



WIDAD
GROUP BERHAD

Rising to the **Challenge**

Annual Report **2020**



COVER RATIONALE



RIISING TO THE CHALLENGE

Widad Group is focused on enhancing its leadership position in the construction and integrated facility management segments. Our aim is to build a bigger and stronger presence in our fields of expertise through the delivery of innovative solutions. And, we have the right business model and the right people in rising to the challenge as a performance-driven organisation.

Moving forward, we will continue to explore the most effective manner possible by which to tap the expertise and experience of the Group's passionate, driven and talented workforce so that we can deliver true, sustainable value to all our stakeholders across Southeast Asia.

12th

NOTICE ANNUAL GENERAL MEETING

Date

29 June 2021

Time

3.00 p.m.

Broadcast Venue

WBG Penthouse
Widad Semantan (WISE)
No. 3, Jalan Semantan
Damansara Heights
50490 Kuala Lumpur



We encourage you to visit our full Annual Report at <http://www.widadgroup.com/reports>. You will have the privilege to download, retrieve and view any pages of the Annual Report at your convenience.

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MOVING AS ONE





What distinguishes us from others is our strong and unrivalled presence in the construction and integrated facilities management segments.



WIDAD GROUP
BERHAD IS AN
INVESTMENT
HOLDING COMPANY
WHICH IS PRINCIPALLY
INVOLVED IN
CONSTRUCTION
ACTIVITIES AND
INTEGRATED
FACILITIES
MANAGEMENT
SERVICES.



OUR VISION

WIDAD GROUP BERHAD ASPIRES TO BE AT THE FOREFRONT OF NATION BUILDING AND ECONOMIC DEVELOPMENT IN SOUTH EAST ASIA. THROUGH EMPOWERING PEOPLE IN OUR ORGANISATION TO UNLEASH THEIR FULL POTENTIAL, WE CAN ENRICH THE LIVES OF OUR STAKEHOLDERS AND CONTRIBUTE MEANINGFULLY TO THE INDUSTRY AND REGION AT LARGE.



OUR MISSION

OUR CLIENTS ALWAYS COME FIRST. WE STRIVE TO CREATE A SYNERGISTIC RELATIONSHIP THAT IS SUSTAINABLE AND DELIVER PEERLESS SOLUTIONS. OUR FIRM COMMITMENT TO CONTINUOUSLY DEVELOP THE SKILLS OF OUR PEOPLE WILL FURTHER STRENGTHEN THE CAPABILITIES OF OUR ORGANISATION.



OUR GUIDING PRINCIPLE

- ▶ WORTHINESS
- ▶ INGENUITY
- ▶ SYNERGY
- ▶ EFFICIENT

CORPORATE STRUCTURE

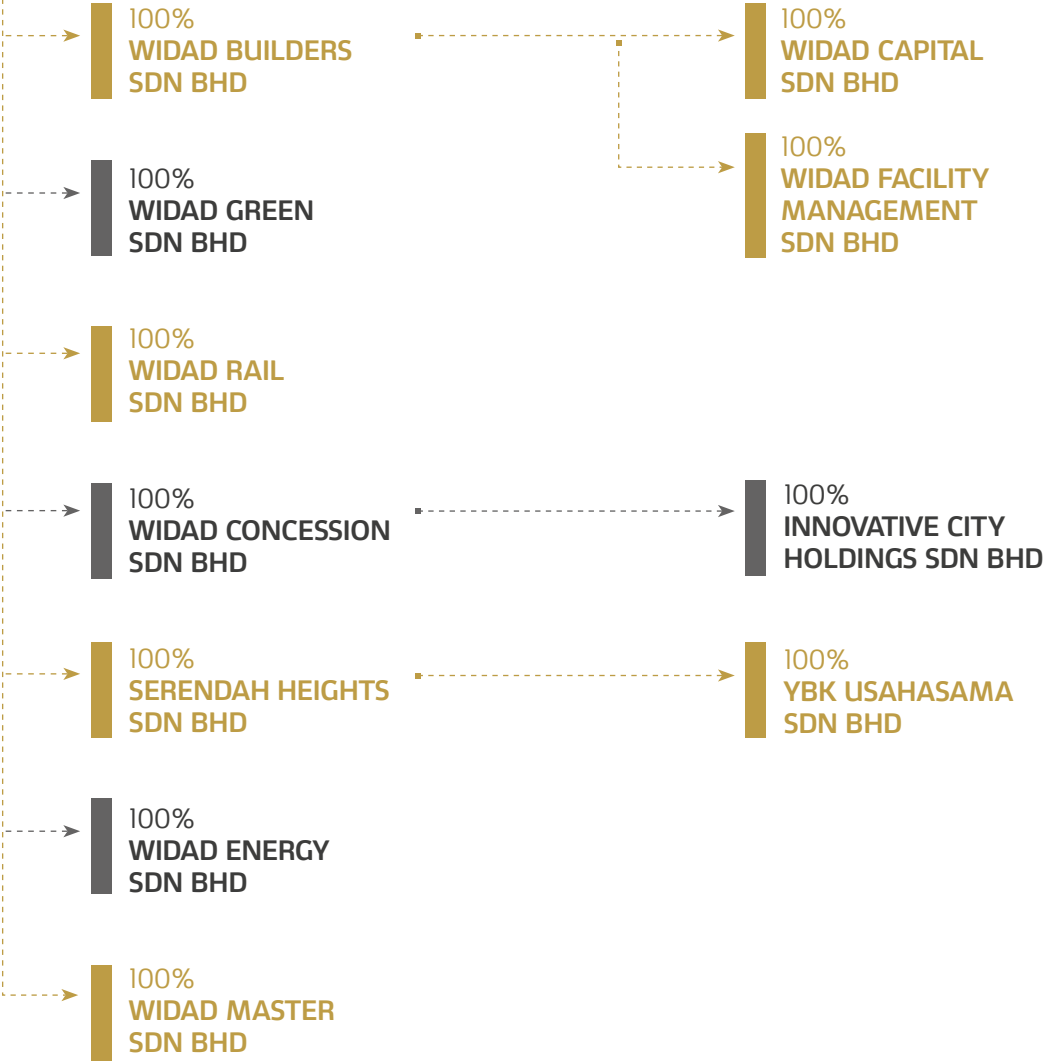
ANNUAL REPORT 2020

06

WIDAD GROUP BERHAD



WIDAD
GROUP BERHAD



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Dr Mohd Rizal bin Mohd Jaafar
Managing Director

Nor Adha Bin Yahya
Independent Non-Executive Director

Ong Kuan Wah
Independent Non-Executive Director

Tung Ghee Meng
Independent Non-Executive Director

**Gen (R) Tan Sri Dato' Sri Zulkiple
Bin Kassim**
Independent Non-Executive Director

**Dato' Dr Feizal Mustapha @
Feizal Bin Mustapha**
Executive Chairman
(Resigned on 30/11/2020)

Cheng Ming Fui
Independent Non-Executive Director
(Retired on 28/09/2020)

AUDIT COMMITTEE

Ong Kuan Wah
Chairman

Nor Adha Bin Yahya
Member

Tung Ghee Meng
Member

Cheng Ming Fui
Member (Retired on 28/09/2020)

NOMINATION COMMITTEE

Nor Adha Bin Yahya
Chairman

Ong Kuan Wah
Member

Tung Ghee Meng
Member

Cheng Ming Fui
Member (Retired on 28/09/2020)

REMUNERATION COMMITTEE

Nor Adha Bin Yahya
Chairman

Ong Kuan Wah
Member

Tung Ghee Meng
Member

Cheng Ming Fui
Member (Retired on 28/09/2020)

COMPANY SECRETARIES

Lim Seck Wah
(MAICSA 0799845)
(SSM PC No: 202008000054)

Tang Chi Hoe (Kevin)
(MAICSA 7045754)
(SSM PC No: 202008002054)

Shuhilawati Tajuddin
(LS0010190)
(SSM PC No: 202008001358)

REGISTERED OFFICE

Level 15-2,
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2692 4271
Fax : 03-2732 5388

PRINCIPAL PLACE OF BUSINESS

WBG Penthouse
Widad Semantan (WISE)
No. 3, Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Tel : 03-2094 0009
Fax : 03-2095 9090

REGISTRAR

Mega Corporate Services Sdn. Bhd.
Level 15-2
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2692 4271
Fax : 03-2732 5388

AUDITORS

Grant Thornton Malaysia PLT (AF0737)
(Member Firm of Grant Thornton
International Ltd.)
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03 - 2692 4022
Fax : 03 - 2732 1010

STOCK EXCHANGE LISTING

Stock Name : WIDAD
Stock Code : 0162

PRINCIPAL BANKERS

CIMB Islamic Bank Berhad
OCBC Al-Amin Bank Berhad
Maybank Islamic Berhad
HSBC Amanah Malaysia Berhad
Affin Islamic Bank Berhad

SPONSOR

M&A Securities Sdn Bhd
Level 11, No 45 & 47
The Boulevard, Mid Valley City
Lingkaran Syed Putra
59200, Kuala Lumpur
Tel : 03 - 2284 2911
Fax : 03 - 2284 2718

FINANCIAL HIGHLIGHTS

FINANCIAL RESULTS

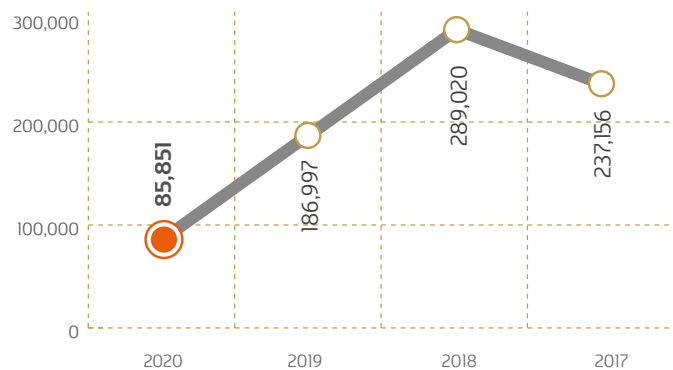
| | 2020 RM'000 | 2019 RM'000 | 2018 RM'000 | 2017 RM'000 |
|-------------------|----------------|----------------|----------------|----------------|
| Revenue | 85,851 | 186,997 | 289,020 | 237,156 |
| Gross profit | 33,011 | 63,871 | 74,656 | 76,787 |
| EBITDA | 18,336 | 43,382 | 41,789 | 54,216 |
| Depreciation | 3,062 | 3,145 | 2,640 | 2,215 |
| Finance Cost | 10,349 | 9,703 | 11,035 | 10,205 |
| Profit before tax | 4,925 | 30,534 | 28,114 | 41,796 |
| Taxation | 913 | 18,533 | 8,859 | 11,229 |
| Profit after tax | 4,012 | 12,001 | 19,256 | 30,567 |

