opens up opportunities and generates wealth for local producers, it also makes the Group less dependent on foreign suppliers and mitigates the risk of external macroeconomic factors.

### Transparent Marketplace Practices

The Group remains steadfast in its commitment to upholding the practices, values and policies that help it to establish transparency in all its dealings while promoting good market behaviour. As a conscientious corporate citizen, PMHB upholds a zero-tolerance policy for bribery and corruption. This policy has been incorporated in the Group's Employee's Handbook. The Group's stance against these social ills is also highlighted during its Induction Programme with all new employees so that they clearly understand the PMHB's positioning in the fight against white-collar crime in the country. Today, the Group has these policies in place:

- 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. This is published in the Group's Annual Report, while the Board Charter is published on its website;
- The Open Tender Policy which is applied to all sub-contractor awards where three out of five committee members must be present at the opening of the Tender Box. One of the three committees must be from a department other than the Tender and Contract Department to ensure non-biased decisions are made; and
- The Whistleblowing Policy that provides employees a safe mechanism for raising genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, and in an appropriate manner. The Whistleblowing Policy is spelt out in in our Employee's Handbook while the general public can access this on our website at [www.pesona.com.my](http://www.pesona.com.my).



# Sustainability Report

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### UPHOLDING GOOD ENVIRONMENTAL PRACTICES

#### Education & Awareness Programmes

As a conscientious builder and industry player, PMHB is committed to upholding its responsibility to protect the environment. As part of its efforts to ensure that all stakeholders fully understand the implications and impact of the Group's activities on the environment, it has taken the initiative to educate and create awareness amongst its people, especially its employees, workers, sub-contractors and suppliers. The following are some of the educational activities that the Group conducted throughout 2018:

#### Green 5S Practices

As one of the pioneers of the 5S workplace organisation methodology in the construction industry, PMHB has made it compulsory for all project sites to implement 5S practices to ensure the workplace is kept organised, clean and free of hazardous incidences.

Since 2017, all the Group's projects have been audited by the SIRIM Green 5S team for their relevant Green 5S practices. In 2017, the Group's The Mews project site was the first of its sites to achieve a Zero Non-Conformance Report under SIRIM's Green 5S Audit.

To ensure that all employees, sub-contractors and workers have a clear understanding of the 5S methodology, several talks and briefings on the subject were organised throughout the year at the Group's project sites and headquarters. The Group also conducted 5S talks for its clients upon request. The following is a summary of the talks that were held over the past two years:

	2017	2018
Clients*	1	1
Project Sites	23	4
HQ	8	2
Induction Programme (5S)	NA	1

Note: \* upon request.

As we had carried out full implementation of 5S Talks at all project sites in 2017, from 2018 onwards, only workers at new project sites will be required to attend a 5S talk at the beginning of each project lifecycle. Moving forward, as the 5S methodology has been fully implemented at our Headquarters since 2017, we will be replacing the annual 5S talk with the 5S Induction Programme for new employees. Meanwhile, 5S refresher courses are readily available as and when needed.



IBS Factory visit by the UniSZA project team



SIRIM Green 5S Audit at one of PMSB's project sites

# Sustainability Report

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The Group's 5S efforts at its various project sites too have shown a distinct improvement between 2015 and 2018 as per the SIRIM Green 5S Audits. Since the implementation of the Green 5S initiative, the many instances of Zero Non-Conformance Reports achieved by some of PMHB's project sites have set a new standard in the industry. The following table highlights the SIRIM Green 5S Audit achievements at some of PMSB's project sites:

Year of Audit	Project Sites	Number of Non-Conformance Reports	Number of Issues Under Observation
2015	UNIMAP, Perlis	3	23
	The Mews, Kuala Lumpur	3	24
	Third Avenue, Cyberjaya	4	35
2016	The Mews, Kuala Lumpur	0	13
	Third Avenue, Cyberjaya	2	11
	KPJ Bandar Dato' Onn Specialist Hospital	5	13
2017	Residensi Gen, Kuala Lumpur	0	3
	Central Plaza i-City Mall, Selangor	0	6
	Gua Musang Seksyen 3E2, Pahang	3	9
2018	UniSZA, Terengganu	0	5

### Environmental Talks

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

The following table highlights the number of in-house environmental talks that the Group conducted for its employees in 2017 and 2018:

	2017	2018
Project Sites	6	5
Headquarters	4	1
Induction Programme (EMS Session) – introduced in Nov 2018	NA	1



### Materials Management

Most of the Group's site-based environmental efforts relate to its materials management programme whereby the focus is on minimising wastage from construction activities. The respective project site teams also strive to ensure that all construction materials are properly budgeted in terms of the total quantity needed for the project and that all access construction materials are recycled. Furthermore, as the transport of construction waste to the landfill requires significant resources, any reduction in the landfill input will result in an increase in the Group's profit margins.



# Sustainability Report

## (Cont'd)

### Raw Materials Management

For the purposes of this Report, we will focus on the three main construction materials which make up 80% of the Group's raw materials. The quantity of the raw materials utilised is in tandem with the number of projects being carried out. All raw materials used by PMHB are sourced locally.

The following tabulates the raw materials purchased over the past three years:

	2016	2017	2018
<b>Steel Bar (tonnes)</b>	15,391	17,479	13,488
<b>Concrete (m<sup>3</sup>)</b>	120,995	152,732	115,958
<b>Timber (tonnes)</b>	786	705	789

In 2017, there was an increase in the amount of materials utilised as five projects had reached their peak stage of the construction life-cycle. To help monitor usage, the Group set a target for the maximum amount of allowable wastage to ensure the efficient reduction of construction waste.

The following table portrays the amount of waste generated from the Group's five ongoing projects in 2018. Four additional projects that are nearing-completion have been excluded from this table as they will not have a significant landfill contribution at the architectural stage.

	Target/Allowed Wastage	Actual Wastage
<b>Steel Bars</b>	7%	4.85%
<b>Concrete</b>	5%	4.13%
<b>Timber (with a 4-time lifecycle)</b>	10%	8.41%

Since the materials management programme began, the Group has realised some good success. Moving forward, the programme will continue to be reviewed and developed to enable the Group to achieve better results.

### Utilities Management

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

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

### Water Usage (m<sup>3</sup>)

	2017	2018
<b>Project Sites</b>	89,832	403,256
<b>Headquarters</b>	11,521	6,049



One of PMSB's water conservation programmes where harvested rainwater is used for general cleaning such as washing off mud from truck tires before the trucks leave project sites

# Sustainability Report

## (Cont'd)

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

### Diesel Usage (litres)

	2017	2018
Project Sites	749,130	1,012,009
Headquarters	45,988	83,510

### Electricity Usage (kWh)

	2017	2018
Project Sites	549,644	2,361,847
Headquarters	190,834	210,348

Vehicles carrying workers and employees at the Group's sites mainly utilise petrol as fuel. Although the quantity used is significantly smaller in comparison to that of other utilities, petrol is still included in this Report as it ultimately contributes a not too insignificant amount to the Group's carbon footprint.

### Petrol Usage (litres)

	2017	2018
Project Sites	5,943	4,961
Headquarters	84,123	83,236



Paper recycling efforts at project sites and Headquarters

## Waste Management

The Group's waste management measures are not limited to its construction activities. PMHB has implemented several initiatives to curb the generation of general waste across the board. The Group's Waste Management Programme aims to:

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

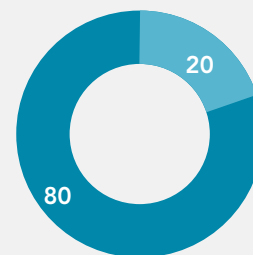
A more detailed narrative of each of these initiatives is spelt out below:

### Waste Management Targets and Programmes

#### Minimising Formwork Wastage

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

#### PMHB's Formwork Usage



- Timber Form (limited lifecycle)
- System Form (unlimited lifecycle)

# Sustainability Report

## (Cont'd)

### Minimising Packaging Waste

Approximately 60% of construction waste comprises protective packaging from building materials such as ceramic tiles, sanitary wares, aluminium works, clay bricks and sand bricks, among other things. The waste generated from this protective packaging often includes timber pallets, timber crates, cardboard boxes, plastic wrappers and metal strips which will often end up in a landfill. In order to extend the usage of these materials, PMHB re-purposes them into other products such as temporary walling systems, walkways, temporary low-fencing and road barriers at its sites.

### Minimising Rework

As part of PMHB's efforts to increase its efficiency by decreasing wastage, the Group aims to reduce the likelihood of reworks in the construction process due to the misinterpretation of construction blueprints. To this end, 2017 saw PMHB introducing innovative technologies such as Building Information Modelling ("BIM") and Virtual Design and Construction ("VDC") into its workflow to examine, analyse and detect errors prior to the construction of any project. This introduction of the BIM and VDC technologies has led to the reduction of rework, thus leading to better cost and time management of projects. To date, the Group has in place a BIM Team headed by a BIM Manager.

### Minimising Instances of Damaged Materials

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

1. Prefabricated steel frames are used to store steel bar bundles to prevent corrosion when they encounter moisture from the ground;
2. The designation of boxes/areas for the storing of scaffolding components such as joint pins, swivel clamps, jack bases, u-heads, cross bracing, catwalk platforms and frames. Boxes are also placed on every floor to enable workers to return the unused smaller components in a convenient manner so that they do not get misplaced;
3. All fragile materials are first tagged and materials with expiry dates are then stored and organised according to the dates in a 'first-in, first-out' order.

### Recycling Efforts

In 2018, the Group conducted a host of recycling activities. These efforts ranged from engaging in 'Recycling Sundays' with an NGO, to the setting up of full-scale recycling centres at project sites. All waste collected for recycling was sent to a recycle processing centre for proper handling. Furthermore, as part of PMHB's efforts, all the proceeds from the sale of recycled items were donated to charitable organisations during the Group's quarterly corporate social responsibility events.

Besides the recycling efforts at our project sites, our Headquarters also carries out its very own recycling campaign whereby employees are encouraged to bring in recyclable items from home to be recycled responsibly instead of being discarded as rubbish at landfills.



Construction waste is re-purposed into other useful products/materials at project sites

# Sustainability Report

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### Pollution Control

In line with our commitment to reducing our carbon footprint and upholding regulatory requirements, PMHB appoints an Environmental Consultant for every project prior to the commencement of the project for the formulation of the Environmental Management Plan ("EMP"). The EMP covers the monthly monitoring system for water quality, air quality, noise levels and vibrations to ensure that the activities carried out comply with the Department of Environment's requirements.

As part of its efforts to establish an environmentally friendly workplace, the Group introduced several measures to improve our construction practices in terms of environmental performance. These measures include metal drip trays for oil leakage protection, grease/oil interceptors at all our canteen facilities, proper Imhoff tanks for the toilet facilities, water browsers to reduce air particulate, and the use of water jets and wash troughs to clean lorries and the tyres of other vehicles.

### Commitment to Environmental Management (ISO14001:2015)

In 2013, PMHB obtained ISO14001:2004 certification, the International Standard for Environmental Management Systems. This was followed by an upgrade to the ISO14001:2015 standard in 2018, thus attesting to the Group's commitment towards ensuring the implementation of the latest environmental best practices throughout its operations.

## UPHOLDING GOOD SOCIAL PRACTICES

### SOCIAL: LABOUR & DECENT WORKPLACE

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

### Composition of the Board

The following table highlights the developments within PMHB's Board of Directors over the last three years:

	2016	2017	2018
<b>Total number of Directors</b>	5	5	6
<b>Gender (gender equality):</b>			
Male	5	5	5
Female	0	0	1
<b>Age (inclusivity):</b>			
> 50 years old	4	4	4
50 & < 50 years old	1	1	2
<b>Race (Diversity):</b>			
Malay	1	1	2
Chinese	4	4	4

In 2018, PMHB had the pleasure of welcoming a new female Director to the Board. This milestone is in line with the national and international shift towards encouraging more women to take up senior positions within organisations so as to enable a more balanced sharing of views and opinions between the genders.

# Sustainability Report

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### Workforce

The Group's success to date can be attributed to its loyal, hard-working and talented workforce. As at the end of 2018, PMHB's total staff workforce stood at 379 employees (end 2017: 385 employees). The composition of the Group's workforce over the past three years is tabulated as follows:

	2016	2017	2018
<b>Total number of Employees</b>	330	385	379
<b>Gender (gender equality):</b>			
Male	78%	76%	77%
Female	22%	24%	23%
<b>Age (inclusivity):</b>			
> 50 years old	13%	13%	13%
50 & < 50 years old	87%	87%	87%
<b>Race (Diversity):</b>			
Malay	57%	60%	59%
Chinese	33%	31%	32%
Indian	8%	7%	7%
Others	2%	2%	2%
<b>Type of Employment (Fair employment policy):</b>			
Permanent	36%	35%	42%
Contractual	64%	65%	58%
<b>Nationality (local labour employment):</b>			
Malaysian	99%	97%	100%
Non-Malaysian	1%	3%	0%
<b>Skills (product quality):</b>			
Technical	73%	76%	77%
Non-technical	27%	24%	23%
<b>Year of service (talent attraction &amp; retention):</b>			
< 1 year	6%	5%	17%
1 – 3 years	46%	54%	43%
3 – 6 years	25%	22%	21%
6 – 10 years	11%	9%	10%
> 10 years	12%	10%	9%
<b>Staff Turnover Rate</b>	18%	21%	25%
<b>Health &amp; Safety:</b>			
Worked Manhours	7,348,175	7,433,767	7,588,301
Fatal Accidents	0	0	0
Lost Time Injury Accidents	0	0	1
Accident Frequency Rate/Million Hours	1.36	0.80	0.79

# Sustainability Report

## (Cont'd)

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

Due to the nature of the industry in which we operate in, our workforce continues to be male-dominated. However, although our female employees operate mostly on the administrative side of our operations, the gradual increase of female engineers and professionals has seen more women enter project sites and field work.

During the year under review, the Group recorded fairly high staff turnover, which can be attributed to the retirement of a number of our personnel. However, the arrival of new recruits into the Group has seen the inflow of new ideas and fresh perspectives and approaches, elements which are essential to fostering sustainability. The vacancies left by our former employees have also encouraged our younger employees to take on more responsibility and tackle more complex challenges in a bid to move up the corporate ladder.

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

### Human Rights

PMHB understands and respects the human rights of all its employees and workers. In line with this, we have put into place the following standards for our general on-site workers (blue collar workers) to ensure that their rights are being safeguarded:

1. Separate sanitary areas (i.e. shower areas and toilets) for males and females to ensure their privacy;
2. Proper cooking area where fire extinguishers are easily accessible and a proper wash area to ensure cleanliness and good hygiene at the cooking and canteen area;
3. A designated worship area in the worker's camp to ensure workers are able to exercise their faith;
4. An entertainment area equipped with television;
5. A clean water dispenser where potable water is always made available;
6. Resting areas equipped with beds to ensure that workers get proper rest;
7. A 30-minute break to be taken during an interval of 1.5 to 2 hours of work; and
8. A one-hour lunch break.

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

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

### Work-Life Integration

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

The Group continues to create a more conducive and holistic working environment that safeguards the physical and mental health of its employees and workers

# Sustainability Report

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### Sports for Physical and Mental Wellbeing

In a bid to ensure that the individuals in its workforce are physically and mentally healthy, the Group encourages all its staff and workers to exercise as it is a proven method of helping one to destress while strengthening both mind and body. All staff have access to the Group's fitness centre located near its headquarters where they can work out and refresh themselves with a heated shower. Staff based at Headquarters also have the option of participating in fitness classes which cater to those who would prefer to work out in a group.

The Group also organises weekly site-wide activities such as futsal, bowling and badminton at both Headquarters and the construction sites to encourage interaction between employees and as well as to enhance team dynamics.



### Education & Personal Development

In line with our goal of contributing towards the development of our nation, PMHB continues to support the education system by partnering with local universities and colleges by providing internship programmes for undergraduates who need to have practical training at construction sites and offices to fulfil their academic requirements.

#### Internship Programme

For 2018, we accepted 11 interns at our Headquarters and another 26 at our construction sites. The overwhelming response from the local academic institutions was mainly due to the two sponsorship initiatives which we carried out with Universiti Tunku Abdul Rahman ("UTAR") and Universiti Malaya ("UM") in 2018.

	2016	2017	2018
Interns at Headquarters	1	8	11
Interns at Project Sites	18	16	26
<b>Total Number of Interns</b>	<b>19</b>	<b>24</b>	<b>37</b>

#### Training & Development

In 2018, our employees underwent a total of 13.92 training hours per employee as per the training categories listed below:

	2016	2017	2018
Health & Safety	11	13	18
Quality & Technical	61	58	31
Environmental	22	29	14

# Sustainability Report

(Cont'd)



## Employee Reward and Recognition Practices

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

### Employee Recognition Awards

The Group has in place a host of recognition initiatives to motivate diligent, long-serving and exceptional high-performing individuals. The following table spells out the diverse recognition programmes that have been running for several years now:

	2016		2017		2018	
	Individual	Team	Individual	Team	Individual	Team
Good Action Award	15	-	15	-	15	-
HSE Excellence Award	2	2	2	1	2	1
Good Attendance Award	2	-	2	-	1	-
10-year Long Service Award	10	-	8	-	5	-
Green 5S Award	-	-	2	1	2	1

# Sustainability Report

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### *Annual Appraisal*

At the end of every financial year, all our employees are evaluated and appraised based on their performance, competency and personal attributes, and are rewarded accordingly. The Group believes that rewarding good work will encourage our employees to move forward with the right attitude and skills. This will help thrust the Group closer to its Vision and Mission of becoming the nation's preferred builder.

The Group uses the Employee Annual Appraisal process to determine the bonus, increment, promotion and training required for each employee. As part of the process, employees are required to attend a face-to-face dialogue session with their respective superior(s) to review and assess the employee's performance, skills and initiative throughout the entire year.

The dialogue session provides the employee with a better understanding of job requirements, and serves as a platform for the clarification of any doubt and misunderstanding in work processes. The session also encourages rapport between superior and subordinate which will ultimately contribute to a better working environment.

Moving forward, the management had decided to improve and simplify the Employee Appraisal Form. A briefing session will be held to educate all superiors on how to conduct a fair and effective evaluation based on the point system set by the management which will be rolled out in 2019.

### *Project Incentives*

All employees will be rewarded when profit-making projects are able to generate better profits due to good practices which reduce on-site costs. This incentive aims to encourage employees to think of ways to reduce cost and wastage which would otherwise reduce the project bottom line. It also encourages our employees and workers to work together closely as a team to ensure better savings for each project while being rewarded for their efforts.

### *Employee Welfare and Benefits*

Aside from the standard employee benefits such as general group health insurance, medical claims, paid and special leave, as well as travelling and outstation allowances, PMHB provides the following benefits to ensure employee welfare is taken care off:

- Staff houses for overseas and outstation employees;
- Medical benefits and group health insurance are applicable to all employees fairly and equally without discrimination to their job grades;
- Sanitary toilet facilities are prepared for worker convenience on all alternate floors at high-rise building construction sites; and
- All workers at site are given masks and full Personal Protective Equipment ("PPE") to ensure that they are protected from hazards at construction sites.

All new employees will be required to attend the Employee Induction Programme within a month of assuming their roles with the Group. During the programme, participants will be guided through the Work Culture, Employee Benefits, Health & Safety Practices, Quality and Environment Practices components that the Group observes. All employees are to observe the Employee Code of Conduct in the Employee Handbook which outlines the Group's policies on work ethics as well as anti-corruption and bribery practices.

# Sustainability Report

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### Employee Engagement

PMHB understands that clear and continuous communication are integral to creating a viable and sustainable future for any organisation. The Group's efforts to bridge the gap between the management and employees include the following activities:



PMHB's inaugural Business Strategy Townhall Meeting

#### Townhall Meeting

In 2018, PMHB organised its first Business Strategy Townhall Meeting between employees and middle to upper management. Attended by 95 employees from the sites and Headquarters, the session was led by our Director. The following were among the matters that were discussed:

- Financial performance of the Group;
- Review of the Group's business strategy; and
- Identifying ways for the Group to move forward.

Many ideas and views from both the management and employees were shared and exchanged.

#### Annual Employee Survey

Another first for the Group was the implementation of a group-wide employee survey for the purpose of gauging the needs and expression of our employees. The term 'employees' refers to all staff members who are registered under the Group's payroll.

A total of 19% of employees responded to this survey. The low response rate was probably due to the lack of publicity on the Group's part which may have impeded participation by more employees. More effort will be put in to encourage at least 25% of the employees to respond to the survey and provide their feedback in 2019.

#### Utilisation of Technology Platforms

With current technology trends, communication has never been easier. The Group's employees are now able to engage in seamless communications with their stakeholders. Platforms such as WhatsApp have improved work efficiency as are enabling teams to monitor and check on work progress and other matters on a real-time basis.

On another note, eBoard, the Group's intranet platform, has taken on a more important role in disseminating corporate information, project updates and group-wide activities to all employees.

With more than 1,500 general workers and employees working at construction sites where they are exposed to safety hazards, extreme weather, noise and dust pollution, the Group is committed to providing them a safe and healthy working environment

# Sustainability Report

(Cont'd)

## SOCIAL: OCCUPATIONAL HEALTH & SAFETY

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

### Recognised for Good Health and Safety Measures

In recognition of the Group's good occupational safety and health ("OSH") measures, PMHB received the following accolades in 2018:

- Gold Class 2 Award for Very Good 2017 OSH Performance from the Malaysian Society for Occupational Safety & Health for the Residensi Gen project; and
- A SHASSIC score of 92% with 5-star certification by the CIDB for the Central Plaza i-City Mall project and 93% with 5-star certification for Residensi Gen project. The Safety and Health Assessment System in Construction or SHASSIC is an independent method to assess and evaluate the safety and health performance of a contractor in construction works/ projects.

### OHSAS 18001

The Group is committed to implementing the OHSAS 18001:2015 international standard for occupational health and safety. This is helping the Group ensure that it has an excellent OSH management system in place to mitigate all health and safety risks.



Frequent safety inspections are undertaken at all sites to ensure all safety measures meet the safety requirements



# Sustainability Report

(Cont'd)



## Our Health & Safety Policy

With the safety and well-being of its workforce in mind, PMHB continues to work towards creating a harmonious and clean workplace where safety is prioritised. To achieve this, we incorporate and observe all rules and regulations pertaining to health and safety into all our workflows. By doing this, we aim to educate our teams and instil good and safe working practices among our employees and co-workers. We strive to ensure that all work procedures are carried out safely and in accordance with the law, while safety instructions are upheld at all times to mitigate, eliminate and avoid all possible health and safety risk towards our employees and co-workers as well as our assets. The following chart highlights the typical organisational flow for health and safety matters:



### A Typical Health & Safety Organisational Chart for Project Sites



Safety training courses are conducted frequently to enhance awareness towards good health and safety practices at job sites

# Sustainability Report

## (Cont'd)

### Safety Efforts

To ensure that we maintain a high standard of OSH practices at our project sites, the following initiatives are in place:

Target	Actual	Remarks/Reasons
A minimum of one Safety Health Officer ("SHO") and two Site Safety Supervisors ("SSS") at each project site.	Achieved	All sites complied with the minimum requirements.
A minimum of one on-the-job coaching session for workers every week.	Achieved	On-the-job training ("OJT") was conducted every Wednesday with the aim of educating workers on how to deal with high-risk situations in their work. The coaching conducted sought to train employees to reduce the possibility of a situation by avoiding potential hazards. All projects sites complied with this requirement in 2018.
A minimum of one OSH training session on a half-yearly basis for employees and a minimum of one OSH training session per annum for sub-contractor staff.	30% achieved	This was a new programme introduced in 4Q2018. As such, only four project sites complied with this requirement.
Not more than two medical treatment cases for every 1,000,000 man-hours worked.	Achieved	In 2018, there were two medical treatment cases in 7,588,301 man-hours worked. Both cases occurred within separate 1,000,000 man-hours worked brackets.
A minimum of one recordable audit per month per site.	Achieved	Every site-walk was followed by a meeting where all matters raised from the audit were discussed and rectified immediately.
Set KPIs for tasks incorporated into the Occupational Health and Safety Assessment Series ("OHSAS") and Principles of Occupational Safety and Health ("POSH") planning.	Achieved	Monthly KPIs were set in line with the OHSAS 18001 and POSH Plan.
Half-yearly training sessions for Safety Personnel to learn and maintain all safety equipment and tools.	Achieved	All SHO and SSS personnel attended various training sessions pertaining to the usage of safety equipment and tools.
Safety inspections and maintenance on plants, accessories and equipment per week per site.	Achieved	Safety inspections were carried out as scheduled on a weekly basis at all sites.
Achieve 100% passes for CIDB credential programme for Site Supervisors.	51% achieved	In 2018, only 51% of our Site Supervisors passed; 37% have yet to sit for the interview and 11.43% failed. Site supervisors who have failed this programme will have to repeat the interview until they pass. New comers are scheduled to attend their interviews in subsequent sessions.
A minimum of two training sessions per annum under the Continuous Education Programme for safety staff by an external training provider.	Achieved	All SHO attended 5-6 external courses/training sessions in 2018 while all SSS attended four to five external courses/training sessions in the same year.

# Sustainability Report

## (Cont'd)

Target	Actual	Remarks/Reasons
Reward and Recognition programme for at least one employee, one sub-contractor and two general workers per month per site.	Not achieved	This will be implemented in 2019.
To conduct two larvaciding sessions per week per site.	Achieved	All sites conducted larvaciding activities at least twice a week.
To conduct one fogging session per week per site.	Achieved	All sites conducted fogging activities at least twice a week.

### Behaviour Based Safety Programme

In 2018, we introduced a coaching programme called Behaviour Based Safety (“BBS”) at all sites. This programme is aimed at rewriting a new culture that promotes the best safety attitudes and habits among the project teams regardless of their position and trades. The new culture will be spearheaded by the Head of Project at each site to motivate the frontline supervisors to be more responsible in their areas of concern and to encourage the development of good teamwork and commitment.

The programme’s initiatives are as follows:

- Look for and identify the gaps in the project team’s understanding of safety requirements;
- Facilitate comfortable one-on-one intervention sessions on individual task-related safety matters;
- Coach the team/personnel in areas where they are found to be deficient;
- Undertake stringent observation of on-field training on exposed hazards;
- Demonstrate safe operations by safety professionals when required;
- Reward outstanding personnel who comply with good safety practices; and
- Recognise tendencies for error and replace them by encouraging good habits for improvement.

### Safety Reward and Recognition Programme

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



Safe dismantling formwork training



Check point at site entrance to ensure all workers put on their PPE before entering the project site

# Sustainability Report

(Cont'd)



## SOCIAL: COMMUNITY/SOCIETY

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

### Philanthropic Activities

The Group strongly believes that as it takes care of the community, it will also be taken care of. In 2018, the Group continued to promote its culture of caring by visiting four charity homes during the year. The visits saw the Group's employees extend their hearts and hands as they showered the occupants of these homes with attention, care and emotional support. The Group also gifted each of these homes with a monetary contribution each.

The following is a summary of the home visits:

- 1Q2018 Persatuan Kebajikan Kanak-kanak Yatim & OKU Mesra Petaling Jaya
- 2Q2018 Persatuan Kebajikan Amal Da Ai Malaysia
- 3Q2018 Persatuan Kebajikan Kanak-Kanak Terencat
- 4Q2018 Batu Grace Children Home

In addition to the scheduled company-wide CSR programmes, the Group also encourages project sites and employees go the extra mile and organise additional donation activities to assist the nearby community that needed assistance. By encouraging employees to engage in philanthropic activities where they are able to help others, we are helping that this will give them a sense of fulfilment while keeping them inspired.

### Scholarship Programme

Another component of our community development programme is the PMHB Scholarship Programme which was introduced in 2008. For the 2018 programme, the Group awarded seven scholarships to deserving undergraduates who are pursuing courses related to construction such as Civil Engineering, Mechanical Engineering, Electrical Engineering (Power), Architectural and Construction Management.

The objective of this partial scholarship is to lighten the financial burden of this group of scholars. These scholars will then be granted a working opportunity with the Group upon graduation.

	2016	2017	2018
<b>Number of New Scholars</b>	6	6	7
<b>Total Annual Payout Amount</b>	RM66,919	RM125,000	RM155,000

# Sustainability Report

## (Cont'd)

### SOCIAL: PRODUCT RESPONSIBILITY

The Group believes that the aspect of quality is crucial to the sustainability of PMHB's business. As such, it is committed to delivering quality products and results as part of its promise to deliver value to its stakeholders.

#### Product Satisfaction

In order to ensure that all the Group's projects are being constructed with the same level of excellence, and that high-quality results are delivered on time and within budget, the Group's Quality Assurance and Control team has set a QLASSIC score of 73% as the basic score to be achieved in all projects upon their completion. In most instances, this score is higher than the quality requirements set by clients. However, the Group is capable of and is committed to achieving a score higher than 73% when required by clients. The Quality Assessment System in Construction or QLASSIC is an independent method or system to measure and evaluate the quality of workmanship and finishes of building construction works.

To achieve this target, we have charted the following roadmap:

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



Training for Quality Control staff

Given that this initiative was introduced in 2018, we are pleased to announce that our building project, Third Avenue at Cyberjaya, which was completed in 2018, achieved a QLASSIC score of 73% for its office block component and a 69% QLASSIC score for its SOHO component. Both these scores exceed the quality requirements set by our client. Our Gua Musang Seksyen 3E2 project is not eligible for this assessment as it is an infrastructure project.

This assessment was carried out by assessors from CIDB, a third-party assessor, to ensure fair and just evaluation was carried out accurately according to the QLASSIC standards.

#### Customer Satisfaction

Customer satisfaction plays an important role in the Group's product responsibility activities. The Group's target for Customer Satisfaction based on customer feedback is 80%. The criteria by which the Group bases its evaluation of customer satisfaction includes customers satisfaction in regard to:

- The overall project and the quality of the result;
- Our responsiveness towards the needs and requirements of customers; and
- Our expertise and technical know-how.

To achieve this, the Group organised fortnightly site meetings with clients and consultants to discuss work progress and resolve any discrepancies. We also maintained a good communications flow to ensure that all instructions and decisions had been transcribed accurately.

#### Customer Satisfaction Rating

	2016	2017	2018
< 50%	-	-	-
51% - 80%	Government Building Project: 78%	Pantai Hospital Carpark Project: 77.8%	-
51% - 80%	UNIMAP Project: 84.4%	The Mews Project: 80% KPJ Dato Onn Specialist Hospital Project: 86.7%	Gua Musang Seksyen 3E2 Project: 98% Third Avenue Project: 80%

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

# Sustainability Report

## (Cont'd)

### Sub-Contractor Evaluation

As a main contractor, PMHB is highly dependent on its sub-contractors to perform and deliver the tasks assigned to them as per clients' specifications. Upon the completion of each project, sub-contractors are assessed based on their performance. The assessment process includes dialogue sessions with sub-contractors, in which the whole work process is discussed, and if needed, various methods such as inductions are explored to help them perform better.

Based on the results of the assessment, we will only retain sub-contractors with a score of at least 'B-'. Our target is to achieve a minimum of 75% Grade B- sub-contractors in our pool. All Grade C sub-contractors will be given one year to improve themselves through additional training.

#### Sub-Contractor Evaluation Results

	2016	2017	2018
<b>% of Sub-contractors with B- category and above</b>	71.5%	84.8%	75%

From the results above, the overall quality of sub-contractors within the Group's pool has progressively met the target set by the Group in 2017 and 2018. The Group will continue to work closely with its sub-contractors to enhance their technical knowledge and skills through meetings, induction programmes and training sessions.

### Supplier Evaluation

To ensure that the products and services provided by the Group's suppliers are of a high quality, an annual evaluation is carried out to filter non-performing suppliers who do not meet the Group's requirements, especially those pertaining to timeliness and product quality.

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

#### Supplier Evaluation Results

	2016	2017	2018
<b>Grade A</b>	-	-	-
<b>Grade B</b>	78%	75%	100%
<b>Grade C</b>	22%	24%	-
<b>Grade D</b>	-	1%	-

For 2018, all (100%) of the Group's suppliers achieved a Grade B rating. PMHB will continue to guide and work with its suppliers to assist them to upgrade their standards gradually, a process which will ultimately prove to be mutually beneficial.

### Quality, Environment, and Occupational Health & Safety Management Standards

The Group has completely upgraded its ISO 9002 and ISO 14001 standards to 2015 requirements. It is currently in the process of upgrading its OHSAS 18001:2005 to the ISO45001:2018 standard. The expectation is for the upgrade to be fully implemented within three years.

# Sustainability Report

## (Cont'd)

### MOVING FORWARD INTO 2019

Moving forward, PMHB will continue to undertake the necessary measures needed to ensure it achieves its sustainability targets including re-evaluating its processes and targets where necessary.

From the results of the materiality survey conducted in December 2018, a new Sustainable Materiality Matrix is in place for 2019. The Group will focus on these material matters as it moves forward in 2019:

Category	2018 Material Matters	2019 Material Matters
<b>Safety</b>	OSH Practices	OSH Practices
	Public Safety	Public Safety
<b>Waste</b>	Waste Management	Waste Management
	Clean Water Management	
<b>Labour Practices</b>	Employee Engagement and Satisfaction	Good Employer-Employee Relationship
	Anti-Bribery & Corruption	Anti-Bribery & Corruption
	Work-life Balance	Inclusive Workplace
<b>Profitability</b>	Business Performance	Business Performance
	Quality Management	Quality Management
	Financial Stability	Green Material & Practices
		Sustainable Procurement & Supplier Assessment

In 2019, the Group plans to continue implementing all its existing programmes while adding the following objectives:

#### 1. Health & Safety

- Implement more stringent safety measures to ensure safety of the public and workers;
- Migrate from OHSAS18001:2015 to ISO45001:2018; and
- Implement the Safety and Health Reward and Recognition programme for all employees and workers at project sites.

#### 2. Labour Practices:

- Intensify the Induction Programme to quicken the transition and integration process of new employees into the PMHB work culture and environment;
- Encourage better employer-employee relationships through the annual staff survey, Townhall session and through daily operational engagements; and
- Revise the Staff Annual Appraisal programme to ensure employees are given a fair and holistic evaluation to assist them to excel better in assisting the Group to achieve its vision and mission.

#### 3. Waste Management:

- Intensify the management programme on Green 5S and quality control to achieve better results in relation to construction and general waste.