KEY RATIOS

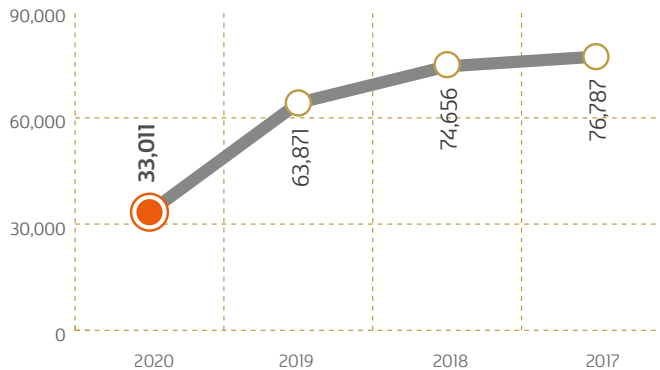
| | | | | |
|--------------------------|-------|-------|-------|-------|
| Gross Profit Margin (%) | 38.45 | 34.16 | 25.83 | 32.38 |
| Net Profit Margin (%) | 4.67 | 6.42 | 6.66 | 12.89 |
| Earnings per share (sen) | 0.16 | 0.49 | 0.92 | 1.71 |



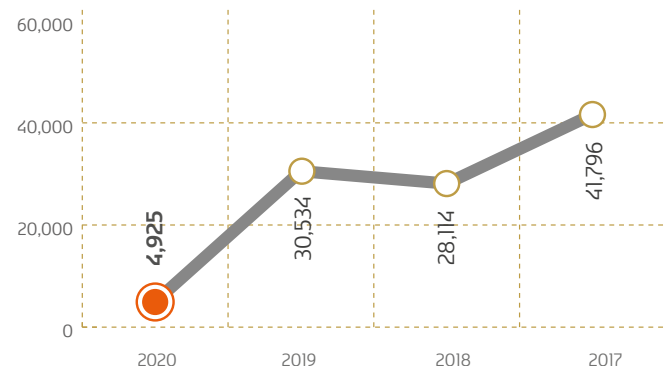
REVENUE



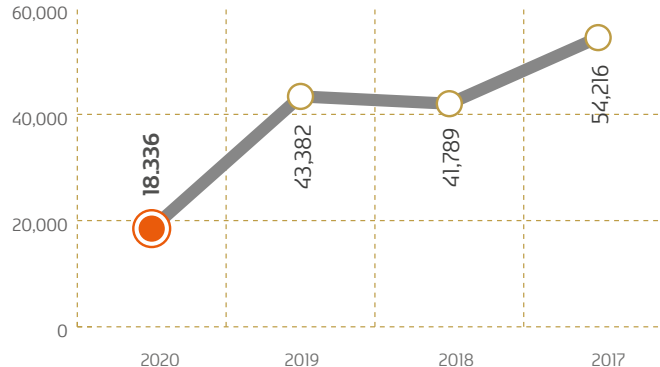
GROSS PROFIT



PROFIT BEFORE TAX



EBITDA



FINANCIAL HIGHLIGHTS

FINANCIAL POSITIONS

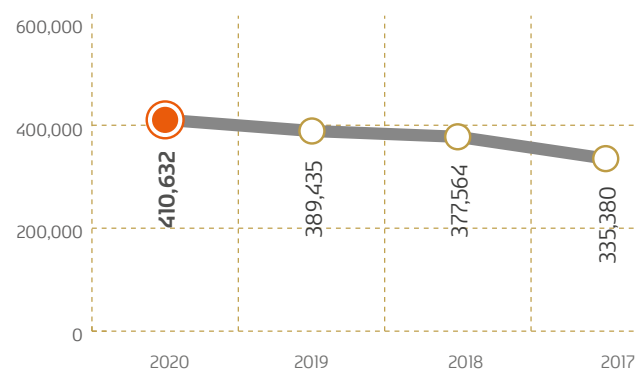
| | 2020 RM'000 | 2019 RM'000 | 2018 RM'000 | 2017 RM'000 |
|-------------------|----------------|----------------|----------------|----------------|
| Total assets | 410,632 | 389,435 | 377,564 | 335,380 |
| Total liabilities | 229,940 | 223,497 | 223,627 | 251,963 |
| Total Borrowings | 178,000 | 142,905 | 147,233 | 185,201 |
| Equity | 180,692 | 165,938 | 153,937 | 83,417 |

KEY RATIOS

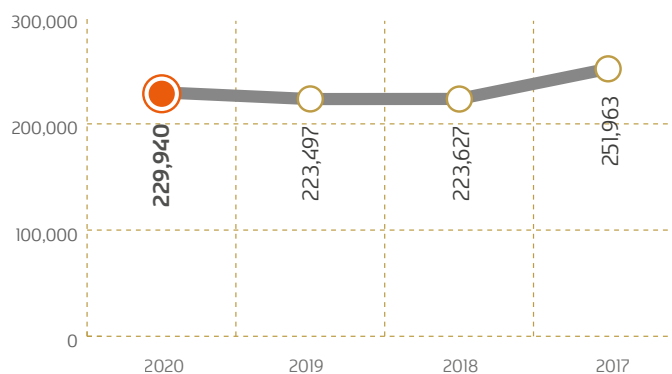
| | | | | |
|-------------------------|------|------|------|------|
| Current ratio | 2.05 | 1.81 | 2.90 | 2.46 |
| Gearing | 0.99 | 0.86 | 0.96 | 2.22 |
| Gearing (net) | 0.30 | 0.17 | 0.31 | 1.01 |
| Debt to capital | 0.50 | 0.46 | 0.49 | 0.69 |
| Interest Coverage Ratio | 1.48 | 4.15 | 3.55 | 5.10 |
| NTA/Shares (sen) | 7.33 | 6.76 | 7.32 | 4.68 |



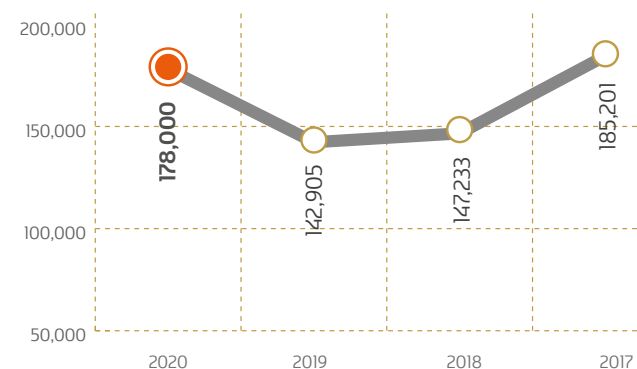
TOTAL ASSETS



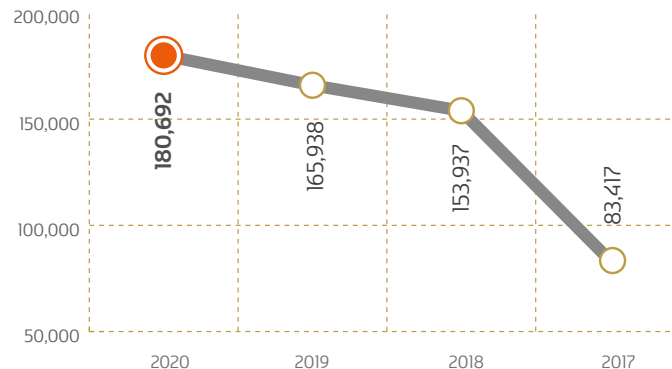
TOTAL LIABILITIES



TOTAL BORROWINGS



SHAREHOLDER'S (EQUITY)



DRIVING SHARED GOALS



A silhouette of a construction site at sunset. A large concrete bucket is being lowered by a crane. Two workers are visible on the scaffolding. The sky is a mix of orange, yellow, and blue.

What differentiates us from others is our ability to stay ahead of the curve in anticipating and managing market shifts.

BOARD OF DIRECTORS



DATO' DR MOHD RIZAL MOHD JAAFAR
Managing Director

MR. ONG KUAN WAH



MR. TUNG GHEE MENG

MR. NOR ADHA YAHYA

**GEN (R) TAN SRI DATO' SRI
ZULKIPLE KASSIM**

PROFILE OF DIRECTORS

DATO' DR MOHD RIZAL MOHD JAAFAR



**Non-Independent Executive
Director/ Managing Director**



Nationality : Malaysian



Gender : Male



Age : 47

Dato' Dr Mohd Rizal was appointed as the Managing Director of Widad Group Berhad on 29 August 2018.

He graduated from the University of Malaya with a degree in Accountancy and he holds a Master of Business Administration, specializing in Islamic Banking and Finance from the International Islamic University Malaysia. Dato' Dr Mohd Rizal is also a Chartered Accountant, registered with Malaysian Institute of Accountants (MIA).

Dato' Dr Mohd Rizal started his career as a bank supervisor and served for 12 years at Bank Negara Malaysia, supervising the Islamic, Commercial and Investment Banking Institutions prior to joining Small Medium Enterprise Development Bank Malaysia Berhad ("SME Bank") in 2010 as Chief Strategy and Transformation Officer, he was involved in developing, driving and implementing transformation strategies and initiatives to rejuvenate and strengthen SME Bank. In 2013, he was promoted to the position of Group Chief Operating Officer of SME Bank, where he was responsible for the overall operations of SME Bank.