#### 4. Quality Management:

- Revisit the QA/QCs' roles and responsibilities with the end objective of achieving zero complaints, zero rework cases and zero NCRs from authorities; and
- Implement training programmes for trade works to ensure every worker learns and applies the good practice techniques at sites to improve product quality.

# Sustainability Report

(Cont'd)



## TOWARDS A SUSTAINABLE FUTURE

As the PMHB Group move forward, 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 so that it can grow in a sustainable manner.

# Corporate Governance Overview Statement

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

This Statement gives an overview as to how the Group has applied the principles and best practices of the Code during the financial year ended 31 December 2018 ("FY 2018"). The detailed application of each best practice as set out in the Code is disclosed in the Corporate Governance Report ("CG Report") which can be viewed on the corporate website at [www.pesona.com.my](http://www.pesona.com.my).

The Company has generally complied with all best practices of the Code for the FY 2018 except for the following practices:-

- Practice 7.2 (The board discloses on a named basis the top five senior management's remuneration component in bands of RM50,000).
- Practice 11.2 (Integrated reporting).

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### 1. Board Responsibilities

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

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

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

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

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

### 2. Code of Conduct and Ethics

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

The Directors' Code of Conduct & Ethics is subject to periodically review and is available in the corporate website at [www.pesona.com.my](http://www.pesona.com.my).

# Corporate Governance Overview Statement

## (Cont'd)

### 3. Whistleblowing Policy

The Whistleblowing Policy is periodically reviewed by the Board. It was last updated on 27 February 2019. It 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](http://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 and reports encompassing qualitative and quantitative information are furnished to Board members prior to meetings to allow the Directors to have sufficient time to peruse the papers for effective discussion and decision making during meetings. The Board also have direct access to the management and unrestricted access to any information relating to the Group to enable them to discharge their duties.

The Board may seek independent professional advice at the Company's expenses in furtherance of their duties.

### 6. Qualified and Competent Company Secretaries

The Company Secretaries are qualified to act as company secretary under Section 235(2)(a) of the Companies Act 2016. The Company Secretaries are Fellow or Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").

The Company Secretaries provide support to the Board in fulfilling its fiduciary duties and play an advisory role particularly with 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 is guided by the Board Charter which serves to ensure all Board members are fully aware of their roles and responsibilities. The Board Charter clearly sets out the roles and responsibilities of the Board, Chairman, Managing Director, the Executive and Non-Executive Directors, individual Directors and Company Secretaries, a formal schedule of matters reserved to the Board and Board Committees for consideration and decision.

The Board Charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities. The Board Charter was last reviewed by the Board on 27 February 2019 and is accessible via [www.pesona.com.my](http://www.pesona.com.my).

### 8. Board Composition

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

A brief profile of each Director is presented on pages 12 to 15 of this Annual Report. The Board members have diverse professional and entrepreneurial background, varied skills and experiences for effective oversight of the Group. The Independent Non-Executive Directors provide the necessary check and balance on the Board's deliberation and decision making.

# Corporate Governance Overview Statement

## (Cont'd)

The Group practices the division of responsibility between the Chairman and Managing Director. The roles of the Chairman and Managing Director are separate and clearly defined, and are held by two different individuals. The Managing Director is primarily responsible for the effective implementation of the Company's strategic plan and policies established by the Board, managing the daily conduct of business to ensure its smooth operations, supervision and management of the Company whereas the Chairman, who is an independent non-executive member of the Board, provides leadership for the Board so that the Board can perform its responsibilities. The Board has also appointed a Senior Independent 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, all newly appointed Directors shall retire from office but shall be eligible for re-election at the next AGM subsequent to their appointment. The Constitution further provide that at least one third of the Directors for the time being shall retire by rotation at each AGM at least once in 3 years but shall be eligible for re-election.

A new Independent Non-Executive Director was appointed on 1 October 2018. Her profile is disclosed in page 15 of this Annual Report. The newly appointed Independent Non-Executive Director shall retire from office and being eligible, has offered herself for re-election at the forthcoming AGM.

### 10. Nomination Committee

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

- Dato' Sri Lee Tuck Fook – Chairman, Independent Non-Executive Director
- Loh Kong Fatt – Member, Senior Independent Non-Executive Director
- Wie Hock Kiong – Member, Non-Independent Non-Executive Director

The Terms of Reference of the Nomination Committee is available on the corporate website at [www.pesona.com.my](http://www.pesona.com.my).

The Nomination Committee is responsible for making recommendations to the Board on the most appropriate Board composition to ensure that it is able to discharge its duties in an informed and conscientious manner. In discharging its duties, the Nomination Committee has developed certain criteria used in the recruitment process. In evaluating the suitable candidates, the Nomination Committee considers the following factors:-

- (i) skills, knowledge, expertise and experience, professionalism, character, integrity, reputation and competence;
- (ii) commitment (including time commitment);
- (iii) boardroom diversity including gender, age, ethnicity, cultural background and skills; and
- (iv) in the case of candidates for the position of Independent Directors, the Nomination Committee shall also evaluates the candidates' ability to discharge such responsibilities/functions as are expected from Independent Directors.

# Corporate Governance Overview Statement

## (Cont'd)

In identifying candidates for the Board, the Nomination Committee obtains recommendation of potential candidates from the existing Board members or seek professional advice and/or conduct search by utilising variety of independent source.

The Nomination Committee had during the year evaluated and recommended the appointment of Puan Salwa Binti Shamshuddin for the Board's approval. She was then appointed as an Independent Non-Executive Director of the Company on 1 October 2018 and on the same day, appointed as member of the Audit Committee.

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

The Nomination Committee undertook the following activities in FY 2018:

- assessed the effectiveness and required mix of skills and experience and other qualities, including core competencies of the Board as a whole, the committees of the Board and the contribution of each individual Director and thereafter, recommend the findings to the Board;
- reviewed the re-election and re-appointment of Directors;
- reviewed the independence of the Independent Directors based on criteria set out in the MMLR;
- recommended the appointment of a new independent non-executive director; and
- reviewed the training attended by each Director and determined the training needs.

On 27 February 2019, 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 breakdown of the Board by gender, age and ethnicity as at 31 December 2018 are as follows:-

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

The Company has a Board Diversity Policy with the objective to ensure that the Board has the diversity of perspectives, experience and skills necessary for effective oversight of the Group. Diversity includes, but not limited to gender, age and ethnicity. The Company seeks to maintain a Board comprising talented, experienced and dedicated directors with a diverse mix of expertise, skills and backgrounds which suits the nature of the business environment in which the Group operates. The Nomination Committee is delegated with the overall responsibility for implementation, monitoring and periodic review of the Board Diversity Policy.

The Board, through the Nomination Committee's annual evaluation, concluded that the Board has the right mix of skills, competencies and experiences to discharge its duties effectively.

The Nomination Committee had also on 27 February 2019 reviewed the term of office and performance of the Audit Committee and each of its members to determine whether the Audit Committee and its members have carried out their duties in accordance with its terms of reference with the assistance of the Company Secretaries.

# Corporate Governance Overview Statement

## (Cont'd)

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 Eighth 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 Eighth 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 Datuk Hj Subhi Bin Dziauddin, Loh Kong Fatt and Salwa Binti Shamshuddin as Directors at the Eighth AGM.

### 11. Independent Directors

Independent Non-Executive Directors play a leading role in Board Committees. In accordance with the Board Charter, an Independent Director whose tenure exceeds a cumulative term of nine (9) years may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. The Board shall justify and seek shareholders' approval in the event it retains a person who has served the Board as Independent Director for more than nine (9) years. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board shall seek annual shareholders' approval through a two-tier voting process – 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 2018.

The Company held five (5) Board meeting during FY 2018. The details of the attendance of each Board member are as follows:-

Name of Director	Designation	Directorship	Attendance of Meetings
Dato' Sri Lee Tuck Fook	Chairman	Independent and Non-Executive	5/5
Datuk Hj Subhi bin Dziauddin	Deputy Chairman	Non-Independent and Non-Executive	5/5
Wie Hock Beng	Managing Director	Non-Independent and Executive	5/5
Wie Hock Kiong	Director	Non-Independent and Non-Executive	5/5
Loh Kong Fatt	Director	Senior Independent and Non-Executive	5/5
Salwa Binti Shamshuddin (appointed on 1 October 2018)	Director	Independent and Non-Executive	1/1

### 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 (including the newly appointed Director) 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.

# Corporate Governance Overview Statement

## (Cont'd)

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

- 2019 Budget Proposals
- Sustainability Awareness Briefing Workshop
- Invest Malaysia Conference 2018
- Affin Hwang Capital Conference Series 2018 - Rebuilding A New Malaysia

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

### 14. Remuneration Committee

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

- Loh Kong Fatt – Chairman, Senior Independent Non-Executive Director
- Dato' Sri Lee Tuck Fook – Member, Independent Non-Executive Director
- Wie Hock Kiong – Member, Non-Independent Non-Executive Director

The Remuneration Committee reviews the remuneration packages, reward structure and fringe benefits applicable to the Managing Director, Executive Director and Senior Management on an annual basis and makes recommendations to the Board. The Board as a whole determines the remuneration of the Managing Director and the Executive Director with each individual Director abstaining from decision in respect of his own remuneration.

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

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

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

The Terms of Reference of the Remuneration Committee is available at [www.pesona.com.my](http://www.pesona.com.my).

### 15. Directors' Remuneration

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

The Board had on 27 February 2019 adopted a Remuneration Policy and Procedures for Directors and Senior Management which aims to attract, develop and retain high performing and motivated Directors and Senior Management with a competitive remuneration packages.

# Corporate Governance Overview Statement

## (Cont'd)

The Remuneration Policy and Procedures for Directors and Senior Management is subject to periodical review and is available at the corporate website at [www.pesona.com.my](http://www.pesona.com.my).

The details of the remuneration of each individual director for the FY 2018 is as follows:

Name of Director	Salary/ Fees RM'000	Bonus/ Project incentive RM'000	EPF RM'000	Other benefits RM'000	Total RM'000
<b>Executive</b>					
Wie Hock Beng	600	650	102	22	1,374
<b>Non-Executive</b>					
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
Salwa Binti Shamshuddin (appointed on 1 October 2018)	-	-	-	-	-

### 16. Senior Management's Remuneration

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

	Senior Management
From RM300,001 to RM350,000	1
From RM350,001 to RM400,000	1
From RM400,001 to RM450,000	1
From RM500,001 to RM550,000	1
From RM650,001 to RM700,000	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 four 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 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 shareholders for approval on the re-appointment of the External Auditors of the Company at the AGM.

The Audit Committee also convenes meetings with the External Auditors without the presence of the Executive Director and Management twice a year to allow discussion of any issues arising from the course of audit.

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

## 4. Sound Framework to Manage Risks

The Company has established a 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 Audit Committee on any significant risk exposure on a quarterly basis.

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

## 5. Internal Control Function

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

The Internal Auditors report independently and directly to the Audit Committee in respect of the Internal Audit function. The Audit Committee together with the Internal Auditors agreed on the scope and planned internal audit activity annually and all audit findings arising therefrom are reported to the Audit Committee on a quarterly basis. The Audit Committee met with the Internal Auditors once a year without the presence of the Executive Director and Management during the FY 2018 to allow discussion of any issues arising from the course of internal audit.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control in this Annual Report.

# Corporate Governance Overview Statement

(Cont'd)

## PRINCIPLE C: INTEGRITY IN REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### 1. Corporate Disclosure Policy

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

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

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

The primary contact for investor relations matters is:

Wie Hock Beng  
Managing Director  
Telephone Number : 03-8941 0818  
Email : [wiehb@pesona.com.my](mailto:wiehb@pesona.com.my)

### 2. Leverage on Information Technology for Effective Dissemination of Information

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

Apart from the mandatory public announcements through Bursa Securities via Bursa LINK, the Group's website at [www.pesona.com.my](http://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 Eighth AGM ("the Notice") and the Annual Report are sent to shareholders at least twenty eight (28) days before the meeting.

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

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

# Audit Committee Report

The Audit Committee was established by the Board of Directors ("Board") of Pesona Metro Holdings Berhad on 8 August 2012. The Terms of Reference of the Audit Committee was last reviewed by the Audit Committee on 27 February 2019 and is available on the corporate website at [www.pesona.com.my](http://www.pesona.com.my).

## MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee comprises the following members:

### Chairman

Loh Kong Fatt (Senior Independent Non-Executive Director)

### Members

\* Dato' Sri Lee Tuck Fook (Independent Non-Executive Director)  
Wie Hock Kiong (Non-Independent Non-Executive Director)  
Salwa Binti Shamshuddin (Independent Non-Executive Director)

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

## MEETINGS

The Audit Committee held five (5) meetings during the financial year ended 31 December 2018 ("FY 2018") 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
Salwa Binti Shamshuddin (appointed on 1 October 2018)	1/1

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

## WORK OF THE AUDIT COMMITTEE

Summary of the work carried out by the Audit Committee in discharging its duties and responsibilities during FY 2018 included the following:-

- Reviewed the unaudited quarterly financial results of each quarter and made recommendations to the Board for approval and release to Bursa Malaysia Securities Berhad. The review includes the assessment on the appropriateness of the accounting policies applied. The Audit Committee had sought explanations from the Managing Director and Chief Financial Officer on the variances in the financial performance, trade receivables and other key components of financial position;
- Reviewed the financial statements for the financial year ended 31 December 2017 and recommended the same to the Board for approval. The Audit Committee communicated with the External Auditors with particular focus on significant matters highlighted including financial reporting issues, significant judgements made by Management and compliance with the applicable approved accounting standards and other legal and regulatory requirements;

# Audit Committee Report

## (Cont'd)

- (c) Reviewed the External Auditors' audit plan for the FY 2018, covering the audit engagement team, materiality, independence and objectivity, areas of audit emphasis and audit timetable;
- (d) Reviewed the fees of the External Auditors';
- (e) Met privately with the External Auditors at the Audit Committee meetings held on 27 February 2018 and 12 April 2018 to ensure there were no restrictions to the scope of their audit and to discuss material issues that arose during the course of audit;
- (f) Reviewed the internal audit reports presented by the Internal Auditors and the findings highlighted by the Internal Auditors;
- (g) Reviewed the follow-up reports issued by the Internal Auditors and the status of mitigating measures taken by Management;
- (h) Reviewed the internal audit plan for the FY 2018 tabled by the Internal Auditors;
- (i) Met privately with the Internal Auditors at the Audit Committee meeting held on 27 February 2018 to discuss material issues that arose during the course of internal audit;
- (j) Reviewed the quarterly progress reports on risk management prepared by Management;
- (k) 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 Seventh Annual General Meeting held on 13 June 2018.

The Audit Committee had on 27 February 2019, 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 on 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 Eighth 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 2018 included the following:-

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

Based on the assessment conducted by the Audit Committee on 27 February 2019, 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 of Risk Management and Internal Controls in the 2018 Annual Report.

# 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.

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

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

## 2. BOARD RESPONSIBILITY

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

The Board is also aware that a sound internal control system provides reasonable and not absolute assurance that the Company will not be hindered in achieving its business objectives in the ordinary course of business. It should also be appreciated that the whole system of internal control is designed to manage and control risks appropriately rather than a definitive system designed for the total avoidance of risks or for eliminating the risk of failure. For the financial year ended 31 December 2018, 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 ongoing process of identifying the major risks that could potentially and significantly impact on the Group's business objectives and the Company has assigned the respective Heads of Department to manage the risks within their departments. Significant risks identified and the corresponding internal controls implemented are discussed at the management meetings.

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

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

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

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

## 4. INTERNAL AUDIT FUNCTION

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

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

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

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

In the year under review and based on the Audit Plan 2018, the following areas are the internal audit compliance reviews undertaken by the Internal Auditors:

- 1) Financial Statement Close Process;
- 2) Project Documentation Control;
- 3) Fixed Assets management; and
- 4) Follow up review on Management's action plans.

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

## 5. OTHER KEY INTERNAL CONTROL ELEMENTS

- Clearly defined terms of reference, authorities and responsibilities of the various committees which include the Audit Committee, Nomination Committee and Remuneration Committee.
- Well defined organizational structure with clear lines for the segregation of duties, accountability and the delegation of responsibilities to Senior Management and the respective division heads including appropriate authority limits to ensure accountability and approval responsibility.
- Budgets are prepared annually for the business/operating units and approved by the Board. The budgets include operational, financial and capital expenditure requirements and performance monitored on a monthly basis and the business objectives and plans are reviewed in the monthly management meetings attended by division and business unit heads. The Managing Director meet regularly with Senior Management to consider the Group's financial performance, business initiatives and other management and corporate issues.