In 2015, he joined Widad Business Group Sdn Bhd as the Group Chief Executive Officer and is currently responsible for the strategic and day-to-day business direction and performance of the company.

Dato' Dr Mohd Rizal is the Chairman of Dataprep Holdings Berhad. He is also an independent Non-Executive Board member and Chairman of Nomination and Remuneration Committee of Bank Simpanan Nasional (BSN) since October 2019. He has no family relationship with any Director and/or major shareholder of Widad Group Berhad and has no conflict of interest with Widad Group Berhad. He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.



PROFILE OF DIRECTORS

MR. ONG KUAN WAH



**Independent Non-Executive
Director**



Nationality : Malaysian



Gender : Male



Age : 52

Mr. Ong was appointed to the Board of Widad Group Berhad as Independent Non-Executive Director on 4 September 2018. He is also a member of the Board's Nomination, Remuneration Committee as well as chairman of the Audit Committee.

He graduated from Royal Melbourne Institute of Technology, Australia with a degree in Accounting and also holds a graduate diploma in Computing from Monash University, Australia. Mr. Ong is a Chartered Accountant member of the Malaysian Institute of Accountants and a member of the Chartered Tax Institute of Malaysia.

After graduating in 1991, Mr. Ong started his career at Kassim Chan & Co. and several other medium-sized accounting firms. He specialises in audit and tax works and has over twenty years of experience in financial management, accounting, secretarial, liquidation, internal and external audit and Malaysian tax related matters. He also owns a practice specialising in audit and tax.

He is a member of the Board of Directors of Dataprep Holdings Berhad. He has no family relationship with any Director and/or major shareholder of Widad Group Berhad and has no conflict of interest with Widad Group Berhad. He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.



PROFILE OF DIRECTORS

MR. TUNG GHEE MENG



**Independent Non-Executive
Director**



Nationality : Malaysian



Gender : Male



Age : 66



Mr. Tung was appointed to the Board of Widad Group Berhad as Independent Non-Executive Director on 4 September 2018. He also serves as a member of the Board's Nomination, Remuneration and Audit Committee.

He graduated from the University of London with a degree in Law and was called to the Malaysian Bar in 1995. Mr. Tung specialises in corporate and commercial law and also has wide-ranging experience in various capacities such as auditor, accountant and company secretary.

Mr. Tung has been intimately involved with business development of South African companies in Malaysia. He is one of the co-founders of Malaysian South African Business Council formed in 1996. He is also the resident director of Murray & Robert Marine Malaysia Sdn Bhd, the local subsidiary of Murray & Roberts Limited, a South African conglomerate listed in the Johannesburg Stock Exchange.

He does not hold any directorship in any other public company. He has no family relationship with any Director and/or major shareholder of Widad Group Berhad and has no conflict of interest with Widad Group Berhad.

He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.

PROFILE OF DIRECTORS

MR. NOR ADHA YAHYA



**Independent Non-Executive
Director**



Nationality : Malaysian



Gender : Male



Age : 50

Mr. Nor Adha was appointed to the Board as Independent Non-Executive Director on 26 November 2018. He also serves as the chairman of the Board's Nomination, Remuneration Committee and is a member of the Audit Committee.

He graduated from Universiti Putra Malaysia with a degree in Accounting and is a Chartered Accountant. Mr. Nor Adha is also a member of the Malaysian Institute of Accountants.

He has been Executive Director cum Chief Executive Officer of CKM LANDAS MRO Sdn Bhd. since 2014. Mr. Nor Adha served as Finance Director of Mizou Holdings Sdn Bhd from 2002 to 2012. Mizou Holdings was involved in supply and maintenance of agriculture machinery for Malaysian Government Agencies and Government Linked Companies.

From 1994 to 1996, he started his career at Arthur Andersen & Co., an International Financial and Audit Services Firm and principally involved in auditing and taxation services. From 1996 to 1999, he joined an international steel conglomerate as Finance & Accounts Executive and was initially based in Linz, Austria and in Ijmuiden, Netherlands. From 1999 to 2013, he served as Director of KPNA Resources Sdn Bhd which is principally involved in supply and maintenance of medical equipment to the Ministry of Health Malaysia.

Currently, Mr. Nor Adha is an Independent Non-Executive Board member and Chairman of the Board's Nomination and Remuneration Committee of Dataprep Holdings Berhad. Mr. Nor Adha is also an Independent Non-Executive Board member and Chairman of the Board's Audit Committee of Tuju Setia Berhad. He has no family relationship with any Director and/or major shareholder of Widad Group Berhad and has no conflict of interest with Widad Group Berhad.

He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.



PROFILE OF DIRECTORS

GEN (R) TAN SRI DATO' SRI ZULKIPLE BIN KASSIM



**Independent Non-Executive
Director**



Nationality : Malaysian



Gender : Male



Age : 61



Gen (R) Tan Sri Dato' Sri was appointed as an independent non-executive director of Widad Group Berhad in July 2019. Prior to this, He had just retire from his 42 year service in the Malaysian Army.

He started his career with Malaysian Army in January 1977 and received his military training as officer cadet at the Royal Military Academy Sandhurst United Kingdom. On 7 April 1978, he was commissioned into the Royal Malay Regiment as 2nd Lieutenant.

He has vast knowledge and experience in management, administration, leadership, training and logistic obtained from the various important positions held throughout the 42 years. Amongst the important positions held by him were as Director of Infantry at Army HQ, commander 4th brigade (mechanise), Director of Veteran Affairs, General Officer Commanding 4th Infantry Division, Commander Army Field Command and Chief of Army Malaysia.

Currently, Gen (R) Tan Sri Dato' Sri is a member of the Board of Directors of Pasdec Holdings Berhad. He has no family relationship with any Director and/or major shareholder of Widad Group Berhad and has no conflict of interest with Widad Group Berhad.

He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.



AD HOC MAINTENANCE

We provide round the clock coverage making use of our expertise and latest technology to ensure total customer satisfaction.



KEY SENIOR MANAGEMENT



DATO' DR MOHD RIZAL MOHD JAAFAR
Managing Director

DATO' JULAINI JUSOH



**IR MOHD SYASWAN
SAMSUDIN**

MR. NOR AZLAN ZAINAL

MS. SHUHILAWATI TAJUDDIN

PROFILE OF KEY SENIOR MANAGEMENT

DATO' DR MOHD RIZAL MOHD JAAFAR



Non-Independent Executive Director/ Managing Director



Nationality : Malaysian



Gender : Male



Age : 47



Dato' Dr Mohd Rizal was appointed as the Managing Director of Widad Group Berhad on 29 August 2018.

He graduated from the University of Malaya with a degree in Accountancy and he holds a Master of Business Administration, specializing in Islamic Banking and Finance from the International Islamic University Malaysia. Dato' Dr Mohd Rizal is also a Chartered Accountant, registered with Malaysian Institute of Accountants (MIA).

Dato' Dr Mohd Rizal started his career as a bank supervisor and served for 12 years at Bank Negara Malaysia, supervising the Islamic, Commercial and Investment Banking Institutions prior to joining Small Medium Enterprise Development Bank Malaysia Berhad ("SME Bank") in 2010 as Chief Strategy and Transformation Officer, he was involved in developing, driving and implementing transformation strategies and initiatives to rejuvenate and strengthen SME Bank. In 2013, he was promoted to the position of Group Chief Operating Officer of SME Bank, where he was responsible for the overall operations of SME Bank.

In 2015, he joined Widad Business Group Sdn Bhd as the Group Chief Executive Officer and is currently responsible for the strategic and day-to-day business direction and performance of the company.

Dato' Dr Mohd Rizal is the Chairman of Dataprep Holdings Berhad. He is also an independent Non-Executive Board member and Chairman of Nomination and Remuneration Committee of Bank Simpanan Nasional (BSN) since October 2019. He has no family relationship with any Director and/or major shareholder of Widad Group Berhad and has no conflict of interest with Widad Group Berhad. He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

DATO' JULAINI JUSOH



**Chief Operating Officer,
Integrated Facilities Management**



Nationality : Malaysian



Gender : Male



Age : 51

Dato' Julaini holds a Mechanical Engineering graduate from University of Science Malaysia. He began his career as a mechanical engineer with Sharp-Roxy (M) Sdn Bhd from 1994-1997. Between 1997-2001, he later moved to BMES Maintenance Services Sdn Bhd as Area Manager, and then took on the role as General Manager at Gemilang Maintenance Services Sdn Bhd (GMS) in 2001. At GMS, Dato' Julaini was promoted to Chief Operating Officer in 2009, and was responsible for the company's daily operations and financials. After a decade at GMS, he joined Widad Builders Sdn Bhd ("WBSB") as Chief Operating Officer in 2011.

He was promoted to Managing Director at WBSB in 2012, where he was and still is actively involved in managing the facilities management for JB Sentral Building in Johor Bahru, and Istana Negara, Kuala Lumpur.

Under his direct management, WBSB has been awarded 'The Best Facilities Management (Building Category) 2014' by Public Works Department Malaysia for the JB Sentral Facilities Management Contract.

Dato' Julaini does not hold any directorship in any other public company. He has no family relationship with any Director and/or major shareholder of Widad Group Berhad and has no conflict of interest with Widad Group Berhad. He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.



PROFILE OF KEY SENIOR MANAGEMENT

IR. TS. MOHD SYASWAN SAMSUDIN



**Chief Operating Officer,
Construction**



Nationality : Malaysian



Gender : Male



Age : 40

Ir. Ts. Mohd Syaswan holds a Bachelor in Civil Engineering (Hons) in Universiti Teknologi Malaysia, Johor. Apart from being the Group's Construction division Chief Operating Officer, he is also the Executive Director of Widad Builders Sdn Bhd since 2010 and the Executive Director of Group Construction Division for Widad Business Group Sdn Bhd.