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

- There are regular Board meetings and Board papers are distributed in advance to all Board members who are entitled to receive and access all necessary and relevant information. Decisions of the Board are only made after the required information is made available and deliberated on by the Board. The Board maintains complete and effective control over the strategies and direction of the Group.
- The Audit Committee reviews the effectiveness of the Group's system of internal control on behalf of the Board. The Audit Committee comprises of non-executive members of the Board, who are independent Directors. The Audit Committee is not restricted in any way in the conduct of its duties and has unrestricted access to the Internal and External Auditors of the Company and to all employees of the Group. The Audit Committee is also entitled to seek other third party independent professional advice deemed necessary in the performance of its responsibility.
- The Audit Committee reviews all the internal control issues identified by the External and Internal Auditors and action taken by the Management in respect of the findings arising therefrom. The internal audit reports directly to the Audit Committee. Findings are communicated to the Management and the Audit Committee with recommendations for improvement and subsequently follow up to ensure all agreed recommendations are implemented. The internal audit plan is structured on risk based approach and is reviewed and approved by the Audit Committee.
- Review of all proposals for material capital and investment opportunities by the Senior Management and approval for the same by the Board prior to expenditure being committed.
- There are sufficient reports generated in respect of the business and operating units to enable proper review of the operational, financials and regulatory environment. Management Accounts are prepared timely and on a monthly basis and is reviewed by the Managing Director and Senior Management.
- The professionalism and competency of staff are enhanced through a structured training and development programme. A performance appraisal system is in place with established key performance indicators to measure and review staff performance on an annual basis.
- The decision of the Board in appointing 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 2018, 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 RM63,000.

## 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 2018 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 2018 as set out on pages 87 to 174 of this Annual Report.

# Additional Information

## AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees charged for services rendered to the Group and the Company by the External Auditors for the financial year ended 31 December 2018 were RM128,700 and RM5,000 and RM35,000 and RM5,000 respectively.

## RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

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

The RRPTs are of revenue or trading in nature and are entered into in the ordinary course of business. The shareholders' mandate was obtained on 13 June 2018.

## MATERIAL CONTRACT INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

The Company and its subsidiary companies have not entered into any material contracts outside the ordinary course of business, involving directors and major shareholders for the financial year ended 31 December 2018.



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# Directors' Report

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

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

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

## FINANCIAL RESULTS

	Group RM	Company RM
Net profit/(loss) for the financial year	9,490,454	(2,264,366)
Attributable to:		
Owners of the parent	8,251,941	(2,264,366)
Non-controlling interests	1,238,513	-
	9,490,454	(2,264,366)

## 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 2017 on 12 July 2018	6,949,410

The Directors recommend the payment of a single-tier final dividend of RM0.01 per ordinary share amounting to RM6,949,410 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 from 694,890,959 to 694,941,009 by way of issuance of 50,050 ordinary shares through conversion of Warrants at an exercise price of RM0.25 for a total cash consideration of RM12,513.

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

There was no issuance of debentures during the financial year.

### WARRANTS

The warrants were constituted under the Deed Poll (2015/2020) dated 9 January 2015.

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

As at 31 December 2018, the total numbers of warrants that remained unexercised were 98,012,663.

### OPTIONS GRANTED OVER UNISSUED SHARES

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

### DIRECTORS

The Directors 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  
Salwa Binti Shamshuddin (*appointed on 1.10.2018*)

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#  
Juraimi Azahar Bin Taharim

\* *Director of the Company and its subsidiary companies*

# *Resigned during the financial year*

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:

	Number of ordinary shares			At 31.12.2018
	At 1.1.2018	Acquired	Disposed	
<b>Interests in the Company</b>				
Direct interests:				
Wie Hock Beng	8	-	-	8
<b>Indirect interests:</b>				
Wie Hock Beng <sup>1</sup>	376,879,300	10,000,000	-	386,879,300
Wie Hock Kiong <sup>1</sup>	376,879,300	10,000,000	-	386,879,300

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

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

### DIRECTORS' BENEFITS

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

Neither during nor at the end of the financial year, was the 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 any Directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

# Directors' Report

(Cont'd)

## OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and
  - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
  - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charges on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the Directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations 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)

## 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 15 April 2019.

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 98 to 174 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 2018 and of their financial performance and their cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 15 April 2019.

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 98 to 174 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed at KUALA LUMPUR )  
in the Federal Territory on 15 April 2019 )

\_\_\_\_\_  
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 2018 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 98 to 174.

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 2018, 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 2(c) (Significant accounting judgements, estimates and assumptions), Note 3(i) (Significant Accounting Policies), Note 11 (Contract assets/liabilities) 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 uses the input method to measure the stage of completion of these long-term contracts. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.</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"><li>• 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;</li><li>• Read all key contracts to obtain an understanding of the specific terms and conditions;</li><li>• Compared the architect certificate against stage of completion of certain contracts to ascertain the reasonableness of the stage of completion recognised in the profit or loss;</li><li>• 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;</li><li>• 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</li><li>• Assessed the adequacy and reasonableness of the disclosures in the financial statements.</li></ul>

# Independent Auditors' Report

To the Members of Pesona Metro Holdings Berhad (Cont'd)

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

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

### Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the key audit matter
<p><u>Impairment of receivables</u></p> <p>Refer to Note 2(d) (Significant accounting judgements, estimates and assumptions), Note 3(l) (Significant Accounting Policies), Note 9 (Trade receivables), Note 12 (Other receivables).</p> <p>The Group has material credit exposures in its trade and other receivables. Given the nature of these assets, the assessment of impairment involves significant estimation uncertainty subjective assumptions and the application of significant judgement.</p> <p>The focus of our work involved auditing the Group's credit analyses and associated impairment assessments of trade and other receivables that were either default or significantly overdue as at 31 December 2018.</p>	<p>Our audit procedures performed in this area included, among others:</p> <ul style="list-style-type: none"><li>• Obtained and evaluated the Group's credit risk policy, and tested the associated processes used by management to assess credit exposures, assign internal credit ratings, and report on these to the appropriate level of governance to ensure they worked as designed;</li><li>• Developed our understanding of significant credit exposures which were significantly overdue, deemed to be in default, or were on watch through review of credit reports produced by account department and analysis of aged receivables;</li><li>• Reviewed the adequacy of the impairment loss and enquired management regarding the recoverability of the selected receivables that are past due but not impaired, and review the customers' correspondence, settlement agreement and obtained evidence of cash receipts where these has been recovered; and</li><li>• Assessed the adequacy and reasonableness of the disclosure in the financial statements.</li></ul>

### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

# Independent Auditors' Report

To the Members of Pesona Metro Holdings Berhad (Cont'd)

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

# Independent **Auditors' Report**

To the Members of Pesona Metro Holdings Berhad (Cont'd)

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

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

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

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

## **OTHER MATTERS**

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

### **UHY**

Firm Number: AF 1411

Chartered Accountants

### **TAN TIAN WOUI**

Approved Number: 02969/05/2020 J

Chartered Accountant

KUALA LUMPUR

15 April 2019

# Statements of Financial Position

As At 31 December 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	61,766,971	71,166,350	-	-
Investment properties	5	2,924,588	12,666,514	-	-
Intangible assets	6	58,284,456	64,754,598	-	-
Investments in subsidiary companies	7	-	-	120,714,521	120,714,521
Concession receivables	8	136,983,496	139,106,864	-	-
Trade receivables	9	54,197,210	30,987,582	-	-
<b>Total non-current assets</b>		<b>314,156,721</b>	<b>318,681,908</b>	<b>120,714,521</b>	<b>120,714,521</b>
<b>Current Assets</b>					
Inventories	10	681,199	847,207	-	-
Contract assets	11	23,578,474	24,189,592	-	-
Concession receivables	8	2,123,368	1,878,380	-	-
Trade receivables	9	168,848,906	130,915,548	-	47,000,000
Other receivables	12	29,563,588	26,244,726	35,179	34,407
Amounts due from subsidiary companies	13	-	-	109,605,579	71,654,979
Amount due from an associate company	14	-	2,300,000	-	-
Tax recoverable		2,348,041	1,205,814	34,952	25,278
Fixed deposits with licensed banks	15	4,958,245	13,006,071	-	11,850
Cash and bank balances	16	22,869,172	11,797,151	225,033	375,492
		254,970,993	212,384,489	109,900,743	119,102,006
<b>Total assets</b>		<b>569,127,714</b>	<b>531,066,397</b>	<b>230,615,264</b>	<b>239,816,527</b>

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

# Statements of Financial Position

As At 31 December 2018 (Cont'd)

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>EQUITY</b>					
Share capital	17	194,020,338	194,007,825	194,020,338	194,007,825
Reverse acquisition reserve	19	(91,000,000)	(91,000,000)	-	-
Retained earnings		75,977,955	74,675,424	36,496,926	45,710,702
<hr/>					
<b>Equity attributable to owners of the Company</b>		178,998,293	177,683,249	230,517,264	239,718,527
<b>Non-controlling interests</b>		9,160,955	7,922,442	-	-
<hr/>					
<b>Total equity</b>		188,159,248	185,605,691	230,517,264	239,718,527
<hr/>					
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Trade payables	20	19,419,019	14,167,841	-	-
Bank borrowings	21	76,095,000	90,170,354	-	-
Finance lease payables	22	7,580,229	9,036,294	-	-
Deferred tax liabilities	23	13,979,980	15,292,669	-	-
<hr/>					
<b>Total non-current liabilities</b>		117,074,228	128,667,158	-	-
<hr/>					
<b>Current liabilities</b>					
Contract liabilities	11	49,580,100	25,612,541	-	-
Trade payables	20	145,595,090	143,566,229	-	-
Other payables	24	19,770,309	17,471,975	98,000	98,000
Bank borrowings	21	44,669,466	25,044,452	-	-
Finance lease payables	22	4,244,486	4,940,613	-	-
Tax payable		34,787	157,738	-	-
<hr/>					
		263,894,238	216,793,548	98,000	98,000
<hr/>					
<b>Total Liabilities</b>		380,968,466	345,460,706	98,000	98,000
<hr/>					
<b>Total Equity and Liabilities</b>		569,127,714	531,066,397	230,615,264	239,816,527

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

# Statements of Profit or Loss and other Comprehensive Income

For The Financial Year Ended 31 December 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	25	580,812,718	548,759,792	13,094	47,008,997
Cost of sales		(514,437,255)	(485,289,996)	-	-
<b>Gross profit</b>		66,375,463	63,469,796	13,094	47,008,997
Other income		2,490,284	5,320,263	-	-
Administrative expenses		(43,918,190)	(35,624,762)	(2,277,384)	(2,350,056)
Finance costs	26	(10,890,210)	(3,929,968)	-	-
<b>Profit/(Loss) before taxation</b>	27	14,057,347	29,235,329	(2,264,290)	44,658,941
Taxation	28	(4,566,893)	(8,551,966)	(76)	(2,066)
<b>Net profit/(loss) for the financial year, representing total comprehensive income/(loss) for the financial year</b>		9,490,454	20,683,363	(2,264,366)	44,656,875
<b>Profit attributable to:</b>					
Owner of the Company		8,251,941	19,169,991		
Non-controlling interest		1,238,513	1,513,372		
		9,490,454	20,683,363		
<b>Total comprehensive income attributable to:</b>					
Owner of the Company		8,251,941	19,169,991		
Non-controlling interest		1,238,513	1,513,372		
		9,490,454	20,683,363		
<b>Earnings per share:</b>					
- Basic	29	1.19	2.76		
- Diluted	29	1.04	2.42		

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

# Statements of Changes in Equity

For The Financial Year Ended 31 December 2018

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	Non-controlling interests RM	Total RM	
<b>At 1 January 2018</b>		194,007,825	-	(91,000,000)	74,675,424	177,683,249	7,922,442	185,605,691
Net profit for the financial year, representing total comprehensive income for the financial year								
<b>Transactions with owners:</b>								
Conversion of warrants	17	12,513	-	-	-	12,513	-	12,513
Dividend on ordinary shares	31	-	-	-	(6,949,410)	(6,949,410)	-	(6,949,410)
<b>Total transactions with owners</b>		12,513	-	-	(6,949,410)	(6,936,897)	-	(6,936,897)
<b>At 31 December 2018</b>		194,020,338	-	(91,000,000)	75,977,955	178,998,293	9,160,955	188,159,248
<b>At 1 January 2017</b>		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								
<b>Transactions with owners:</b>								
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 subsidiaries		19,355,000	-	-	-	19,355,000	6,409,070	25,764,070
<b>Total transactions with owners</b>		21,664,897	-	-	(6,670,753)	14,994,144	6,409,070	21,403,214
Transfer in accordance with Section 618(2) of the Companies Act, 2016	18	8,659,138	(8,659,138)	-	-	-	-	-
<b>At 31 December 2017</b>		194,007,825	-	(91,000,000)	74,675,424	177,683,249	7,922,442	185,605,691

# Statements of Changes in Equity

## For The Financial Year Ended 31 December 2018 (Cont'd)

Company	Note	Non-distributable		Distributable	Total RM
		Share capital RM	Share premium RM	Retained earnings RM	
<b>At 1 January 2018</b>		194,007,825	-	45,710,702	239,718,527
Net loss for the financial year, representing total comprehensive loss for the financial year		-	-	(2,264,366)	(2,264,366)
<b>Transactions with owners:</b>					
Conversion of warrants	17	12,513	-	-	12,513
Dividend on ordinary shares	31	-	-	(6,949,410)	(6,949,410)
<b>Total transactions with owners</b>		12,513	-	(6,949,410)	(6,936,897)
<b>At 31 December 2018</b>		194,020,338	-	36,496,926	230,517,264
<b>At 1 January 2017</b>		163,683,790	8,659,138	7,724,580	180,067,508
Net profit for the financial year, representing total comprehensive income for the year		-	-	44,656,875	44,656,875
<b>Transactions with owners:</b>					
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 subsidiaries		19,355,000	-	-	19,355,000
Share issuance expense		(816,553)	-	-	(816,553)
<b>Total transactions with owners</b>		21,664,897	-	(6,670,753)	14,994,144
Transfer in accordance with Section 618(2) of the Companies Act, 2016	18	8,659,138	(8,659,138)	-	-
<b>At 31 December 2017</b>		194,007,825	-	45,710,702	239,718,527

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

# Statements of Cash Flows

For The Financial Year Ended 31 December 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Cash Flows From Operating Activities</b>					
Profit before taxation		14,057,347	29,235,329	(2,264,290)	44,658,941
Adjustments for:					
Amortisation of concession right		3,470,142	413,186	-	-
Bad debt written off		-	6,825	-	-
Depreciation of property, plant and equipment		16,545,409	16,094,673	-	-
Impairment loss on amount due from an associate company		2,300,000	-	2,300,000	-
Impairment loss on investment in an associate company		3,000,000	-	-	-
Impairment loss on amount due from subsidiary company		-	-	-	1,700,000
Reversal of impairment loss on amount due from subsidiary company		-	-	(680,000)	-
Inventories written down		184,186	211,844	-	-
Interest expenses		10,890,210	3,929,968	-	-
Property, plant and equipment written off		29,749	9,807	-	-
Dividend income		-	-	-	(47,000,000)
Fair value adjustment on investment properties		(90,640)	(200,000)	-	-
(Gain)/Loss on disposal of property, plant and equipment		(409,541)	91,247	-	-
Gain on disposal of investment properties		(2,610)	-	-	-
Interest income		(1,120,615)	(4,597,865)	(13,094)	(8,997)
Reversal of inventories written down		(193,246)	(120,769)	-	-
Unrealised gain on foreign exchange		(1,487)	(90)	-	-
Waiver of debts		(10,141)	-	-	-
Operating profit/(loss) before working capital changes		48,648,763	45,074,155	(657,384)	(650,056)
Changes in working capital:					
Inventories		175,068	246,004	-	-
Contract assets		611,118	(2,599,323)	-	-
Trade and other receivables		(62,583,468)	54,093,699	(772)	3,711,787
Contract liabilities		23,967,559	(42,907,538)	-	-
Trade and other payables		9,588,514	(52,356,123)	-	(114,675)
Subsidiary companies		-	-	(39,570,600)	(12,797,400)
		(28,241,209)	(43,523,281)	(39,571,372)	(9,200,288)
Cash from/(used in) operations		20,407,554	1,550,874	(40,228,756)	(9,850,344)
Interest received		1,120,615	6,728,208	13,094	8,997
Interest paid		(10,777,150)	(3,874,909)	-	-
Dividend received		-	-	47,000,000	14,000,000
Tax refund		114,786	162,088	-	-
Tax paid		(7,259,546)	(10,013,991)	(9,750)	(50,955)
		(16,801,295)	(6,998,604)	47,003,344	13,958,042
<b>Net cash from/(used in) operating activities</b>		<b>3,606,259</b>	<b>(5,447,730)</b>	<b>6,774,588</b>	<b>4,107,698</b>

# Statements of Cash Flows

For The Financial Year Ended 31 December 2018 (Cont'd)

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Cash Flows From Investing Activities</b>					
Purchases of property, plant and equipment	4(b)	(4,716,903)	(22,028,828)	-	-
Purchases of investment properties	5	-	(152,022)	-	-
Refund of deposit on investment properties	5	10,000	-	-	-
Proceeds from disposals of property, plant and equipment		562,671	445,755	-	-
Proceeds from disposals of investment properties		10,402,610	-	-	-
Acquisition of subsidiary companies, net of cash acquired	7(a)	-	6,630,673	-	-
<b>Net cash from/(used in) investing activities</b>		<b>6,258,378</b>	<b>(15,104,422)</b>	<b>-</b>	<b>-</b>
<b>Cash Flows From Financing Activities</b>					
Repayment of finance lease payables		(5,341,632)	(4,537,882)	-	-
Repayment of Commodity murabahah term financing-i and term loan		(15,617,582)	(3,312,228)	-	-
Proceeds from issuance of shares		12,513	3,126,450	12,513	3,126,450
Share issuance expense		-	(816,553)	-	(816,553)
Changes in invoice financing and banker acceptance		21,054,182	12,882,224	-	-
Changes in fixed deposits pledged with licensed banks		(1,068,794)	(1,106,876)	-	-
Changes in pledged cash and bank balances		-	(1,375,000)	-	-
Drawdown of Commodity murabahah term financing-i		-	37,840,000	-	-
Dividend paid		(6,949,410)	(6,670,753)	(6,949,410)	(6,670,753)
<b>Net cash (used in)/from financing activities</b>		<b>(7,910,723)</b>	<b>36,029,382</b>	<b>(6,936,897)</b>	<b>(4,360,856)</b>
<b>Net changes in cash and cash equivalents</b>		<b>1,953,914</b>	<b>15,477,230</b>	<b>(162,309)</b>	<b>(253,158)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>19,538,771</b>	<b>4,061,451</b>	<b>387,342</b>	<b>640,500</b>
Effect of exchange translation difference on cash and cash equivalents		1,487	90	-	-
<b>Cash and cash equivalents at the end of the financial year</b>		<b>21,494,172</b>	<b>19,538,771</b>	<b>225,033</b>	<b>387,342</b>
<b>Cash and cash equivalents at the end of the financial year comprises:</b>					
Short-term investment		-	-	-	-
Fixed deposits with licensed banks		4,958,245	13,006,071	-	11,850
Cash and bank balances		22,869,172	11,797,151	225,033	375,492
		27,827,417	24,803,222	225,033	387,342
Less: Fixed deposits pledged with licensed banks		(4,958,245)	(3,889,451)	-	-
Less: Pledged cash and bank balances		(1,375,000)	(1,375,000)	-	-
		21,494,172	19,538,771	225,033	387,342

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

# Notes to the Financial Statements

31 December 2018

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

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and 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.

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

#### Adoption of new and amended standards

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

MFRS 9	<i>Financial Instruments</i> (IFRS 9 issued by IASB in July 2014)
MFRS 15	<i>Revenue from Contracts with Customers</i>
IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to MFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to MFRS 4	<i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>
Amendments to MFRS 15	<i>Clarifications to MFRS 15</i>
Amendments to MFRS 140	<i>Transfers of Investment Property</i>
Annual Improvements to MFRSs 2014 – 2017 Cycle:	
• Amendments to MFRS 1	
• Amendments to MFRS 128	

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

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

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this Standard are not relevant to the Group and to the Company.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (Cont'd)

#### Adoption of new and amended standards (Cont'd)

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

The Group and the Company applied MFRS 9 retrospectively. Nevertheless, as permitted by MFRS 9, the Company has elected not to restate the comparative periods in the financial year of initial adoption as permitted under MFRS 9 transitional provision. The impact arising from MFRS 9 adoption were included in the opening retained earnings at the date of initial application, 1 January 2018.

##### (a) Classification of financial assets

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL") and replaces the existing MFRS 139 *Financial Instruments: Recognition and Measurement* categories of loans and receivables, held-to-maturity and available-for-sale. Classification under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics.

##### (b) Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. There were no changes to the classification and measurements of financial liabilities to the Group and to the Company.

##### (c) Impairment

MFRS 9 requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The Group and the Company require to record ECL on all of its loans and receivables, either on a 12-months or lifetime basis. The Group and the Company applied the simplified approach and record lifetime expected losses on all receivables. Based on readily information as at the date of this report, the Group and the Company have accounted for expected credit losses and changes in these expected credit losses of each reporting date to reflect changes in credit risk since initial recognition.

##### (d) Effect of changes in classification of financial assets on 1 January 2018

	As at 1.1.2018 RM	Reclassification to MFRS 9 AC RM
<b>Group</b>		
<b>Financial assets</b>		
<u>Loan and receivables</u>		
Concession receivables	140,985,244	140,985,244
Trade receivables	161,903,130	161,903,130
Other receivables	23,213,424	23,213,424
Amount due from an associated company	2,300,000	2,300,000
Fixed deposits with licensed banks	13,006,071	13,006,071
Cash and bank balances	11,797,151	11,797,151

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (Cont'd)

#### Adoption of new and amended standards (Cont'd)

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

#### (d) Effect of changes in classification of financial assets on 1 January 2018 (Cont'd)

	As at 1.1.2018 RM	Reclassification to MFRS 9 AC RM
<b>Company</b>		
<b>Financial assets</b>		
<u>Loan and receivables</u>		
Trade receivables	47,000,000	47,000,000
Other receivables	5,000	5,000
Amount due from subsidiary companies	71,654,979	71,654,979
Fixed deposits with licensed banks	11,850	11,850
Cash and bank balances	375,492	375,492

#### (e) Effect on impairment allowances on 1 January 2018

The impact of the calculation of ECL has no material impact to the financial statements of the Group and of the Company, and the standard has thus been implemented without adjusting the opening balance at 1 January 2018.

#### (ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Revenue is recognised when a customer obtains control of a good or service, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group and the Company using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Accordingly, the comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (Cont'd)

#### Adoption of new and amended standards (Cont'd)

##### (ii) MFRS 15 Revenue from Contracts with Customers (Cont'd)

In applying the modified retrospective method, the Group and the Company applied the following practical expedients:

- for completed contracts, contracts that begin and end within the same annual reporting period were not restated;
- for completed contracts that have variable consideration, transaction price at the date the contract was completed was used rather than estimating variable consideration amounts in the comparative reporting periods; and
- for all reporting periods presented before the date of initial application, the amount of the transaction price allocated to the remaining performance obligation and an explanation of when the entity expects to recognise that amount as revenue is not disclosed

The adoption of MFRS 15 has no material financial impact other than the disclosures made in the financial statements.

#### 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 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 and 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
Amendments to References to the Conceptual Framework in MFRSs Standards:		
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 101	Definition of a Material	1 January 2020
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

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (Cont'd)

#### Standards issued but not yet effective (Cont'd)

The Group and the Company plan to apply the abovementioned accounting standards, interpretation and amendments from the annual period beginning on 1 January 2019 for those accounting standards, interpretation and amendments that are effective for annual periods beginning on or after 1 January 2019.

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

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

#### MFRS 16 Leases

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

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

The impact of MFRS 16 is currently being assessed by management.

### (b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to nearest RM, unless otherwise stated.

### (c) 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.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 2. BASIS OF PREPARATION (CONT'D)

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

#### 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:

#### Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are significant that a property does not qualify as investment property.

#### Satisfaction of performance obligation in relation to contracts with customers

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulations:

The Group recognises revenue over time in the following circumstances:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date; and
- (c) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 2. BASIS OF PREPARATION (CONT'D)

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

#### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

#### Useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, 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 property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount at the reporting date for property, plant and equipment is disclosed in Note 4 to the financial statements.

#### Revaluation 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 2018 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 investment 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.

#### Impairment of investment in associated company

The Group reviews its investments in associate company when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. The Group evaluates the recoverable amounts based on market performance, economic and political situation of the country in which the associates operate.

#### 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.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 2. BASIS OF PREPARATION (CONT'D)

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

#### Key sources of estimation uncertainty (Cont'd)

##### Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods are based on invoiced values. Discounts are not considered as they are not only given in rare circumstances.

##### Revenue from construction contracts

Construction revenue and costs are recognised over the period of the contract in the profit or loss by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of performance obligation is measured based on the physical proportion of contract work-to-date certified by professional consultants. Significant judgement is required in determining the progress based on the certified work-to-date corroborated by the level of completion of the construction based on actual costs incurred to-date over the estimated total construction costs. The total estimated construction costs are based on approved budgets, which require assessments and judgments to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, the Group evaluates based on past experience, the work of specialists and a continuous monitoring mechanism.

The details of construction contracts are disclosed in Note 11 to the financial statements.

##### Impairment of receivables

The Group reviews the recoverability of its receivables, include trade and other receivables, amounts due from subsidiary companies and associate company at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions at the end of each reporting period.

The carrying amounts at the reporting date for receivables are disclosed in Notes 8, 9, 13 and 14 to the financial statements.

##### Income taxes

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

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2018, the Group has tax recoverable and payable of RM2,348,041 (2017: RM1,205,814) and RM34,787 (2017: RM157,738) respectively.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of consolidation

#### (i) Subsidiary companies

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

#### Acquisition method

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

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

# Notes to the Financial Statements

31 December 2018 (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(l)(i) to the financial statements on impairment of non-financial assets.

# Notes to the Financial Statements

31 December 2018 (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 company is 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.

The requirements of MFRS 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associated company. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 as a single asset, by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group 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(l)(i) to the financial statements on impairment of non-financial assets.

# Notes to the Financial Statements

31 December 2018 (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 Group's net investment in foreign operation are recognised in profit or loss in the Group'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(l)(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 2018 (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 machineries	4 - 10 years
Computers	3 <sup>1</sup> / <sub>3</sub> - 10 years
Moulds	10 years
Renovation	5 - 10 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 or the Company 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 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Leases (Cont'd)

#### As lessee (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 or the Company do not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statements of financial position.

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

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

#### As lessor

Leases in which the Group or the Company do 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.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Investment properties (Cont'd)

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.

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

### (h) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9 *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) Financial instruments (Cont'd)

#### (i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

#### *Policy applicable from 1 January 2018*

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

#### *Policy applicable before 1 January 2018*

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.

#### (ii) Financial instrument categories and subsequent measurement

##### Financial assets

#### *Policy applicable from 1 January 2018*

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

#### (a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 3(l)(ii)) where the effective interest rate is applied to the amortised cost.

All financial assets are subject to impairment assessment (see Note 3(l)(ii)).

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) Financial instruments (Cont'd)

#### (ii) Financial instrument categories and subsequent measurement (Cont'd)

##### Financial assets (Cont'd)

##### *Policy applicable before 1 January 2018*

In the previous financial year, financial assets of the Company were classified and measured under MFRS 139 *Financial Instruments: Recognised and Measurement* as follow:

#### (a) 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.

##### Financial liabilities

##### *Policy applicable from 1 January 2018*

The categories of financial liabilities at initial recognition are as follows:

#### (a) Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

##### *Policy applicable before 1 January 2018*

In the previous financial year, financial liabilities of the Group or of Company were subsequently measured at financial liabilities measured at amortised cost.

#### (iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) Financial instruments (Cont'd)

#### (iii) Regular way purchase or sale of financial assets (Cont'd)

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Group or the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

#### (iv) Financial guarantee contracts

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

##### ***Policy applicable from 1 January 2018***

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15 *Revenue from Contracts with Customers*.

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

##### ***Policy applicable before 1 January 2018***

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

#### (v) 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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) Financial instruments (Cont'd)

#### (v) Derecognition (Cont'd)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

#### (vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Group and the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

### (i) Contract asset/Contract Liability

A contract asset is recognised when the Group and the Company have performed under the contract but has not yet billed the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional.

Conversely, a contract liability is recognised when the Group and the Company have not yet performed under the contract but has received advanced payments from the customer. Contract liabilities are recognised as revenue as the Group and the Company performs under the contract.

### (j) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw material comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on weighted average basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (k) 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 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (l) Impairment of assets

#### (i) Non-financial assets

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

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

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

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

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

#### (ii) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9 *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (I) Impairment of assets (Cont'd)

#### (ii) Financial assets (Cont'd)

##### *Policy applicable from 1 January 2018*

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

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

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

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

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

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

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

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

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (l) Impairment of assets (Cont'd)

#### (ii) Financial assets (Cont'd)

##### *Policy applicable before 1 January 2018*

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.

##### 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.

### (m) Share capital

#### (i) Ordinary shares

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

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

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (m) Share capital (Cont'd)

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

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the 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.

### (n) 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 expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

### (o) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (o) Income taxes (Cont'd)

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.

### (p) 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 contributions have been paid, the Group has no further payment obligations.

### (q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (r) Revenue recognition

#### Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

#### (i) Sale of goods

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

#### (ii) Construction contracts

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

#### (iii) Maintenance and management services income

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

#### Revenue from other sources

#### (i) Dividend income

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

#### (ii) Interest income

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

#### (iii) Rental income

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

#### (iv) 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.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (s) Service concession arrangements

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

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

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

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

### (t) 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.

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.

### (u) 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.

### (v) Contingencies

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

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT

Group 2018	Freehold land RM	Building RM	Long term leasehold land and building RM	Buildings under construction RM	Motor vehicles RM	Office equipment RM	Furniture and fittings RM	Plant and machinery RM	Computers RM	Moulds RM	Renovation RM	Total RM
<b>Cost</b>												
At 1 January 2018	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
Additions	-	-	-	497,963	1,484,879	485,777	180	4,771,667	582,811	83,066	-	7,906,343
Disposals	-	-	-	-	(1,797,444)	(9,500)	-	(462,334)	-	-	-	(2,269,278)
Written off	-	-	-	-	(33,000)	(37,624)	(590)	(41,092)	(54,371)	-	-	(166,677)
Reclassification	-	3,331,636	-	(3,331,636)	-	-	-	-	-	-	-	-
Transfer to investment property	-	-	(591,692)	-	-	-	-	-	-	-	-	(591,692)
At 31 December 2018	3,370,986	3,470,850	9,105,967	-	13,171,827	2,776,491	2,251,938	87,585,145	2,987,837	8,163,974	2,139,510	135,024,525
<b>Depreciation and impairment losses</b>												
At 1 January 2018	-	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 depreciation	-	-	-	-	-	-	-	486,334	-	-	-	486,334
Accumulated impairment losses	-	-	-	-	-	-	-	-	-	-	-	-
Charges for the year	-	69,669	109,177	-	1,633,982	437,933	59,023	13,322,374	439,826	119,031	354,394	16,545,409
Disposals	-	-	-	-	(1,797,444)	(9,500)	-	(309,204)	-	-	-	(2,116,148)
Written off	-	-	-	-	(33,000)	(36,544)	(590)	(12,423)	(54,371)	-	-	(136,928)
Transfer to investment property	-	-	(14,258)	-	-	-	-	-	-	-	-	(14,258)
At 31 December 2018	-	96,486	558,598	-	9,949,517	1,661,672	1,967,031	47,530,542	2,368,537	7,623,386	1,015,451	72,771,220
Accumulated depreciation	-	-	-	-	-	-	-	486,334	-	-	-	486,334
Accumulated impairment losses	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2018	-	96,486	558,598	-	9,949,517	1,661,672	1,967,031	48,016,876	2,368,537	7,623,386	1,015,451	73,257,554
<b>Carrying amount</b>												
At 31 December 2018	3,370,986	3,374,364	8,547,369	-	3,222,310	1,114,819	284,907	39,568,269	619,300	540,588	1,124,059	61,766,971

# Notes to the Financial Statements

31 December 2018 (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 RM	Furniture and fittings RM	Plant and machinery RM	Computers RM	Moulds RM	Renovation RM	Total RM
<b>Group 2017</b>												
<b>Cost</b>												
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
<b>Depreciation and impairment losses</b>												
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
Accumulated depreciation	-	-	-	-	-	-	-	486,334	-	-	-	486,334
Accumulated impairment losses	-	-	-	-	-	-	-	-	-	-	-	-
Charges for the 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 depreciation	-	-	-	-	-	-	-	486,334	-	-	-	486,334
Accumulated impairment losses	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2017	-	26,817	463,678	-	10,145,979	1,269,783	1,908,598	35,016,129	1,983,082	7,504,355	661,057	58,979,478
<b>Carrying amount</b>												
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 2018 (Cont'd)

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

- (a) The long term leasehold land and building's remaining period of lease term is 73 years (2017: 74 years).
- (b) Purchase of property, plant and equipment

The aggregate cost for the property, plant and equipment of the Group during the financial year acquired under finance lease and cash payments are as follows:

	Group	
	2018 RM	2017 RM
Aggregate costs	7,906,343	29,346,820
Less: Finance lease financing	(3,189,440)	(7,317,992)
Cash payments	4,716,903	22,028,828

- (c) Assets held under finance leases

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

	Group	
	2018 RM	2017 RM
Plant and machinery	18,059,887	18,003,831
Motor vehicle	32,000	104,333
	18,091,887	18,108,164

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

- (d) Transferred to investment properties

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

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 5. INVESTMENT PROPERTIES

	Freehold land and buildings RM	Capital work-in progress RM	Leasehold land and building RM	Total RM
<b>Group</b>				
At 1 January 2018	12,514,492	152,022	-	12,666,514
Transfer from property, plant and equipment	-	-	577,434	577,434
Disposals	(10,400,000)	-	-	(10,400,000)
Change in fair value recognised in profit	85,508	-	5,132	90,640
Deposit refund	-	(10,000)	-	(10,000)
At 31 December 2018	2,200,000	142,022	582,566	2,924,588
At 1 January 2017	12,314,492	-	-	12,314,492
Additions	-	152,022	-	152,022
Change in fair value recognised in profit	200,000	-	-	200,000
At 31 December 2017	12,514,492	152,022	-	12,666,514

(a) Investment properties under leases

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

During the financial year, there was one lot of leasehold land and building of a subsidiary company transferred from property, plant and equipment to investment properties, since the leasehold land and buildings were no longer used by the Group and leased to a third party.

(b) Fair value basis of investment properties

The investment properties are valued annually at fair value based on market values determined by independent qualified valuers amounting to RM2,782,566 (2017: RM12,514,492). 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 was no transfer between levels during current and previous financial year.