Prior to joining Widad Group Berhad, Ir. Ts. Mohd Syaswan worked at Cempaka Muda Sdn Bhd, where he served as a project engineer handling the day to day construction operations from 2003- 2005. He then joined TN Perunding Consulting Engineers as Civil & Structural Design Engineer for two years (2005-2007), followed by Pembinaan BLT Sdn Bhd from 2007 - 2010, a wholly owned company under the Ministry of Finance.

Ir. Ts. Mohd Syaswan obtained registration with the Board of Engineers Malaysia (BEM) as a Professional Engineer with Practicing Certificate in 2009 and was registered as a Corporate Member of the Institution of Engineers in Malaysia (IEM) in 2009. He was also registered as an Associate ASEAN Engineer of ASEAN Federation of Engineering Organizations (AFEO) in 2012.

Furthermore, Ir. Ts. Mohd Syaswan is registered with Suruhanjaya Perkhidmatan Air Negara (SPAN) – Qualified Person (2012), Suruhanjaya Perkhidmatan Air Negara – Authorised Entrant & Stanby Person (2014), Green RE Sdn Bhd / Universiti Teknologi Malaysia (UTM) – Certified GreenRe Manager (2015), The Road Engineering Association of Asia & Australia (REAAA) – Ordinary Member (2015), Association of Consulting Malaysia (ACEM) – Individual Membership (2015) and The Malaysian Asset & Project Management Association (MAPMA) – Ordinary Member (2016). In 2020, Ir. Ts. Mohd Syaswan obtained registration with Malaysia Board of Technologists as a Professional Technologist.

Ir. Ts. Mohd Syaswan does not hold any directorship in any other public company. He has no family relationship with any Director and/ or major shareholder of Widad Group Berhad and has no conflict of interest with Widad Group Berhad. He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.



PROFILE OF KEY SENIOR MANAGEMENT

MR. NOR AZLAN ZAINAL



Chief Financial Officer



Gender : Male



Nationality : Malaysian



Age : 51

Mr. Nor Azlan holds a Bachelor of Accountancy (Hons) from Universiti Teknologi MARA in 1993. He is also a Chartered Accountant under the Malaysian Institute of Accountants. Mr. Nor Azlan began his career at Ernst & Young, until he was admitted to the Malaysian Institute of Accountants.

Subsequently, he joined Guolene Paper Products Sdn Bhd (a subsidiary of Hong Leong Group) Packaging Division in 1997 as an accountant before moving on to Golden Pharos Berhad in 1998 as Chief Financial Officer.

In 2004, he co-founded and assumed the role as Chief Executive Officer of Right Balance Sdn Bhd, a diversified group with interests in oil and gas, transportation, and trading of wood products. In 2018, he joined Widad Business Group Sdn Bhd as Group CFO.

Mr. Nor Azlan does not hold any directorship in any other public company.

He has no family relationship with any Director and/or major shareholder of Widad Group Berhad and has no conflict of interest with Widad Group Berhad. He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.



PROFILE OF KEY SENIOR MANAGEMENT

MS. SHUHILAWATI TAJUDDIN



Company Secretary



Nationality : Malaysian



Gender : Female



Age : 46



Ms. Shuhilawati is a licensed company secretary by the Companies Commission of Malaysia with London Chamber of Commerce & Industry ("LCCI") qualification.

From 2003, she has been working as a Senior Assistant to the Company Secretaries at Alor Setar Business Centre Sdn Bhd before joining Alfaiz Holdings Sdn Bhd and its group of companies as Internal Company Secretary in 2017.

At present, she is hired as internal Company Secretary for Widad Business Group Sdn Bhd and its group of companies.

Ms. Shuhilawati does not hold any directorship in any other public company. She has no family relationship with any Director and/or major shareholder of Widad Group Berhad and has no conflict of interest with Widad Group Berhad.

She has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.



PROPERTY CONSTRUCTION

We believe that our vast, varied experience in the industry has equipped us well to scale to greater heights.

ADVANCING AS A TEAM





What sets us apart from others
is our ability to deliver
innovative business strategies
that help drive markets.



OUR SOLUTIONS & SERVICES



CONSTRUCTION, CIVIL & ENGINEERING

Widad Group Berhad has a long-built experience in delivering quality services across a wide-range of construction and infrastructure works. Backed by our efficient processes, latest technologies and strong in-house talent, Widad Group Berhad offers end-to-end construction services for our clients from planning and designing to financing and completing a project.

Over the years, we have successfully completed various construction and infrastructure works such as roads (single and dual carriageway), earthworks and water supply (rural and urban), to name a few - all complete with necessary mechanical and electrical systems.

Our strong track record in completing projects as scheduled and well within cost estimates, have earned the trust and support from our clients, among which include government agencies and well-known corporate names. Our ability to offer a diversified range of construction and civil engineering services, positions Widad Group Berhad as a one-stop centre for our existing and prospective clients.

Below are the work scope for our construction and civil engineering segments are as follows:

CIVIL ENGINEERING WORK SCOPE

- ▶ General Civil Engineering Work
- ▶ Bridges, Jetties & Marine Structures
- ▶ Water Retaining Structures
- ▶ Sewerage Systems
- ▶ Flood Mitigation Systems
- ▶ Irrigation & Drainage Systems
- ▶ Joint Boxes and Duct Construction
- ▶ Manholes for Cable Networks



CONSTRUCTION WORK SCOPE

- ▶ Jungle Clearing & Land Preparation Works
- ▶ Mechanical Sanitation & Water Engineering Works

PILING WORKS



- In situ concrete
- Precast reinforced concrete
- Steel
- Timber

BITUMINOUS ROAD SURFACE, ROAD SIGNS AND MARKINGS



- Guard Rail Barriers
- Milestones, etc

OTHERS



- Sub soil drainage
- Water distribution network
- Steel structural works
- Precast reinforced or non-reinforced concrete beams, kerbs, culverts & drains

OUR SOLUTIONS & SERVICES

INTEGRATED FACILITIES MANAGEMENT

We are one of the leading Integrated Facilities Management ("IFM") services providers in Malaysia. With nearly 2 decades of experience in the domestic IFM scene, we have served various types of built environments that were in different stages of their asset lifecycle. The IFM services essentially emphasise on the coordination of space, infrastructure and people, often associated with the administration of

among others, office blocks, schools, complexes, convention centres and hotels.

At Widad Group Berhad, we remain committed to deliver stellar, high quality IFM services to our clients from a diverse range of industries, while strictly complying to international quality management standards. The Group strives to sustain peak efficiency in our

customers' facilities, by consistently exceeding customers' expectations, while maintaining the safety and comfort. Top-notch technologies and talent are central to our IFM services as we deliver a high level of competency across our services.

Widad Group Berhad's IFM services comprises 3 main categories as follows:

SCHEDULED MAINTENANCE



We consistently inspect the facilities of our customers on a timely and regular basis and follow best maintenance practices to ensure optimum cost, effectiveness and efficiency.

AD HOC MAINTENANCE



We offer round-the-clock coverage making use of our expertise and latest technology to ensure total customer satisfaction.

UPGRADING & RENOVATION



We advise our customer in designing, building as well as performing all upgrading works within the premises.

SCOPE OF SERVICES

Property Management

Interior & exterior building cleaning. Hard & soft landscaping. Security & monitoring. Pest & hygiene control. Garbage disposal services. Swimming pool maintenance.

Mechanical & Electrical

Air-conditioning system. Fire prevention system. Electrical & lighting system. Lifts, escalators & walkalators.

Civil & Structural

Civil engineering works. Building works. Mechanical sanitary & water engineering works. Jungle clearing & land preparation. Specialist civil engineering works.

OUR SOLUTIONS & SERVICES

TYPES OF MAINTENANCE

PROACTIVE MAINTENANCE



Involves usage of specialised tools and equipment to identify, repair and solve equipment problems at an early stage.

PREVENTIVE MAINTENANCE



Involves maintenance works performed on a planned schedule which includes inspection, servicing and cleaning.

PREDICTIVE MAINTENANCE



Involves using high end monitoring tools to detect any malfunctions early before any breakdown can occur.

CORRECTIVE MAINTENANCE



Involves immediate repair works due to equipment or machinery failure.



OTHER AREAS OF EXPERTISE

- ▶ Facilities Management
- ▶ Mobilisation and Demobilisation Management
- ▶ Transition Management
- ▶ Financial Management
- ▶ Utilities Management
- ▶ Quality Management
- ▶ Risk Management
- ▶ Health, Safety and Environmental Management
- ▶ Human Resource Management
- ▶ Customer Care Management
- ▶ Incident Response and Disaster Recovery Management
- ▶ Procurement Management
- ▶ Inventory Management
- ▶ Operation and Maintenance Management
- ▶ Information System Management
- ▶ Management Review and Reporting
- ▶ Warranty Management
- ▶ Energy Management and Conservation
- ▶ Waste and Redundant Materials
- ▶ Technical Library
- ▶ Security Management
- ▶ Event Management
- ▶ Asset Condition Appraisal

MANAGEMENT DISCUSSION AND ANALYSIS

DATO' DR MOHD RIZAL MOHD JAAFAR
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

DEAR SHAREHOLDERS,

Overall, business was bumpy and strenuous throughout financial year 2020. In February 2020, the unanticipated change in country's ruling coalition has led to uncertainties as to the status of key infrastructure projects announced previously. In March 2020, the Government inevitably imposed Movement Control Order ("MCO") to curb the spread of the unprecedented Covid-19 outbreak in the country. This move has resulted in a complete standstill of most economic activities, except for essential services such as healthcare, food, utilities and facilities maintenance.

Following the decreasing trend of Covid-19 infection, the Government uplifted the MCO and implemented Conditional MCO ("CMCO") in May 2020 and Recovery MCO ("RMCO") in June 2020. Restrictions were eased and economic activities were allowed to resume on condition that companies strictly adhere to standard operating procedures ("SOP"), ensure workers who return to works undergo Covid-19 screening and always practice social distancing.

As a result, Malaysia's Gross Domestic Products ("GDP") shrunk by 5.6% in the year 2020 compared to growth of 4.3% in 2019. Specifically, the construction sectors were worst hit as it reported a contraction of 19.4% in 2020 against growth of 0.1% in 2019.

Notwithstanding the above factors, Widad Group managed to maintain profitability, upheld liquidity position, obtained contracts and undertook series of business and corporate development activities.

BUSINESS OVERVIEW

Widad is an investment holding company with subsidiaries principally involved in construction and the provision of integrated facilities management services ("IFM").

Widad has nearly two decades of experience in delivering quality services across a wide range of construction and infrastructure works and IFM services. Widad offers end-to-end services from planning, designing, financing and completing of construction projects and undertaking full-fledged integrated facilities management activities. To-date, Widad has completed various projects such as roads, bridges, earthworks, sewerage treatment plants, water distribution system, dam and maintenance of JB Sentral complex.

CORPORATE DEVELOPMENT

During the year, Widad entered into the following corporate activities as part of its strategic business expansion plan.

- ▶ 19 February 2020 – Widad signed a conditional Share Sale Agreement ("SSA") for the proposed acquisition of 100% equity interest in Serendah Heights Sdn Bhd ("SHSB") with the vendors. SHSB is an investment holding company and through its wholly-owned subsidiary, YBK Usahasama Sdn Bhd ("YBKU"), owns a concession to construct facilities and infrastructure and to carry out asset management service of the said facilities and infrastructure of Universiti Teknologi MARA ("UiTM") campus in Jasin, Melaka.
- ▶ 25 February 2020 – Widad announced proposed private placement of up to 245,464,100 new ordinary shares in Widad for the purpose of funding business expansion and working capital for projects
- ▶ 15 October 2020 – Widad successfully obtained shareholders' approval for the proposed acquisition of Inovatif Mewah Sdn Bhd, which was initiated in 2019.
- ▶ 26 October 2020 – Widad successfully obtained shareholders' approval for the proposed acquisition of SHSB.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

Despite the challenges brought about mainly by the movement control orders imposed by the Government to curb spreading of Covid-19 pandemic, Widad managed to drive the business forward and record sustainable results within the challenging business environment.

Construction

The construction segment managed to resume works on ongoing projects, namely upgrading of sewerage treatment plant in Bayan Baru, Penang and road and bridge works in Klang, Selangor after the upliftment of MCO in May 2020. Activities were slowly picked up as lot of measures to curtail spread of Covid-19 need to be undertaken and observed at all times.

Widad continued participation in tender projects and submission of few private initiative proposals to the government and its agency to build up its orderbook during the year. On 18 April 2021, such determined and tireless efforts were proven fruitful as the segment was awarded a project to upgrade water treatment plant in Sg. Limau, Baling, Kedah worth RM89.8 million to be completed within 130 weeks.

On 18 May 2021, this segment obtained a project to upgrade water treatment plant in Bukit Selambau, Kuala Muda, Kedah worth RM129.4 million to be completed within 130 weeks.

IFM

The IFM segment, being an essential service, was allowed to operate as usual with condition that strict compliance to SOP be observed at all times. Operations were slightly slowed down in March and April 2020 due mainly to compliance activities while progress claims and collections were delayed due to closure of government offices during MCO.

During the year, this segment successfully secured an IFM project to manage and maintain passenger terminals and jetties in Kuala Perlis (Perlis), Kuala Kedah (Kedah) and Kuah (Langkawi) worth RM 21.4 million for the duration of 5 years.

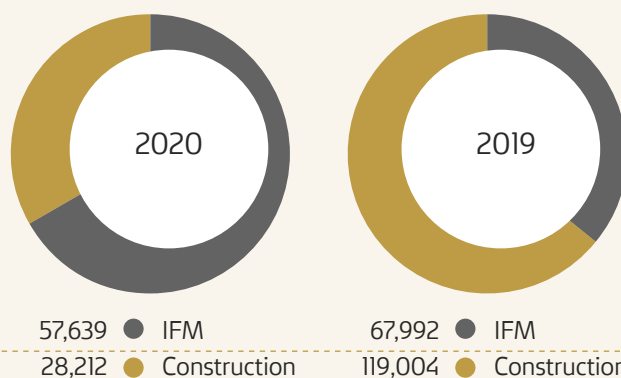
To further diversify its source of revenue, Widad entered into the following collaborations during the year 2020.

- ▶ On 13 May 2020, Widad entered into a Collaboration Agreement with Stoika Sdn Bhd in relation to the facility management programme involving disinfectant coating treatment.
- ▶ On 22 September 2020, Widad entered into a Collaboration Agreement with IAQ Solutions Sdn Bhd ("ISSB") in relation to development, distribution, marketing, supplying, installation and maintenance of equipment and other provision of related solutions and services, in connection with indoor air quality solutions with the purpose of prevention and control of airborne diseases, such as COVID-19.

FINANCIAL REVIEW

Financial results

For FYE2020, the Group's revenue moderated 54.09% to RM85.85 million from RM187.00 million for the financial year ended 31 December 2019 ("FYE2019") largely due to standstill of construction activities in the first half of the year.



The Construction segment contributed RM28.21 million or 32.9% (FYE2019 : RM119.00 million or 63.6%) while IFM segment contributed RM57.6 million or 67.1% (FYE2019 : RM67.99 million or 36.35%) to the Group revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

In tandem with the decrease in revenue, gross profit reduced to RM33.01 million as compared RM63.87 million in FYE2019. However, gross profit margin for FYE2020 improved to 38.45% against 34.45% in FYE2019 due mainly to higher margin from IFM business.

Henceforth, profit before tax declined 83.85% to RM4.93 million from RM30.53 million in the preceding financial year. Included in the administrative expenses is expenditure in relation to the proposed acquisitions amounting RM1.19 million, which is required to be expensed off in accordance to the requirement of MFRS 3 – Business Combinations.

Income tax expense of RM0.91 million for FYE2020 was lower due to over provision of tax in prior years amounting RM2.49 million. Consequently, the Group recorded profit after tax of RM4.01 million as compared to RM12.00 million in FYE2019. Earnings per share moderated to 0.16 sen in FYE2020 against 0.49 sen in FYE2019.

Financial Position

| Key ratios; | FYE 2020 | FYE 2019 |
|------------------|----------|----------|
| Current ratio | 2.05 | 1.81 |
| Gearing | 0.99 | 0.86 |
| Gearing (net) | 0.30 | 0.17 |
| Debt to capital | 0.50 | 0.46 |
| NTA/Shares (sen) | 7.33 | 6.76 |

The Group's financial position remains strong as at FYE2020, despite key ratios deteriorated against preceding financial year. Higher utilization of overdraft and trade bills to fund ongoing projects towards the year end increased the liabilities and hence impacted the ratios unfavourably.

On the back of RM123.60 million in cash, bank and fixed deposit (FYE2019:RM115.11 million), the Group is on the solid footing to meet its debt payment obligations.

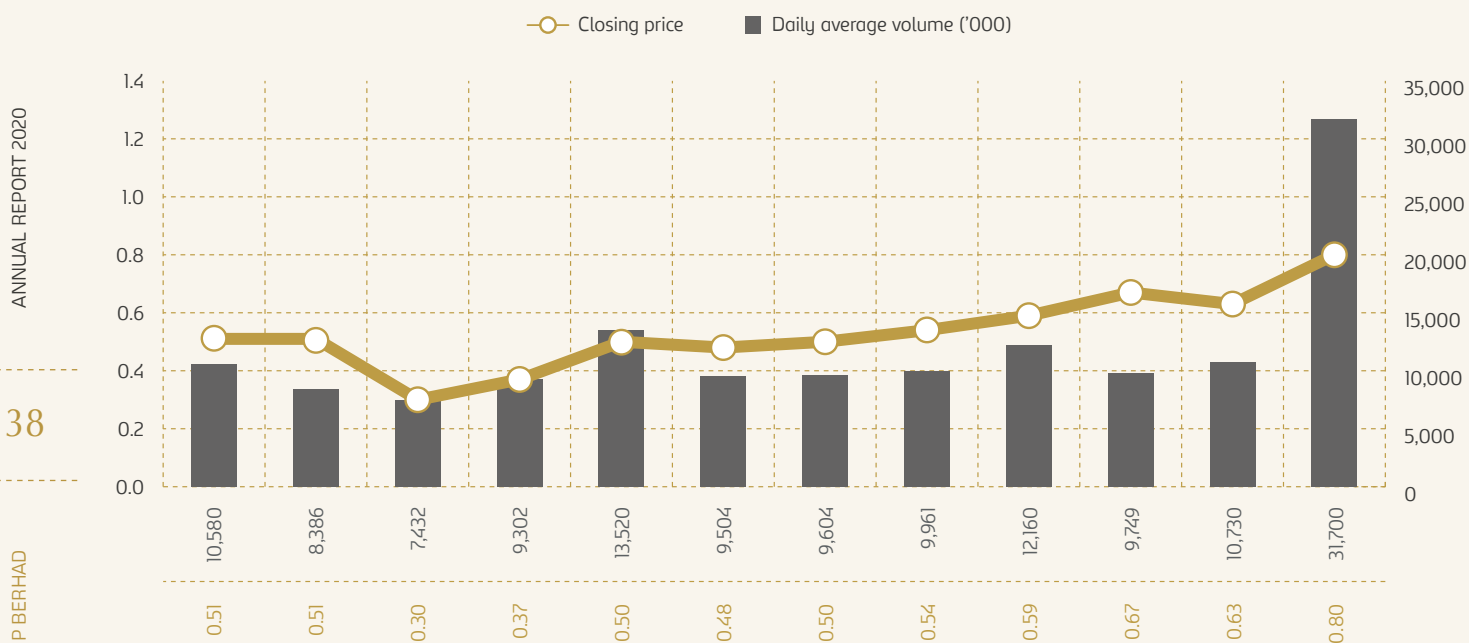
Cashflow

| | 2020 | 2019 |
|--|----------|---------|
| Net cash flows (used in)/from operating activities | (14,459) | 26,754 |
| Net cash flows from/(used in) investing activities | 22,180 | (7,189) |
| Net cash flows from/(used in) financing activities | 49,582 | (8,468) |
| Net increase in cash and cash equivalents | 57,303 | 11,097 |

The net cash flows from operating activities were in deficit due to lower project progress claims and slower payment from customers. Overall, the Group's net cash flows for FYE2020 exceeded FYE2019 by 416% mainly attributable to issuance of shares upon conversion of warrants and relief of deposits pledged for Sukuk during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE PERFORMANCE



OUTLOOK AND PROSPECT

Bank Negara Malaysia projected that Malaysia's economy to rebound between 6.0% to 7.5% in 2021, supported by the rollout of Covid-19 vaccination programmes, continued global economic recovery and the positive impact it has on domestic economy.