The increase in the fair values of RM90,640 (2017: RM200,000) has been recognised in the profit or loss during the financial year.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 5. INVESTMENT PROPERTIES (CONT'D)

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

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

	Group	
	2018 RM	2017 RM
Rental income	134,570	100,320
Direct operating expenses:		
- income generating investment properties	104,091	278,356

- (d) Investment properties pledged as securities to financial institutions

Investment properties of the Group amounting to RMNil (2017: RM10,314,492) have been pledged to secure banking facilities granted to its certain subsidiary companies as disclosed in Note 21 to the financial statements.

- (e) Investment properties under construction

Investment properties under construction which is stated at cost comprises service apartment under construction in Malaysia. Management concludes that due to the nature and amount of remaining projects risks, its fair value cannot be reliably determined.

## 6. INTANGIBLE ASSETS

Group	Goodwill on consolidation RM	Concession right RM	Total RM
<b>2018</b>			
<b>Costs</b>			
At 1 January 2018/31 December 2018	3,034,543	62,133,241	65,167,784
<b>Amortisation</b>			
At 1 January 2018	-	413,186	413,186
Charge for the financial year	3,000,000	3,106,662	6,106,662
Understated of amortisation in prior year	-	363,480	363,480
At 31 December 2018	3,000,000	3,883,328	6,883,328
<b>Carrying Amount</b>			
At 31 December 2018	34,543	58,249,913	58,284,456

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 6. INTANGIBLE ASSETS (CONT'D)

Group	Goodwill on consolidation RM	Concession right RM	Total RM
<b>2017</b>			
<b>Costs</b>			
At 1 January 2017	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
<b>Amortisation</b>			
At 1 January 2017	-	-	-
Charge for the financial year	-	413,186	413,186
At 31 December 2017	-	413,186	413,186
<b>Carrying amount</b>			
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.

(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 Bloacks ("Student Hostel") of Universiti Malaysia Perlis ("UNIMAP") in Padang Siding, Perlis Indera Kayangan, as disclosed in notes 7 and 8.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 6. INTANGIBLE ASSETS (CONT'D)

(b) Concession right (Cont'd)

The concession right shall be amortised over the concession period and have an average remaining amortisation period of 18 years (2017: 19 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% (2017: 13.04%) 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	
	2018 RM	2017 RM
<b>Unquoted shares, at cost</b>		
In Malaysia	120,714,521	120,714,521

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

Name of company	Principal place of business	Effective interest		Principal activities
		2018 %	2017 %	
<b>Direct holding:</b>				
Pesona Metro Sdn. Bhd.	Malaysia	100	100	Engage in construction work
Pesona Saferay Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading of polyurethane products
Pesona Asset Management Sdn. Bhd.	Malaysia	100	100	Building maintenance services
PM2 Building System Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading of construction panel
Megah Mestika Sdn. Bhd.	Malaysia	100	100	Investment holding
SEP Resources (M) Sdn. Bhd.	Malaysia	70	70	Investment holding

# Notes to the Financial Statements

31 December 2018 (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	Principal place of business	Effective interest		Principal activities
		2018 %	2017 %	

### Indirect holding:

#### Subsidiary companies of Pesona Metro Sdn. Bhd.:

Imej Mayang Sdn. Bhd.	Malaysia	100	100	Trading and supply of ready-mixed concrete
Insamewah Sdn. Bhd.	Malaysia	100	100	Trading in construction materials
Ratus Syabas Sdn. Bhd.	Malaysia	100	100	Engage in construction work

#### Subsidiary company of Megah Mestika Sdn. Bhd.:

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

Budaya Positif Sdn. Bhd.	Malaysia	70	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	
	2018	2017	2018	2017	2018	2017
	%	%	RM	RM	RM	RM

SEP Resources (M) Sdn. Bhd. and its subsidiary company ("SEP Group")	30	30	1,238,513	1,513,372	2,751,885	1,513,372
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# Notes to the Financial Statements

31 December 2018 (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	
	2018 RM	2017 RM
Non-current assets	136,983,496	139,106,864
Current assets	13,786,201	12,831,012
Non-current liabilities	(76,095,000)	(87,600,000)
Current liabilities	(88,408,107)	(85,150,993)
Net assets/(liabilities)	(13,733,410)	(20,813,117)

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

	SEP Group	
	2018 RM	2017 RM
Revenue	23,374,642	9,378,921
Profit for the financial year, representing total comprehensive income for financial year	7,079,707	5,044,574

#### (iii) Summarised statements of cash flows

	SEP Group	
	2018 RM	2017 RM
Net cash generated from/(used in) operating activities	16,511,818	(40,630,779)
Net cash (used in)/generated from financing activities	(14,584,445)	35,067,503
Net changes in cash and cash equivalents	1,927,373	(5,563,276)

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 8. CONCESSION RECEIVABLES

	2018 RM	Group 2017 RM
Concession receivables:		
- Non-current	136,983,496	139,106,864
- Current	2,123,368	1,878,380
	<u>139,106,864</u>	<u>140,985,244</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	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-current</b>				
Retention sums				
- third parties	39,310,067	25,078,807	-	-
- related parties	14,887,143	5,908,775	-	-
	<u>54,197,210</u>	<u>30,987,582</u>	<u>-</u>	<u>-</u>
<b>Current</b>				
Trade receivables				
- third parties	118,443,923	99,918,813	-	-
- related parties	25,629,184	12,354,575	-	47,000,000
	<u>144,073,107</u>	<u>112,273,388</u>	<u>-</u>	<u>47,000,000</u>
Less: Accumulated impairment losses	-	-	-	-
	<u>144,073,107</u>	<u>112,273,388</u>	<u>-</u>	<u>47,000,000</u>
Retention sums				
- third parties	20,243,299	18,642,160	-	-
- related parties	4,532,500	-	-	-
	<u>24,775,799</u>	<u>18,642,160</u>	<u>-</u>	<u>-</u>
	<u>168,848,906</u>	<u>130,915,548</u>	<u>-</u>	<u>47,000,000</u>
	<u>223,046,116</u>	<u>161,903,130</u>	<u>-</u>	<u>47,000,000</u>

# Notes to the Financial Statements

31 December 2018 (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 (2017: 30 days to 60 days). Other credit terms are assessed and approved on a case by case basis.

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

	Group	
	2018 RM	2017 RM
Within one year	24,775,799	18,642,160
Between one to two years	54,197,210	30,987,582
	<u>78,973,009</u>	<u>49,629,742</u>

## 10. INVENTORIES

	Group	
	2018 RM	2017 RM
Raw materials	278,018	405,851
Work-in-progress	210,354	233,082
Finished goods	192,827	208,274
	<u>681,199</u>	<u>847,207</u>
<b>Recognised in profit or loss:</b>		
Inventories recognised as cost of sales	1,265,419	1,126,000
Inventories written down	184,186	211,844
Reversal of inventories written down	193,246	120,769

The Group has written down slow moving obsolete inventories amounting to RM184,186 (2017: RM211,844) respectively during the financial year. The amount written down has been included in cost of sales. The reversal of inventories written down amounting to RM193,246 (2017: RM120,769) was made during the financial year when the related inventories were sold above their carrying amounts.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 11. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2018 RM	2017 RM
Contract assets	23,578,474	24,189,592
Contract liabilities	(49,580,100)	(25,612,541)

The contract assets primarily relate to the Company's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. Typically, the amount generally will be billed within 90 days and payment is expected within 60 days.

The contract liabilities primarily relate to the advance consideration received from a customer for a construction contract, which revenue is recognised over time during the construction. The contract liabilities as expected to be recognised as revenue over a period of 90 days.

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

	Note	Group	
		2018 RM	2017 RM
Hire of plant and machinery		5,681,924	3,618,586
Rental of premises		1,086,557	567,800
Secondment of staff	30	7,105,277	5,492,852
Staff costs:			
- Salaries and other emoluments	30	27,246,501	19,317,168
- EPF	30	1,518,511	1,232,027

## 12. OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	18,485,020	12,720,958	-	-
Less: Accumulated impairment loss	(75,333)	(75,333)	-	-
	18,409,687	12,645,625	-	-
Deposits	6,904,551	10,567,799	5,000	5,000
Prepayments	1,091,586	990,980	30,179	29,407
GST recoverable	3,157,764	2,040,322	-	-
	29,563,588	26,244,726	35,179	34,407

- (a) Included in the Group's other receivables are advances to sub-contractors amounting to RM12,849,323 (2017: RM10,633,698) and advance payment made to acquiring property, plant and equipment amounting to RM2,447,058 (2017: RM66,293).

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 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 RM4,958,245 (2017: RM3,889,451) 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 2.95% to 3.30% (2017: 2.70% to 3.59%) per annum and mature with range from 1 month to 12 months (2017: 1 month to 12 months) respectively.

## 16. CASH AND BANK BALANCES

The cash and bank balances of the Group amounting to RM1,375,000 (2017: RM1,375,000) is pledged to licensed banks as security for bank facilities granted to the Group as disclosed in Note 21 to the financial statements.

## 17. SHARE CAPITAL

	Group and Company					
	2018		Par value RM	2017		
	Number of shares	Amount RM		Number of shares	Amount RM	
<b>Issued and fully paid</b>						
At 1 January	694,890,959	194,007,825	0.25	654,735,159	163,683,790	
Conversion of Warrants	50,050	12,513	0.25	12,505,800	3,126,450	
Shares issued for acquisition of subsidiary companies	-	-	0.25	27,650,000	19,355,000	
Transfer in accordance with Section 618(2) of the Companies Act, 2016	-	-	0.25	-	8,659,138	
Share issuance expenses	-	-	0.25	-	(816,553)	
At 31 December	694,941,009	194,020,338	0.25	694,890,959	194,007,825	

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.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 17. SHARE CAPITAL (CONT'D)

During the financial year, the number of issued and paid-up ordinary share capital of the Company was increased from 694,890,959 to 694,941,009 by way of issuance of 50,050 ordinary shares through conversion of Warrants at an exercise price of RM0.25 for a total cash consideration of RM12,513.

The new ordinary shares issued during the financial year rank 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.

## 18. SHARE PREMIUM

	Group and Company	
	2018	2017
	RM	RM
At January	-	8,659,138
Transfer to share capital in accordance with Section 618(2) of the Companies Act, 2016	-	(8,659,138)
At 31 December	-	-

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	
	2018	2017
	RM	RM
Issued and paid up share capital of the Company (legal holding) after reverse acquisition of Pesona Metro Sdn. Bhd.	96,000,000	96,000,000
Reversal of PMSB's share capital pursuant to reverse acquisition exercise	(5,000,000)	(5,000,000)
Reverse acquisition reserve	91,000,000	91,000,000

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 20. TRADE PAYABLES

	Group	
	2018 RM	2017 RM
<b>Non-current</b>		
Retention sum on contracts	19,419,019	14,167,841
<b>Current</b>		
Trade payables	124,388,907	125,190,960
Retention sum on contracts	21,206,183	18,375,269
	145,595,090	143,566,229
	165,014,109	157,734,070

The normal trade credit terms granted to the Group range from 30 to 60 days (2017: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.

## 21. BANK BORROWINGS

	Group	
	2018 RM	2017 RM
<b>Secured</b>		
Commodity murabahah term financing-i	86,715,000	98,220,000
Invoice financing	26,479,466	1,869,706
Banker acceptance	7,570,000	-
Structure commodity financing	-	11,012,518
Term loan	-	4,112,582
	120,764,466	115,214,806
<b>Analysed as:</b>		
<b>Current</b>		
Commodity murabahah term financing-i	10,620,000	10,620,000
Invoice financing	26,479,466	1,869,706
Banker acceptance	7,570,000	-
Structure commodity financing	-	11,012,518
Term loan	-	1,542,228
	44,669,466	25,044,452
<b>Non-current</b>		
Commodity murabahah term financing-i	76,095,000	87,600,000
Term loan	-	2,570,354
	76,095,000	90,170,354

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 21. BANK BORROWINGS (CONT'D)

Interest rates per annum are as follows:

	2018 %	Group 2017 %
Commodity murabahah term financing-i	ECOF + 2.75%	ECOF + 2.75%
Invoice financing	BLR + 0.00%	BLR + 0.00%
Banker acceptance	COF + 1.50%	-
Structure commodity financing	-	ECOF + 2.50%
Term loan	-	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; and
- (iv) Corporate guarantee by the Company.

## 22. FINANCE LEASE PAYABLES

	2018 RM	Group 2017 RM
<b>Minimum lease payments:</b>		
Within one year	4,823,934	5,645,409
Between one to two years	3,644,188	4,075,378
Between two to five years	4,494,498	5,726,416
	12,962,620	15,447,203
Less: Future finance charges	(1,137,905)	(1,470,296)
Present value of minimum lease payments	11,824,715	13,976,907
<b>Present value of minimum lease payments:</b>		
Within one year	4,244,486	4,940,613
Between one to two years	3,294,241	3,648,512
Between two to five years	4,285,988	5,387,782
	11,824,715	13,976,907
<b>Analysed as:</b>		
Repayable within twelve months	4,244,486	4,940,613
Repayable after twelve months	7,580,229	9,036,294
	11,824,715	13,976,907

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% (2017: 3.2% to 3.6%) per annum.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 23. DEFERRED TAX LIABILITIES

	Group	
	2018 RM	2017 RM
At 1 January	15,292,669	953,634
Acquisition of subsidiary companies	-	14,911,978
Recognised in profit or loss (Note 28)	(1,312,689)	(572,943)
	<hr/>	<hr/>
At 31 December	13,979,980	15,292,669

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

	Property, plant and equipment RM	Concession right RM	Total RM
<b>Group</b>			
At 1 January 2018	380,691	14,911,978	15,292,669
Acquisition of subsidiary companies	-	-	-
Recognised in profit or loss	(380,691)	(931,998)	(1,312,689)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	-	13,979,980	13,979,980
	<hr/>	<hr/>	<hr/>
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)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	380,691	14,911,978	15,292,669

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

	Group	
	2018 RM	2017 RM
Unused tax losses	34,860,271	34,384,197
Unabsorbed capital allowances	24,424,659	23,246,963
Differences between property, plant and equipment and its tax base	91,156,196	94,858,047
	<hr/>	<hr/>
	150,441,126	152,489,207

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.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 24. OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	13,068,254	11,707,108	-	-
Accruals	6,377,029	4,695,493	98,000	98,000
Deposits received	325,026	167,293	-	-
GST payables	-	902,081	-	-
	19,770,309	17,471,975	98,000	98,000

Included in the other payables of the Group are advances from customers amounting to RM8,648,565 (2017: RM8,961,488).

## 25. REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Construction contracts	548,813,434	508,719,399	-	-
Sale of goods	8,611,548	24,061,049	-	-
Interest income	13,094	8,997	13,094	8,997
Maintenance service	-	6,591,426	-	-
Finance income	18,388,090	7,555,939	-	-
Management service	4,986,552	1,822,982	-	-
Dividend income	-	-	-	47,000,000
	580,812,718	548,759,792	13,094	47,008,997
<b>Timing of revenue recognition</b>				
At a point in time	13,598,100	32,475,457	-	-
Over time	548,813,434	508,719,399	-	-
	562,411,534	541,194,856	-	-

Revenue from contracts with customers recognised for the Group and of the Company in the current financial year included:

- (i) RM25,612,541 that was included in the contract liabilities at the beginning of the financial year.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 25. REVENUE (CONT'D)

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

	Construction RM	Manufacturing and trading RM	Concession RM	Investment holding RM	Total RM
<b>2018</b>					
<b>Group</b>					
Construction contracts	548,813,434	-	-	-	548,813,434
Sale of goods	5,686,148	2,925,400	-	-	8,611,548
Maintenance service	-	-	-	-	-
Management service	-	-	4,986,552	-	4,986,552
	554,499,582	2,925,400	4,986,552	-	562,411,534
<b>2017</b>					
<b>Group</b>					
Construction contracts	508,719,399	-	-	-	508,719,399
Sale of goods	21,499,057	2,561,992	-	-	24,061,049
Maintenance service	-	-	6,591,426	-	6,591,426
Management service	-	-	1,822,982	-	1,822,982
	530,218,456	2,561,992	8,414,408	-	541,194,856

## 26. FINANCE COSTS

	Group	
	2018 RM	2017 RM
<b>Interest expenses on:</b>		
Term loan	87,174	1,758,563
Commodity murabahah term financing-I, invoice financing and banker acceptance and structured commodity financing	8,660,022	1,139,333
Finance lease payables	842,414	857,399
Others	1,300,600	174,673
	10,890,210	3,929,968

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 27. PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Auditors' remuneration				
- statutory audit				
- current year	118,704	115,554	30,000	35,000
- underprovision in prior year	4,016	6	-	-
- underprovision in prior year	(7,800)	-	-	-
- others	68,145	68,750	-	-
Amortisation of concession right	3,470,142	413,186	-	-
Impairment loss on amount due from an associate company	2,300,000	-	2,300,000	-
Impairment loss on investment in an associate company	3,000,000	-	-	-
Impairment loss on amount due from subsidiary company	-	-	-	1,700,000
Reversal of impairment loss on amount due from subsidiary company	-	-	(680,000)	-
Net impairment loss	5,300,000	-	1,620,000	1,700,000
Bad debt written off	-	6,825	-	-
Depreciation of property, plant and equipment	16,545,409	16,094,673	-	-
Directors' remuneration				
- Fees	264,000	264,000	264,000	264,000
- Salary and other emoluments	1,262,829	856,329	12,000	12,000
- EPF	102,000	96,750	-	-
Hire of plant and machinery	13,858	-	-	-
Inventories written down	184,186	211,844	-	-
Waiver of debts	(10,141)	-	-	-
(Gain)/Loss on disposals of property, plant and equipment	(409,541)	91,247	-	-
Gain on disposal of investment property	(2,610)	-	-	-
Property, plant and equipment written off	29,749	9,807	-	-
Rental of premises	293,963	203,660	-	-
Fair value adjustment of investment properties	(90,640)	(200,000)	-	-
Gain on foreign exchange				
- realised	(37,676)	(8,156)	-	-
- unrealised	(1,487)	(90)	-	-
Interest income from fixed deposit	(154,041)	-	-	-
Interest income	(966,574)	(4,588,868)	-	-
Rental income	(292,970)	(159,820)	-	-
Reversal of inventories written down	(193,246)	(120,769)	-	-

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 28. TAXATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Tax expenses for the financial year:				
Current tax provision	6,210,367	8,559,016	-	1,972
(Over)/under provision in prior years	(330,785)	565,893	76	94
	5,879,582	9,124,909	76	2,066
Deferred tax: (Note 23)				
Relating to origination and reversal of temporary differences	(186,973)	(533,943)	-	-
Acquisition of subsidiary companies	(745,598)	-	-	-
Over provision in prior years	(380,118)	(39,000)	-	-
	(1,312,689)	(572,943)	-	-
	4,566,893	8,551,966	76	2,066

Income tax is calculated at the statutory tax rate of 24% (2017: 24%) of chargeable income of the estimated assessable profit for the financial year.