In line with this, the construction sector is poised to reverse contraction in 2020, fuelled by the government's largest ever development expenditure in its expansionary 2021 Budget as well as revival of mega infrastructure projects such as Mass Rapid Transport 3 ("MRT3") project.

The growth outlook, however, remains subject to ongoing uncertainties in developments related to the pandemic and challenges in rolling-out vaccination programmes both globally and domestically.

Despite the uncertainties, Widad is cautiously optimistic with its performance in 2021, on the back of its orderbook approximately RM1.40 billion, represented by;

| | RM' Million |
|--|-------------|
| ▶ Existing projects in construction and IFM | 364.0 |
| ▶ Newly awarded projects for construction and IFM | 240.6 |
| ▶ Completion of the proposed acquisition of SHSB in March 2021 | 791.0 |

In ensuring continuous expansion of business, Widad adopts three-pronged strategies namely capturing of opportunities through normal bidding, leveraging on group synergy and mergers and acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

ANTICIPATED RISKS

| Key Area | Risk | Description | Mitigation measures |
|-------------|--|--|--|
| External | Competition | In times of slow growth, many players compete for smaller number of jobs. | Continuous review of business strategies to enhance service offerings, quality and price competitiveness. |
| Operational | Overreliance on public sector contracts | As 100% of revenue comes from contract with Government, Widad is susceptible to changes in government policies | Participated in tenders from the government-linked companies, private sectors and commercial. Continuous identification of opportunities to collaborate and acquire businesses. |
| Operational | Substandard performance by sub-contractors | Contractors' incompetency, technically and financially, may disrupt project delivery and cost overruns | Continuously monitor, supervise and evaluate the work quality and progress of each contractor. Whenever necessary, induction and training will be provided while warning is issued from time to time to ensure contractors meets expectations. |
| Operational | Post Covid-19 | Slower pace of execution of construction works | Widad has implemented relevant SOPs and undertake continuous compliance monitoring to avoid work stoppages. |

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WIDAD GROUP BERHAD

DIVIDEND

Widad presently does not have any formal dividend policy. The ability to pay dividends to shareholders is subject to financial performance, cashflow position, availability of distributable reserves and capital expenditure plans.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management and staff of Widad for their continuous dedication, hard work and contribution to the Group throughout the challenging year 2020.

A note of thank too to all our stakeholders, including but not limited to our valued shareholders, customers, business partners, bankers, consultants, subcontractors and suppliers for their unwavering support to Widad.

Last but not least, I would like to extend my heartfelt gratitude to our Board of Directors for their commitment, continuous guidance and valuable input.

DATO' DR MOHD RIZAL MOHD JAAFAR
Managing Director

SUSTAINABILITY REPORT

INTRODUCTION

The Board of Directors acknowledges the importance of corporate social responsibility (“CSR”) and strives to fulfil the expectation of its stakeholders by enhancing its social, environmental and economic performance while ensuring the sustainability and operational success of the company.

Sustainability is an integral part of the Group’s business and the Group’s corporate responsibility practices focus on five areas - Environment, Workplace, Services, Market Place and Community, which aims to deliver sustainable value to society at large.

(I) Environment

The Group recognises the impact of its day to day business on the environment. As such, the Group is committed by implementing environmentally friendly work processes while raising the environmental awareness among its staff. The Group adopts the environmental best practices in its construction and integrated facilities management processes. The Group strive towards compliance to Occupational, Safety, Health and Environment requirement as a testament to the Group’s commitment to ensuring environmental sustainability. The subsidiaries of the Group’s also hold the ISO certification issued by the Bureau Veritas Certification (Malaysia) Sdn. Bhd. (1) Provision of Comprehensive Building Facilities Management Services and (2) Head Office: Management and Administration Activities for Building Facilities Management Services which consists of ISO 9001:2015, ISO 14001:2015, ISO 50001:2018, ISO 45001:2018 and ISO 41001:2018.

(II) Workplace

The greatest asset at Widad Group Berhad is the people – the talents. The Group believes that employees are key resources that drive long term and sustainable organisational successes. With this in mind, the Group places priority on employee rights and opportunities, occupational health and safety, as well as talent development. As an equal opportunity employer, the Group does not tolerate discrimination of any kind, and employee performance is assessed on merit basis. The Group also fully complies with the employment laws in Malaysia, including but not limited to, Employment Act 1955, Employment (Restriction) Act 1968, Minimum Retirement Age Act 2012, Minimum Wages Order 1966 and Occupational Safety and Health Act 1994.

On workplace diversity, the Group respects the different cultures, gender and religions of the employees as we understand that the diversity and differences give us broader range of competence, skills and experience to enhance the capabilities to achieve business results which is important for the overall business sustainability. Thus, the Group is committed to provide the staff an environment of equal opportunity to strive while promoting diversity in the workforce.

The health and safety of employees are of paramount importance to the Group. In compliance with the Occupational Safety and Health Act 1994, we have health and safety policy in place to create a safe, pleasant and conducive working environment for the employees. The policy is regularly reviewed and updated to reflect the latest best practices in the industry.

Continuous talent development is another critical aspect at the Group. In order to optimize employee talents and capabilities, various in-house trainings, external training programmes and seminars are provided periodically to all employees to enhance their knowledge and skill while promoting a motivated working team and fostering a closer relationship with each other.

The Group also encourages employees to participate in sports and fitness programmes outside working hours such as badminton, futsal and bowling. With strict compliance to SOP relating to Covid-19.

SUSTAINABILITY REPORT

(III) Services

As an investment company which principally involves in construction and integrated facilities maintenance activities, the quality services, guaranteed customer satisfaction and strategic partnership always played a pivotal role at Widad Group Berhad. The quality services has not only pushed Widad Group Berhad forward and become more competitive and efficient but it has also broken down the barriers of the industry field. The Group also recognises the crucial role of these capabilities could play in ensuring corporate and community sustainability. The Group's service team deliver at their best to be more efficient and effective. This in turn, allows the services to be marketed and well-known. This creates sustained excitement in the market for Widad Group Berhad's services and contributes toward the overall sustainability of the Group. Widad Group Berhad shall continue to invest in construction and integrated facilities management activities with the aim to create value for stakeholders, to remain competitive and ensure sustainability, as well as to benefit the society.

(IV) Market Place

The Group is committed to ensure that the interests of all its important stakeholders – shareholders, analysts, bankers, customers, suppliers, authority bodies and public are being taken care of. The Group emphasises on good corporate governance practices, transparency and accountability to meet shareholders' expectations.

The Group's corporate website, www.widadgroup.com, provides up-to-date and reliable information about the Group's business activities. Under the "Investor Relations" section, the stakeholders would find, amongst others, the Group's corporate information, latest financial information such annual reports, quarterly results, corporate governance, as well as announcements to Bursa Malaysia Securities Berhad and media articles.

(V) Community

The Group recognizes the co-relationship between business growth and social well-being and welfare. Therefore, in fulfilling its corporate responsibility to the community in which it conducts its business, the Group is obligated to nourish and improve the quality of the society at large. The Group also strive towards the aim to ultimately create a sustainable integrated facilities management and construction activities. While the Group sustain for peak efficiency in customers' facilities as well as maintaining the safety and comfort, the integrated facilities management and construction provides job opportunity for the locals with the intention to introduce economic sustainability to the relevant public.

Over the years, Widad Group Berhad has embarked on several Corporate Social Responsibility (CSR) initiatives that are meant to empower the liveability of the community and environment through the establishment of Yayasan Royal Widad and involvement in community welfare projects such as Kembara Widad which seeks to provide public awareness to the rural area community that needed support, Widad Life Savers Blood Donation drive, Kayuhan Amal Chefs Funride, as well as some of the CSR programmes via collaboration with Widad University College where the programmes emphasizes on the students' participation and their need to serve the community.

In summary, the Group shall continue to fulfill its corporate social responsibility to enhance the community sustainability.

Moving forward, we will tap more opportunities to build a robust portfolio by integrating material Economic, Environmental, Social ("EES") considerations into our operations. Meanwhile, we will continue to embrace sustainable practices, technologies and behavior at individual and organisational levels, motivating employees, our partners and our networks to support our commitment to minimise EES risks and impact, contributing to the welfare of all stakeholders.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to maintaining a sound system of risk management and internal control of the Group and is pleased to present the following Risk Management and Internal Control Statement (the “Statement”), which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 31 December 2020 and up to the date of approval of this statement by the Board. For the purpose of disclosure, this Statement takes into account the Guidelines for Directors of Listed Issuers (“Guidelines”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) on the issuance of Risk Management and Internal Control Statement pursuant to **Paragraph 15.26(b) of the ACE Market Listing Requirements**.

BOARD’S RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group’s internal control and risk management system to safeguard shareholders’ investment and the Group’s assets as well as reviewing the adequacy and effectiveness of the said system.

Due to the limitations inherent in any system of risk management and internal control, such system put into effect by Management is designed to manage rather than eliminate all risks that may impede the achievement of the Group’s business objectives. Therefore, such a system can only provide reasonable and not absolute assurance against any material misstatement, loss or fraud.

The Group has an on-going process for identifying, evaluating and managing the significant risks it faces. The Board regularly reviews the results of this process, including measures taken by Management to address areas of key risks as identified. This process has been in place for the financial year under review and up to the date of approval of this Statement.

RISK MANAGEMENT

The Board is dedicated to strengthen the Group’s risk management by managing its key business risks within the Group and to implement appropriate processes and controls to manage these key business risks. During the year, Senior Management reviews the existence of new risks and assesses the relevance of the Group’s existing risk profile. Significant risks that may affect the Group’s business objectives have been continually monitored and any new significant risk identified are subsequently evaluated and managed.

In enhancing risk management, the Group embarked on the development of management system to manage and control corruption risk during the year. In April 2021, the Group successfully obtained ISO37001:2016 for Anti-Bribery Management System.

Whilst the Board maintains ultimate control over risk and control matters, it has been delegated to the Executive Management the implementation of a system of risk management and internal control within an established framework. Key management staff and Heads of Department are delegated with the responsibility to manage identified risks within defined parameters and standards. Monthly Management Meetings are held to discuss key risks and the appropriate mitigating control. Significant risks affecting the Group’s strategic and business plans are escalated to the Board at their scheduled meetings. This ongoing process is undertaken at all the major subsidiaries of the Group, as well as collectively at the Group level.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTION

The Group's Internal Audit Function assists the Board and Audit Committee by providing an independent assessment of the adequacy and effectiveness of the Group's internal control system. Further details of the Internal Audit Function are set out in the Audit Committee Report on page 55 of this Annual Report.

Other Key Elements of Internal Control

The key elements of the Group's internal control system are described below:

- Organisation Structure & Authorisation Procedures

The Group maintains a formal organisation structure with clear lines of reporting to Board Committees and Senior Management including defined lines of accountability within which senior management operates, such as roles and responsibilities, authority limits, review and approval procedures, etc.

- Written policies and procedures

Formal internal policies and procedures are regularly reviewed and updated to manage changing business risks or to address operational deficiencies.

- Planning, monitoring and reporting

- The Sponsor and Audit Committee reviews the Group's quarterly financial statements together with Management. These are subsequently reported to the Board; and
- Comprehensive information, which includes the monthly management reports covering all key financial and operational indicators, is provided to Senior Management for the monitoring of performance against strategic plan.

ASSURANCE PROVIDED BY THE MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

In line with the Guidelines, the Managing Director and Chief Financial Officer have provided assurance to the Board in writing stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the ACE Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2020. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guides 3 ("APPG 3"): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group. The external auditors have reported to the Board that nothing has come to their attention that caused them to believe that the statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

CONCLUSION

The Board is of the view that the risk management and internal control systems are adequate and effective and have not resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in the Group's annual report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Widad Group Berhad is dedicated to ensuring that good corporate governance practices are applied throughout the Group in order to safeguard stakeholders' interest as well as for enhancing shareholders' value.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

The Board shall strive to ensure that the Company and its subsidiaries ("Group") are managed to achieve these objectives. This responsibility of the Board would be an active and not passive responsibility. The Board shall ensure that the management has in place appropriate processes for risk management, internal control and the monitoring of performance against agreed benchmarks. The Board shall work with senior management as collaborators in advancing the interests of the Group. However, the Board shall not be too accepting of the management's views and shall test and question the management's assertions, monitor progress, evaluate management's performance and will, where warranted, take corrective action.

The Board delegates and confers some of its authorities and discretion to the Chairman, Executive Directors, and Management as well as on properly constituted Board Committees comprising mainly/exclusively Non-Executive Directors.

The Chairman is responsible for the Group's business and strategy plan, setting goal to achieve the mission and vision. He provides leadership and governance of the Board, ensuring its effectiveness and assumes the formal role as the leader in chairing all Board meetings and shareholders' meetings. He leads the Board in overseeing Management and principally ensures that the Board fulfils its obligations and as required under the relevant legislations.

Some of the specific responsibilities of the Chairman include:

- (i) Leading the Board in setting its values and ethical standards of the Company;
- (ii) Ensuring Board proceedings are in compliance with good conduct and best practices;
- (iii) Ensure the whole Board plays a full and constructive part in developing and determining the Group's strategy and overall business and commercial objectives;

- (iv) Arranging for regular evaluation of performance of Board Members, its Committees and individual Directors;
- (v) Supply vision of the Group;
- (vi) Giving emphasis on importance issues challenged by the Group at Board meetings;
- (vii) In conjunction with the Managing Director, to represent the Company and/or Group to external parties such as major shareholders, creditors, consumer groups and other stakeholders;
- (viii) Guide the Group on long term strategic opportunities and represent the Group with key industry, civic and philanthropic constituents; and
- (ix) Promote the highest standards of integrity, probity and corporate governance on the Group.

The duties of Executive Director/Managing Director include implementation of decisions and policies approved by Board, overseeing and running the Group's day to day business, and also coordinating business and strategic decisions. Each Executive Director/Managing Director is responsible for the respective business unit that there is no overlapping of each role and duty.

The role of Management is to support the Executive Director/Managing Director and implement the running of the general operations and financial business of the Group, in accordance with the delegated authority of the Board.

The Board Committees include the Audit Committee, Nomination Committee and Remuneration Committee. The Board Committees exercise transparency and full disclosure in their proceedings. Where necessary, issues deliberated by the Board Committees are presented to the Board with appropriate recommendations.

The Non-Executive Directors are independent from Management. Their roles are to provide a balance view, to constructively challenge Management, help develop on the Company's strategy and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have direct access to the Management at all levels, and they engage with the external and internal auditors to address matters concerning Management and oversight of the Company's business and operations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board assumes the following key responsibilities:

- Review and approve the strategies, business plans and significant policies after satisfying themselves that management has taken into account all the relevant and appropriate considerations in establishing the strategies, plans and policies;
- Ensure a competent management by establishing policies for strengthening the performance of the Group with a view to proactively build the business through innovation, initiative, technology, new products and the development of its business capital;
- Monitor implementation, progress and performance of the strategies, policies, plans, legal and fiduciary obligations that affect the business by adopting performance appraisal measures;
- Evaluate whether the business is being properly managed and to ensure that the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard the Group's assets;
- Ensure that the Group has appropriate business risk management process, including adequate control environment be it the internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks;
- Establish various Board Committees and ensure their effectiveness to address specific issues, by considering recommendations of the various board committees and acting on their reports;
- Ensure that the financial statements of the Company and Group are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;
- Ensure that the Group adheres to high standards of ethics and corporate behaviour including transparency in conduct of business.
- Ensure that there is in place an appropriate investor relation and communication policy;
- Ensure that the Company's corporate disclosure are in compliance with the disclosure requirements as set out in the Bursa Malaysia Listing Requirements; and
- Ensure wider usage of information technology in communicating with stakeholders including establishing a dedicated section for corporate governance on the Company's website.

There is a clear division of responsibility between the Chairman and the Managing Director ("MD") so as to ensure that there is a balance of power and authority. The Board is led by Dato' Dr. Feizal Mustapha (resigned on 30/11/2020) who is the Chairman, whilst the executive management of the Company is helmed by Dato' Dr. Mohd Rizal Mohd Jaafar, the MD. The Chairman is primarily responsible for ensuring Board effectiveness whilst the MD is responsible for business plan and growth, operations and efficient management.

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social, health and safety, staff welfare and governance aspects are taken into consideration.

Responsibility Statements By Directors

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which have been made out in accordance with Malaysian Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and the financial performance and cash flows of the Group and of the Company for the financial year. The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2020, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably.

The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on a going concern basis. The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 2016.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Qualified and Competent Company Secretaries

The Directors have the unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively.

The Company Secretaries are qualified Chartered Secretaries, under the prescribed body as permitted by Companies Act 2016. The appointment and removal of the Company Secretaries are under the purview of the Board of Directors.

The Company Secretaries update the Board on the changes to the statutory and regulatory requirements from time to time at Board meetings. The Company Secretaries also notified the Directors and Principal Officers on the closed period for trading in the Company's securities, in accordance with Chapter 14 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company Secretaries play an important role in the annual general and extraordinary general meetings in ensuring that the due processes and proceedings are in place and properly managed. During the meeting, the Company Secretaries will assist the Chairman and the Board in the conduct of the meetings and ensure the minutes are properly recorded, particularly questions and issues raised by the shareholders.

Access to Information and Advice

The Directors have full and unrestricted access to all information pertaining to the Group's business and affairs so as to enable them to discharge their responsibilities. Prior to the Board meetings, the Directors are provided with the agenda together with the Board papers on issues to be discussed in a timely manner. The Board papers are sent out via emails or physical copies to all Directors at least 5 days before the Board Meetings. Exceptions may be made for certain ad-hoc or urgent instances when Directors consent to shorter notice.

To ensure effective functioning of the Board, the Directors are given access to information through the following means:

- Management may be invited to the Board and Board Committees' meetings to report or present areas within their responsibilities to ensure the Board is able to effectively discharge its responsibilities.
- Directors may obtain independent professional advice at the Company's expense, where necessary, after consulting with the Chairman, in furtherance of their duties.
- The Directors also have access to the advice and updates by the external auditors on any new Malaysian Financial Reporting Standards that would affect the Group's financial statements during the year.

A record of the Board's deliberation of issues discussed and conclusion reached are recorded in the minutes of the meeting by the company secretary. Every Director has unhindered access to the advice and services of the Company Secretaries as and when required to enable them to discharge their duties effectively.

Board Charter

The Board has formalised and uploaded its Board Charter in the website of the Company at www.widadgroup.com. The Board Charter sets out the Board roles and responsibilities.

The Board Charter was last reviewed on 10/06/2020.

Directors' Code of Ethics, Whistleblowing and Diversity Policy

The Board of Directors has conducted themselves in an ethical manner while executing their duties and functions and complied with the Company Directors' Code of Ethics. The said Code establish a standard of ethical behavior for the Directors to uphold sincerity, integrity, responsibility and social responsibility in line with the legislation, regulations and guidelines for administrating the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company has also adopted Whistleblowing policy to safeguard the Company's interest and also to protect the whistleblower interest. The policy spells out the types of misconduct, malpractice and irregularity, and how the reporting and investigations will be carried out. The Company expects all employees to observe the policy in the conduct of day to day business.