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(loss) before taxation	14,057,347	29,235,329	(2,264,290)	44,658,941
Taxation at statutory tax rate of 24% (2017: 24%)	3,373,764	7,016,479	(543,430)	10,718,146
Income not subject to tax	(84,914)	(2,230,838)	(93)	(11,280,096)
Expenses not deductible for tax purposes	3,226,083	2,854,655	147,169	563,922
Acquisition of subsidiary company	(745,598)	-	-	-
Deferred tax assets not recognised	1,228,084	588,021	396,354	-
Utilisation of previously unrecognised deferred tax	(1,719,623)	(203,244)	-	-
Under/(Over) provision of income tax expense in prior years	(330,785)	565,893	76	94
Under provision of deferred tax expense in prior years	(380,118)	(39,000)	-	-
Tax expense for the financial year	4,566,893	8,551,966	76	2,066

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 29. EARNINGS PER SHARE

### (a) Basic earnings per share

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

	2018	Group 2017
<b>Basic Earnings Per Share</b>		
Net profit for the financial year (RM)	8,251,941	19,169,991
Weighted average number of ordinary shares in issue	694,941,009	694,890,959
Basic earnings per share (sen)	1.19	2.76

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

	2018	Group 2017
As at 1 January	694,890,959	654,735,159
Share issue pursuant to:		
- conversion of warrants	50,050	12,505,800
- issuance of ordinary shares	-	27,650,000
As at 31 December	694,941,009	694,890,959

### (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:

	2018	Group 2017
Net profit for the financial year attributable to owners of the Parent (RM)	8,251,941	19,169,991
Weighted average number of ordinary shares used in the calculation of basic earnings per share	694,941,009	694,890,959
Adjusted for:		
Assumed conversion of warrants	98,012,663	98,062,713
Weighted average number of ordinary shares as at 31 December	792,953,672	792,953,672
Diluted earnings per share (sen)	1.04	2.42

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 30. STAFF COSTS

	Note	2018 RM	Group 2017 RM
Staff costs (excluding Directors)		44,121,994	38,966,832
Add:			
Secondment of staff from third party		9,661,833	8,169,643
		53,783,827	47,136,475
Less:			
Capitalised in construction costs	11	(35,870,289)	(26,042,047)
		17,913,538	21,094,428

Included in the staff costs are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM1,305,548 (2017: RM1,488,774).

## 31. DIVIDENDS

	Group and Company	
	2018 RM	2017 RM
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
A single tier final dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2017 paid on 12 July 2018	6,949,410	-
	6,949,410	6,670,753

The Directors recommend the payment of a single-tier final dividend of RM0.01 per ordinary share amounting to RM6,949,409 in respect of the current financial year ended 31 December 2018, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	At 1 January RM	Additions RM	New finance lease payable (Note 23) RM	Acquisition of subsidiary companies (Note 7) RM	(Repayments)/ Drawdown RM	At 31 December RM
<b>2018</b>						
<b>Group</b>						
Finance lease payables (Note 22)	13,976,907	-	3,189,440	-	(5,341,632)	11,824,715
Commodity murabahah term financing-I (Note 21)	98,220,000	-	-	-	(11,505,000)	86,715,000
Invoice financing (Note 21)	1,869,706	116,259,834	-	-	(91,650,074)	26,479,466
Banker acceptance (Note 21)	-	54,408,000	-	-	(46,838,000)	7,570,000
Structure commodity financing (Note 21)	11,012,518	29,017,198	-	-	(40,029,716)	-
Term loan (Note 21)	4,112,582	-	-	-	(4,112,582)	-
Pledged fixed deposits	3,889,451	5,138,356	-	-	(4,069,562)	4,958,245
Pledged cash and bank balances	1,375,000	-	-	-	-	1,375,000
Dividend payable	-	6,949,410	-	-	(6,949,410)	-
	<b>134,456,164</b>	<b>211,772,798</b>	<b>3,189,440</b>	<b>-</b>	<b>(210,495,976)</b>	<b>138,922,426</b>
<b>Company</b>						
Dividend payable	-	6,949,410	-	-	(6,949,410)	-
	<b>-</b>	<b>6,949,410</b>	<b>-</b>	<b>-</b>	<b>(6,949,410)</b>	<b>-</b>

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

	At 1 January RM	Additions RM	New finance lease payable (Note 22) RM	Acquisition of subsidiary companies (Note 7) RM	(Repayments)/ Drawdown RM	At 31 December RM
<b>2017</b>						
<b>Group</b>						
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	59,767,977	7,317,992	62,150,000	(14,413,987)	134,456,164
<b>Company</b>						
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 2018 (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:

	2018 RM	2017 RM
<b>Group</b>		
<b>Other Related Parties*:</b>		
Progress billing received/receivable	66,189,079	36,108,584
<b>Company</b>		
<b>Subsidiary Company</b>		
Dividend income	-	47,000,000

\* 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:

	2018 RM	Group 2017 RM
<b>Short-term employee benefits</b>		
- Salaries and other emoluments	5,084,237	5,107,698

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 2018 (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
<b>2018</b>						
<b>Revenue</b>						
External sales	554,499,582	2,925,400	23,374,642	13,094	-	580,812,718
Inter-segment	55,713,680	-	5,842,189	-	(61,555,869)	-
Total revenue	610,213,262	2,925,400	29,216,831	13,094	(61,555,869)	580,812,718
<b>Results</b>						
Segment results	29,652,474	(709,620)	19,683,293	(657,384)	-	47,968,763
Interest income	3,985,686	114	84,737	13,094	(2,963,016)	1,120,615
Finance costs	(3,727,533)	(71,497)	(10,054,196)	-	2,963,016	(10,890,210)
Depreciation of property, plant and equipment	(15,189,504)	(1,317,085)	(38,820)	-	-	(16,545,409)
Fair value gain on investment properties	5,132	-	-	-	85,508	90,640
Other non-cash items	(2,607,457)	10,547	-	(1,620,000)	(3,470,142)	(7,687,052)
Profit before taxation	12,118,798	(2,087,541)	9,675,014	(2,264,290)	(3,384,634)	14,057,347
Taxation	(4,824,105)	-	(674,711)	(76)	931,999	(4,566,893)
Net profit for the financial year	7,294,693	(2,087,541)	9,000,303	(2,264,366)	(2,452,635)	9,490,454

# Notes to the Financial Statements

31 December 2018 (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
<b>2018</b>						
<b>Assets</b>						
Additions to non-current assets	7,692,152	84,791	129,400	-	-	7,906,343
Segment assets	393,591,249	7,746,450	153,914,114	230,355,279	(254,561,179)	531,045,913
Unallocated assets	20,682,382	153,868	9,079,223	259,985	-	30,175,458
<b>Total assets</b>	<b>421,965,783</b>	<b>7,985,109</b>	<b>163,122,737</b>	<b>230,615,264</b>	<b>(254,561,179)</b>	<b>569,127,714</b>
<b>Non-cash expenses/ (income)</b>						
Bad debts written off	-	-	-	-	-	-
Inventories written down	-	184,186	-	-	-	184,186
Property, plant and equipment written off	29,749	-	-	-	-	29,749
Impairment loss	3,000,000	-	-	1,620,000	-	4,620,000
Amortisation of coession right	-	-	-	-	3,470,142	3,470,142
Loss/(Gain) on foreign exchange - Unrealised	-	(1,487)	-	-	-	(1,487)
Loss/(Gain) on disposal of property, plant and equipment	(409,541)	-	-	-	-	(409,541)
Loss/(Gain) on disposal of investment property	(2,610)	-	-	-	-	(2,610)
Reversal of inventories written down	-	(193,246)	-	-	-	(193,246)
Waiver of deposit	(10,141)	-	-	-	-	(10,141)
	2,607,457	(10,547)	-	1,620,000	3,470,142	7,687,052

# Notes to the Financial Statements

31 December 2018 (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
<b>2017</b>						
<b>Revenue</b>						
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
<b>Results</b>						
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)	(91,075)	-	-	(413,186)	(605,315)
Profit before taxation	23,822,342	(2,536,504)	10,710,561	46,358,941	(47,413,186)	30,942,154
Taxation	(7,549,649)	157,459	(1,157,710)	(2,066)	-	(8,551,966)
Net profit for the financial year	16,272,693	(2,379,045)	9,552,851	46,356,875	(47,413,186)	22,390,188
<b>Assets</b>						
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	239,816,528	(270,900,260)	531,066,397
<b>Non-cash expenses/ (income)</b>						
Bad debt written off	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
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	91,075	-	-	413,186	605,315

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

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

	Amortised cost RM
<b>Group</b>	
<b>2018</b>	
<b>Financial Assets</b>	
Concession receivables	139,106,864
Trade receivables	223,046,116
Other receivables	25,314,238
Fixed deposits with licensed banks	4,958,245
Cash and bank balances	22,869,172
<b>Total financial assets</b>	<b>415,294,635</b>
<b>Financial Liabilities</b>	
Trade payables	165,014,109
Other payables	19,770,309
Finance lease payables	11,824,715
Bank borrowings	120,764,466
<b>Total financial liabilities</b>	<b>317,373,599</b>
<b>Company</b>	
<b>2018</b>	
<b>Financial Assets</b>	
Other receivables	5,000
Amount due from subsidiary companies	109,605,579
Cash and bank balances	225,033
<b>Total financial assets</b>	<b>109,835,612</b>
<b>Financial Liability</b>	
Other payables	98,000
<b>Total financial liabilities</b>	<b>98,000</b>

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Categories of financial instruments (Cont'd)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
<b>Group</b>			
<b>2017</b>			
<b>Financial Assets</b>			
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
<b>Total financial assets</b>	<b>350,905,020</b>	<b>-</b>	<b>350,905,020</b>
<b>Financial Liabilities</b>			
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
<b>Total financial liabilities</b>	<b>-</b>	<b>303,495,677</b>	<b>303,495,677</b>
<b>Company</b>			
<b>2017</b>			
<b>Financial Assets</b>			
Trade receivables	47,000,000	-	47,000,000
Other receivables	5,000	-	5,000
Fixed deposits with licensed banks	11,850	-	11,850
Cash and bank balances	375,492	-	375,492
<b>Total financial assets</b>	<b>47,392,342</b>	<b>-</b>	<b>47,392,342</b>
<b>Financial Liability</b>			
Other payables	-	98,000	98,000
<b>Total financial liability</b>	<b>-</b>	<b>98,000</b>	<b>98,000</b>

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### (i) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from the individual characteristics of each customer, loans and advances to an associate and financial guarantee given to banks for credit facilities granted to related companies and third parties. There are no significant changes as compared to prior periods.

#### Contract assets

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis via Group's management reporting procedures and action will be taken for stagnant contract assets.

At each reporting date, Group assesses whether any of the contract assets are credit impaired.

The gross amounts of credit impaired contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Concentration of credit risk*

As at the end of the financial year, the Group has 3 (2017: 3) major contract customers accounted for approximately 100% (2017: 100%) of the total contract assets.

*Recognition and measurement of impairment loss*

As there are only a few contract customers, the Group assessed the risk of loss of each customer individually based on their financial information and past trend of payments, where applicable. All these customers have low risk of default because there is no history of default from these customers. The Company is of the view that loss allowance is not material and hence, it is not provided for.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (i) Credit risk (Cont'd)

##### Contract assets (Cont'd)

*Recognition and measurement of impairment loss (Cont'd)*

The aged analysis of contract assets as at the end of the reporting period:

	Gross trade receivables RM	Allowance for impairment RM	Net balance RM
<b>2018</b>			
<b>Group</b>			
- Less than 30 days	8,130,748	-	8,130,748
- 31 to 60 days	4,421,947	-	4,421,947
- More than 60 days	11,025,779	-	11,025,779
	<hr/> 23,578,474	<hr/> -	<hr/> 23,578,474

##### Trade receivables

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis via the Group's management reporting procedures and action will be taken for long overdue debts. Majority of the trade receivables are from construction, and manufacturing and trading activities and concession receivables

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

The Group receives collaterals in the form of properties from certain trade receivables in which the Company is permitted to sell the collateral in the absence of default. There are no specific terms and conditions to use the collaterals.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (i) Credit risk (Cont'd)

##### Trade receivables (Cont'd)

###### *Concentration of credit risk*

As at the end of the financial year, the Group has 3 (2017: 5) major customers and accounted for approximately 56% (2017: 76%) of the trade receivables outstanding.

###### *Recognition and measurement of impairment loss*

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 30 days. The Group's debt recovery process is that when invoices which are exceeded credit terms, the Company will start to initiate a structured debt recovery process which is monitored by sales team.

The Group uses an allowance matrix to measure ECLs for trade receivables for all segments except for construction segment. Consistent with the debt recovery process, invoices which are exceeded credit terms will be considered as credit impaired.

Loss rates are based on actual credit loss experience over the past three years. Nevertheless, the Group believes that the forward-looking factors are immaterial for the purpose of calculation impairment for the year.

For construction contracts, as there are only a few contract customers, the Group assessed the risk of loss of each customer individually based on their financial information and past trend of payments, where applicable. All these customers have low risk of default because there is no history of default from these customers. The Company is of the view that loss allowance is not material and hence, it is not provided for.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018.

	Gross trade receivables RM	Allowance for impairment RM	Net balance RM
<b>2018</b>			
<b>Group</b>			
Current	100,926,491	-	100,926,491
<i>Past due or nor impaired</i>			-
- Less than 30 days	18,849,300	-	18,849,300
- 31 to 60 days	5,800,431	-	5,800,431
- More than 60 days	97,469,894	-	97,469,894
	<hr/> 223,046,116	-	<hr/> 223,046,116

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (i) Credit risk (Cont'd)

##### Trade receivables (Cont'd)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 December 2017 was as follows:

	Gross trade receivables RM	Allowance for impairment RM	Net balance RM
<b>2017</b>			
<b>Group</b>			
Current	99,050,104	-	99,050,104
<i>Past due or nor impaired</i>			-
- Less than 30 days	18,118,592	-	18,118,592
- 31 to 60 days	2,522,656	-	2,522,656
- More than 60 days	42,211,778	-	42,211,778
	<hr/> 161,903,130	-	<hr/> 161,903,130
<b>2017</b>			
<b>Company</b>			
Current	47,000,000	-	47,000,000
<i>Past due or nor impaired</i>			-
- Less than 30 days	-	-	-
- 31 to 60 days	-	-	-
- More than 60 days	-	-	-
	<hr/> 47,000,000	-	<hr/> 47,000,000

##### Cash and cash equivalents

*Risk management objectives, policies and processes for managing the risk*

The cash and cash equivalents are held with banks and financial institutions. The Group and the Company have a credit policy in place to control credit risk by deposit with banks and financial institutions with good credit rating.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (i) Credit risk (Cont'd)

##### Cash and cash equivalents (Cont'd)

###### *Recognition and measurement of impairment loss*

These banks and financial institutions have low credit risks. Consequently, the Group and the Company is of the view that the loss allowance is not material and hence, it is not provided for.

##### Other receivables

###### *Risk management objectives, policies and processes for managing the risk*

Credit risks on other receivables are mainly arising from deposits paid for tendering projects. These deposits will be refunded upon unsuccessful in tendering the projects. The Group and the Company manage the credit risk on an ongoing basis via Group and the Company's management reporting procedures and action will be taken for long outstanding debts.

###### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

###### *Recognition and measurement of impairment loss*

These other receivables have low credit risks. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

##### Inter-company loans and advances

###### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiary companies. The Company monitors the ability of the subsidiary companies to repay the loans and advances on an individual basis.

###### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

###### *Recognition and measurement of impairment loss*

Generally, the Company considers loans and advances to subsidiary companies has low credit risk because there is no no indicates that any going concern from subsidiary companies. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (i) Credit risk (Cont'd)

##### Financial guarantees

*Risk management objectives, policies and processes for managing the risk*

The Group provides unsecured financial guarantees to banks in respect of banking facilities granted to related companies and third parties. The Group monitors the ability of the related companies and related parties to service its loans on an individual basis.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM187,313,318 (2017: RM176,382,051) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees are provided as credit enhancements to the related companies' and third parties' secured loans.

*Recognition and measurement of impairment loss*

There is no history of default from related companies and third parties, and there are no indicators that any going concern from these related companies and third parties. The Company is of the view that loss allowance is not material and hence, it is not provided for.

#### (ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (ii) Liquidity risk (Cont'd)

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

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash outflow RM	Total carrying amount RM
<b>Group</b>						
<b>2018</b>						
Trade payables	145,595,090	3,399,066	16,019,953	-	165,014,109	165,014,109
Other payables	19,770,309	-	-	-	19,770,309	19,770,309
Finance lease payables	4,823,934	3,644,188	4,494,498	-	12,962,620	11,824,715
Bank borrowings	44,669,466	10,620,000	31,860,000	33,615,000	120,764,466	120,764,466
Total undiscounted financial liabilities	214,858,799	17,663,254	52,374,451	33,615,000	318,511,504	317,373,599
<b>2017</b>						
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

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Total contractual cash outflow RM	Total carrying amount RM
<b>Company 2018</b>			
Other payables	98,000	98,000	98,000
Financial guarantee liabilities*	120,764,466	120,764,466	120,764,466
Total undiscounted financial liability	120,862,466	120,862,466	120,862,466
<b>Company 2017</b>			
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

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

#### (iii) Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

##### (a) Currency risk

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

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

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (iii) Market risks (Cont'd)

##### (a) Currency risk (Cont'd)

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:

	2018 RM	Group 2017 RM
<b>Financial Assets</b>		
Cash and bank balances	23,067	91,245
Trade receivables	66,560	434
	<hr/>	<hr/>
	89,627	91,679

#### Currency risk sensitivity analysis

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

	2018 RM	Group 2017 RM
<b>Effect to profit or loss</b>		
USD/RM		
- Strengthened 5%	4,481	4,584
- Weakened 5%	(4,481)	(4,584)

##### (b) Interest rate risk

The Group and the Company's investments in fixed rate deposits with licensed banks and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (iii) Market risks (Cont'd)

##### (b) Interest rate risk (Cont'd)

*Risk management objectives, policies and processes for managing the risk*

The Group and the Company manage the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short- and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

*Exposure to interest rate risk*

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	2018 RM	2017 RM
<b>Group</b>		
<b>Fixed rate instruments</b>		
<b>Financial asset</b>		
Fixed deposits with licensed banks	4,958,245	13,006,071
<b>Financial liability</b>		
Finance lease payables	11,824,715	13,976,907
<b>Floating rate instrument</b>		
<b>Financial liability</b>		
Bank borrowings	120,764,466	115,214,806
<b>Company</b>		
<b>Fixed rate instrument</b>		
<b>Financial asset</b>		
Fixed deposits with licensed banks	-	11,850

*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.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management (Cont'd)

#### (iii) Market risks (Cont'd)

##### (b) Interest rate risk (Cont'd)

*Interest rate risk sensitivity analysis (Cont'd)*

Cash flow sensitivity analysis for floating rate instruments

A change of 1% interest rate at the end of the reporting period would have increased/(decreased) the Group's profit before tax by RM1,207,645 (2017: RM1,152,148), arising mainly as a result of lower/higher interest expenses on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

### (d) Fair value information

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

	Fair value of financial instruments carried at fair value		Fair value of financial instruments not carried at fair value		Total fair value RM	Carrying amount RM
	Level 2	Total	Level 3	Total		
	RM	RM	RM	RM		
<b>2018</b>						
<b>Group</b>						
<b>Financial assets</b>						
Concession receivables	-	-	136,983,496	136,983,496	136,983,496	136,983,496
Trade receivables	-	-	-	#	#	54,197,210
	-	-	136,983,496	136,983,496	136,983,496	191,180,706
<b>Financial liabilities</b>						
Trade payables	-	-	-	#	#	19,419,019
Finance lease payables	7,694,327	7,694,327	-	-	7,694,327	7,580,229
	7,694,327	7,694,327	-	-	7,694,327	26,999,248

# The fair value cannot be reliably measured using valuation techniques

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 35. FINANCIAL INSTRUMENTS (CONT'D)

### (d) Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value		Fair value of financial instruments not carried at fair value		Total fair value RM	Carrying amount RM
	Level 2	Total	Level 3	Total		
	RM	RM	RM	RM		
<b>2017</b>						
<b>Group</b>						
<b>Financial assets</b>						
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
<b>Financial liabilities</b>						
Trade payables	-	-	-	#	#	14,167,841
Finance lease payables	9,221,023	9,221,023	-	-	9,221,023	9,036,294
	9,221,023	9,221,023	-	-	9,221,023	23,204,135

#### (i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

#### (ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

#### (iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

#### Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

#### (iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

# Notes to the Financial Statements

31 December 2018 (Cont'd)

## 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.

	2018 RM	Group 2017 RM
Total loans and borrowings	132,589,181	129,191,713
Less: Cash and cash equivalents	(21,494,172)	(19,538,771)
Net debt	111,095,009	109,652,942
Total equity	178,998,293	177,683,249
Gearing ratio	0.62	0.62

## 37. CAPITAL COMMITMENTS

	2018 RM	Group 2017 RM
Approved and contracted:		
- Acquisition of property, plant and equipment	3,352,318	1,359,127
- Acquisition of land for store purpose	175,947	527,841

## 38. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 15 April 2019.

# 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 @ 31/12/2018  (RM)
Shop Office (3 Floors)	2,131.25	5,717.57	Leasehold 99 years expiring on 05.01.2091 (Balance 73 years)	No.19,19A & 19B, Jalan SB Indah 1/18, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	20/8/2003	20 years	1,231,756
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	8 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	8 years	1,100,000
Store	216,171.61	-	Freehold	Lot 4627, Jalan Broga Besar, 71750 Broga, Negeri Sembilan.	3/8/2009	-	1,089,612
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 80 years)	No.7, Jalan MU Empat, Medan Universiti, 02600 Arau, Perlis.	26/3/2015	3 years	580,000
Shop Office	1,173.27	2,922.40	Leasehold 99 years expiring on 08.07.2098 (Balance 80 years)	No.5, Jalan MU Empat, Medan Universiti, 02600 Arau, Perlis.	26/3/2015	3 years	580,000

# List of Properties

(Cont'd)

Existing Use	Land Area (as per Land Title)  (Square Feet)	Build Up Area  (Square Feet)	Tenure / Date of Expiry of Lease	Address	Date of Acquisition (S&P Date)	Approximate Age of Building	NBV @ 31/12/2018  (RM)
Head Office (3½ Floors)	1,530.94	5,900.52	Leasehold 99 years expiring on 05.01.2091 (Balance 73 years)	No.39, Jalan Sungai Besi Indah 1/19, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	12/7/2016	15 years	3,369,089
Head Office (3½ Floors)	1,530.94	5,965.14	Leasehold 99 years expiring on 05.01.2091 (Balance 73 years)	No.41, Jalan Sungai Besi Indah 1/19, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.	12/7/2016	15 years	3,369,089
Shop Lot	1,407.00	2,347.00	Freehold	G-01, Third Avenue, Jalan Teknokrat 3, Cyberjaya 4, 63000 Cyberjaya, Selangor Darul Ehsan.	15/1/2016	1 year	3,265,003

# Analysis of Shareholdings

As At 29 March 2019

Number of Shares Issued	: 694,941,009 ordinary shares
Class of Shares	: Ordinary shares
Voting Right	: One vote per ordinary share
Number of Shareholders	: 13,091

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Total Shareholdings	%
Less than 100 shares	5,854	50,431	0.007
100 – 1,000 shares	2,925	1,052,936	0.152
1,001 – 10,000 shares	2,110	11,373,005	1.637
10,001 – 100,000 shares	1,850	67,308,025	9.685
100,001 to less than 5% of issued shares	349	228,277,312	32.848
5% and above of issued shares	3	386,879,300	55.671
<b>Total</b>	<b>13,091</b>	<b>694,941,009</b>	<b>100.000</b>

## SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders under Section 144 of the Companies Act 2016, the following are the substantial shareholders of the Company:

Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Wie Hock Beng	8	*	386,879,300 <sup>#</sup>	55.67
Wie Hock Kiong	-	-	386,879,300 <sup>#</sup>	55.67
Sincere Goldyear Sdn Bhd	111,372,600	16.03	-	-
Kombinasi Emas Sdn Bhd	275,506,700	39.64	-	-

Notes:

<sup>#</sup> Deemed interested by virtue of his interest in Sincere Goldyear Sdn Bhd and Kombinasi Emas Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

\* negligible

## DIRECTORS' SHAREHOLDINGS

Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Sri Lee Tuck Fook	-	-	-	-
Datuk Hj Subhi Bin Dziauddin	-	-	-	-
Wie Hock Beng	8	*	386,879,300 <sup>#</sup>	55.67
Wie Hock Kiong	-	-	386,879,300 <sup>#</sup>	55.67
Loh Kong Fatt	-	-	-	-
Salwa Binti Shamshuddin	-	-	-	-

Notes:

<sup>#</sup> Deemed interested by virtue of his interest in Sincere Goldyear Sdn Bhd and Kombinasi Emas Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

\* negligible

# Analysis of Shareholdings

As At 29 March 2019 (Cont'd)

## THIRTY (30) LARGEST SHAREHOLDERS AS AT 29 MARCH 2019

No.	Name of Shareholders	No. of Shares	%
1.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kombinasi Emas Sdn Bhd</i>	155,506,700	22.377
2.	AMSEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account - AmBank (M) Berhad for Kombinasi Emas Sdn Bhd (SMART)</i>	120,000,000	17.268
3.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Sincere Goldyear Sdn Bhd</i>	111,372,600	16.026
4.	Advance Harvest Sdn Bhd	23,391,000	3.366
5.	Chin Guek Hong	23,191,000	3.337
6.	Country Dairy Sdn Bhd	18,432,000	2.652
7.	Constant Uptrend Holdings Sdn Bhd	15,776,500	2.270
8.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohamad Bolhair Bin Reduan</i>	8,950,000	1.288
9.	Wie Hock Kow	8,000,000	1.151
10.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohamed Faroz Bin Mohamed Jakel</i>	5,100,000	0.734
11.	Ikatan Generasi Sdn Bhd	5,020,000	0.722
12.	Tokio Marine Life Insurance Malaysia Bhd <i>as Beneficial Owner (TMEF)</i>	3,846,000	0.553
13.	Yeoh Chooi Phin	3,162,000	0.455
14.	HLB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Siu Chung</i>	2,800,000	0.403
15.	Chang Yock Chai	2,131,000	0.307
16.	Ang Mui Lan	2,000,000	0.288
17.	Ng Kuan Hua	2,000,000	0.288
18.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kwan Aik Kiat</i>	1,870,000	0.269
19.	Tokio Marine Life Insurance Malaysia Bhd <i>as Beneficial Owner (NPF)</i>	1,792,400	0.258
20.	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Fai Tat</i>	1,600,000	0.230
21.	Lam Kaw Chai @ Lam Yit Loon	1,575,000	0.227

# Analysis of Shareholdings

As At 29 March 2019 (Cont'd)

## THIRTY (30) LARGEST SHAREHOLDERS AS AT 29 MARCH 2019 (CONT'D)

No.	Name of Shareholders	No. of Shares	%
22.	Kok Fatt Kong	1,535,100	0.221
23.	Su Ming Yaw	1,514,100	0.218
24.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chin Yin Seong</i>	1,490,000	0.214
25.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (UOB AM SC EQ)</i>	1,390,000	0.200
26.	Lew Ming Kiet	1,239,100	0.178
27.	Chang Yock Chai	1,200,000	0.173
28.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Loh Yoon Meng @ Loh Yoon Min (E-IMO)</i>	1,150,000	0.165
29.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Si Tho Yoke Meng (6000156)</i>	1,000,000	0.144
30.	Ang Lian Pang	1,000,000	0.144
	<b>Total</b>	<b>529,034,500</b>	<b>76.126</b>

# Analysis of Warrant Holdings

As at 29 March 2019

Type of Securities	:	5 Years Warrants 2015/2020
Total Warrants Issued and Not Exercised	:	98,012,663
Exercise Price of Warrants	:	RM0.25
Issue date of Warrants	:	28 January 2015
Expiry date of Warrants	:	27 January 2020
Number of Warrant holders	:	10,403

## DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	No. of Warrants	%
Less than 100	6,051	38,351	0.039
100 – 1,000	3,073	776,756	0.793
1,001 – 10,000	583	2,655,479	2.709
10,001 – 100,000	548	22,183,908	22.634
100,001 to less than 5% of issued Warrants	145	47,160,019	48.116
5% and above of issued Warrants	3	25,198,150	25.709
<b>Total</b>	<b>10,403</b>	<b>98,012,663</b>	<b>100.000</b>

## 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	-	-	-	-
Salwa Binti Shamshuddin	-	-	-	-

Note:

\* *negligible*

# Analysis of Warrant Holdings

As at 29 March 2019 (Cont'd)

## THIRTY (30) LARGEST WARRANT HOLDERS

No.	Name of Warrant Holders	No. of Warrants	%
1.	Country Dairy Sdn Bhd	9,216,000	9.403
2.	Chin Guek Hong	8,093,900	8.258
3.	Constant Uptrend Holdings Sdn Bhd	7,888,250	8.048
4.	Wie Hock Kow	3,000,000	3.061
5.	Ikatan Generasi Sdn Bhd	2,545,000	2.597
6.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Leong Kam Chee (002)</i>	2,000,000	2.041
7.	Chin Boon Long	1,200,000	1.224
8.	Tan Kok Sooi	1,050,000	1.071
9.	Tan Kok Hin	1,018,100	1.039
10.	Kou Hong Developments Sdn Bhd	1,000,000	1.020
11.	Book Jin Ann	960,000	0.980
12.	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Fai Tat (CCTS)</i>	900,000	0.918
13.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kok Tiu Wan</i>	887,700	0.906
14.	Ng Leong Kee	870,700	0.888
15.	Muhamad Al-Fatih Bin Abd Wahab	723,600	0.738
16.	Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Soo Tien (Margin)</i>	698,300	0.712
17.	Yap Booi Lek	666,700	0.680
18.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chua Lee Cheong</i>	527,300	0.538
19.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Foong Hon Beng (E-PTS)</i>	502,000	0.512
20.	Affin Hwang Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Fong Kok Hong (M02)</i>	500,000	0.510
21.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chin Yin Seong</i>	500,000	0.510
22.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tang Jee Eng</i>	490,500	0.500

# Analysis of Warrant Holdings

As at 29 March 2019 (Cont'd)

## THIRTY (30) LARGEST WARRANT HOLDERS

No.	Name of Warrant Holders	No. of Warrants	%
23.	Su Ming Yaw	485,900	0.496
24.	Thin Ket Yong	480,000	0.490
25.	Khaw Chin Hong	450,000	0.459
26.	Low Kim Meng	450,000	0.459
27.	Lim Chiong Seng	434,000	0.443
28.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ser Chai Heng	430,000	0.439
29.	Chong Ying Choy	400,000	0.408
30.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Lim Eng Hock (MY0946)	400,000	0.408
	<b>Total</b>	<b>48,767,950</b>	<b>49.756</b>



**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 No./ Passport No./ Company No. \_\_\_\_\_  
[Full name in Block Letters]

of \_\_\_\_\_  
[Full address]

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

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

or failing \*him/her, the Chairman of the Meeting as \*my/our \*proxy/proxies to attend and vote for \*me/us on \*my/our behalf at the Eighth Annual General Meeting 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 **Thursday, 13 June 2019 at 10.30 a.m.** or at any adjournment thereof.

No.	Resolutions		For	Against
1.	To approve the payment of Directors' fees for the financial year ending 31 December 2019.	Ordinary Resolution 1		
2.	To approve the payment of Directors' benefits from the date of the forthcoming Annual General Meeting until the next Annual General Meeting.	Ordinary Resolution 2		
3.	To re-elect Mr Loh Kong Fatt as Director.	Ordinary Resolution 3		
4.	To re-elect Datuk Hj Subhi Bin Dziauddin as Director.	Ordinary Resolution 4		
5.	To re-elect Puan Salwa Binti Shamshuddin as Director.	Ordinary Resolution 5		
6.	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 2018.	Ordinary Resolution 6		
7.	To re-appoint UHY as the Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 7		
8.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary Resolution 8		
9.	Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016.	Ordinary Resolution 9		
10.	Proposed Alteration of the Existing Memorandum and Articles of Association by replacing with a New Constitution.	Special Resolution		

(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 \_\_\_\_\_ 2019.

\_\_\_\_\_  
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 in 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. There shall be no restriction as to the qualification of the 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 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 at 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 31 May 2019. Only a depositor whose name appears on the Record of Depositors as at 31 May 2019 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote in 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.



*Interior of Central Plaza i-City Mall*



**PESONA METRO HOLDINGS BERHAD**  
(957876-T)

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