In addition, the Group adopted Diversity Policy aims to set a framework to achieve the objective of ensuring its board of directors has the diversity of perspectives, experience and skills necessary for effective management of the Group. The Group aims to maintain the composition of its Board in a way that provides the best mix of experience and skills to verse ongoing business operations.

The Directors' Code of Ethics, Whistleblowing and Diversity policy are published at the Company's website at www.widadgroup.com.

BOARD COMPOSITION

The Board currently has five (5) members, comprising four (4) Independent Non-Executive Directors and one (1) Non-Independent Executive Director. The presence of majority Independent Directors allow Board's deliberations and decisions to be made objectively in the best interest of the Company. The composition of the Board complies with Rule 15.02 of the ACE Market Listing Requirements of Bursa Securities.

The Group is led by an effective Board which comprises members with skills from a diverse blend of professional backgrounds ranging from business, legal, finance and accounting experience. The Board views its current composition encompasses a balance mix of skills and strength in qualities which are relevant to enable the Board to discharge its responsibilities in an effective and competent manner.

The Board Committees comprises of Audit Committee ("AC"), Nomination Committee ("NC") and Remuneration Committee ("RC"). The Board Committees exercise transparency and full disclosure in their proceedings. Where necessary, issues deliberated by the Board Committees are presented to the Board with appropriate recommendations.

The NC is responsible for identifying and recommending new nominees to the Board as well as committees of the Board. For new appointments to the Board, the NC shall consider diversity of skills, expertise, background and experience in evaluating the appointment of Directors. The Group believes in providing equal opportunity to all candidates based on merit. The Group has its Board Diversity policy in place for this purpose. There was a resignation and retirement of 2 Directors during the financial year.

In addition, the NC assesses the effectiveness of the Board as a whole and the Board Committees, and also the contribution of each Director. The evaluation process is conducted via questionnaires and is based on self-review and peer assessment. The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities. The NC reviews the outcome of the assessment and report to the Board, in particular, areas for improvement and also used as the basis of recommending relevant Director for re-election at the Annual General Meeting. This assessment is done on yearly basis. (Practice & Guidance 5.1)

In accordance with the Company's Constitution, an election of Directors shall take place each year at an Annual General Meeting ("AGM") and one-third (1/3) of the Directors are subject to retirement by rotation, in any event, each Director shall retire from office once in every three (3) years. The Directors to retire in each year are the Directors who have been longest in office since their last appointment or re-election. The Directors appointed by the Board during the financial year are subject to retirement at the next AGM held following their appointments in accordance with the Company's Constitution. All retiring Directors are eligible for re-election. The re-election of each Director is voted on separate resolution during the AGM of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD COMPOSITION (CONT'D)

The NC is empowered by its terms of reference to carry out duties and responsibilities as follows:

- (a) Recommend to the Board, candidates for directorship and Board Committee membership take into consideration the candidates' skills, knowledge, expertise, experience, professionalism, integrity and women candidates shall be sought as part of its recruitment exercise;
- (b) Consider candidates for directorships proposed by the Managing Director and within the bounds of practicality, by any other senior management or any director or shareholder;
- (c) Determine the core competencies and skills required of Directors to best serve the business and operations of the Group as a whole and the optimum size of the Board to reflect the desired skills and competencies;
- (d) Assess, review and recommend to the Board, candidates to fill the seats on Board Committees. In assessing suitability of candidates, the qualities to look for are competencies, commitment, contribution and performance;
- (e) Regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustment that are deemed necessary;
- (f) Ensure that the positions of the Chairman and Managing Director are held by different individuals and the Chairman shall be a non-executive member of the Board. The NC shall ensure that the composition of the Board shall consist of at least a majority of independent directors should the Chairman be an executive member of the Board;
- (g) Review the size and core competencies of Non-Executive Directors, Board balance and determine if additional Directors are required and also to ensure that at least 50% of the Board is independent;
- (h) Assist the Board to do an annual assessment of independence of its Independent directors and also ensure that the tenure of the Independent directors do not exceed a cumulative term of nine years. The Board is to recommend the director for shareholders' approval in the event it retains as an Independent director, the director who had served in that capacity for more than nine years;
- (i) Assist the Board to implement a procedure to be carried out by the NC for annual assessment on the effectiveness of the Board as a whole, the Board Committee and the contribution of each individual Director;
- (j) Establish a clear succession plan and periodically reporting to the Board on succession planning for the Board Chairman and CEO. The NC should work with the Board to evaluate potential successors;
- (k) Recommend Directors who are retiring by rotation under the Constitution to be put forward for re-election;
- (l) Have due regard to the principles of governance and code of best practice;
- (m) Propose to the Board the responsibilities of non-executive Directors, including membership and Chairpersonship of Board Committees; and
- (n) Review its own performance, at least once a year, and recommend any necessary changes to its Terms of Reference.

The Committee is satisfied with the current size of the Board and with the mix of qualifications, skills and experience among the Board members.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The members of the Nomination Committee whom are Independent Non-Executive Directors are as follows:

| | Position |
|---|----------|
| Nor Adha Bin Yahya | Chairman |
| Ong Kuan Wah | Member |
| Tung Ghee Meng | Member |
| Cheng Ming Fui (Retired on 28/09/2020) | Member |

None of the Independent Non-Executive Directors had served the Company for more than 9 years.

FOSTER COMMITMENT

Time Commitment

All Board members are required to notify the Chairman or any new directorships notwithstanding that the Listing Requirements of Bursa Securities allow a Director to sit on the boards of 5 listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment. During the financial year ended 2020, the Board met 5 times to deliberate on a variety of matters of the Company. Additional meetings may be convened on an ad-hoc basis when urgent and important decisions are required to be made in between scheduled meeting. The attendance record of each Director is as follows:

| | Attendance |
|--|------------|
| Dato' Dr. Feizal Mustapha @ Feizal Bin Mustapha Executive Chairman / Non-Independent Executive Director (Resigned on 30/11/2020) | 4/4 |
| Dato' Dr. Mohd Rizal Bin Mohd Jaafar Managing Director / Non-Independent Executive Director | 5/5 |
| Nor Adha Bin Yahya Independent Non-Executive Director | 5/5 |
| Ong Kuan Wah Independent Non-Executive Director | 5/5 |
| Tung Ghee Meng Independent Non-Executive Director | 5/5 |
| Cheng Ming Fui Independent Non-Executive Director (Retired on 28/09/2020) | 3/3 |
| Gen (R) Tan Sri Dato' Sri Zulkiple Bin Kassim Independent Non-Executive Director | 5/5 |

The agenda for each Board meeting and papers relating to the agenda items are circulated to all Directors at least 5 days before the meeting so as to provide sufficient time for the Directors to review the Board papers and seek clarification, if any.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOSTER COMMITMENT (CONT'D)

Directors' Training (Practice Note 5 - Training for Directors of Listing Requirement)

All the Directors have completed the Mandatory Accreditation Programme within the stipulated timeframe required in the Listing Requirements.

The training programmes and seminars attended by the Directors during the financial year are:

| Name | Training Course | Date |
|---|---|--|
| Dato' Dr. Mohd Rizal Bin Mohd Jaafar | • BNM Townhall Session : Exposure Draft on Corporate Strategic Plan | 12 February 2020 |
| | • FIDE Core Program for Module A by Asia School of Business | 29 June – 2 July 2020 & 6 – 9 July 2020 |
| | • AML Training for Board of Directors and Shariah Committee by Compliance Department of Bank Simpanan Nasional | 14 September 2020 |
| | • ECL Training by Risk Management Department of Bank Simpanan Nasional | 27 November 2020 |
| | • In-House Training for Board Members and Shariah Committee Members 2020 by Islamic Banking Department of Bank Simpanan Nasional | 17 December 2020 |
| Ong Kuan Wah | • Applying ISAs in a Pandemic Environment Including Implications of Going Concern by Malaysian Institute of Accountants | 18 June 2020 |
| | • COVID-19 : Consideration Relating to Accounting, Financial Reporting and Internal Controls by Malaysian Institute of Accountants | 23 June 2020 |
| | • National Tax Conference 2020 by Chartered Tax Institute of Malaysia | 25 August 2020 & 26 August 2020 |
| | • Loan Capital and Company Charges by The Malaysian Institute of Chartered Secretaries and Administrators | 2 October 2020 |
| | • Drafting a Constitution for Your Company & Preparing a Gap Analysis Report by The Malaysian Institute of Chartered Secretaries and Administrators | 7 October 2020 |
| | • Issue and Allotment of Shares – Practical Issues and Best Practices of Company Secretary by The Malaysian Institute of Chartered Secretaries and Administrators | 9 October 2020 |
| | • Section 117 Capital Reduction by The Malaysian Institute of Chartered Secretaries and Administrators | 13 October 2020 |
| | • Incorporation of Companies and What Company Secretaries Must Comply With by The Malaysian Institute of Chartered Secretaries and Administrators | 20 October 2020 |
| | | |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Name | Training Course | Date |
|---|---|-------------------------------------|
| Nor Adha Bin Yahya | <ul style="list-style-type: none"> Latest update in 2021 on Employers' Tax Statutory Obligations by 2SH Consulting Sdn Bhd (813050-H) | 8 December 2020 |
| | <ul style="list-style-type: none"> Tax Incentive and What Budget 2021 Offers by 2SH Consulting Sdn Bhd (813050-H) | 9 December 2020 |
| | <ul style="list-style-type: none"> Reinventing Budgeting, Profit Planning and Control Beyond Covid-19 and MCO by Sarina Mohamad & Associates (AF 1247) | 16 December 2020 – 17 December 2020 |
| | <ul style="list-style-type: none"> Interpreting Financial Statements – Incorporating Revised Accounting Standards by Sarina Mohamad & Associates (AF 1247) | 22 December 2020 – 23 December 2020 |
| Tung Ghee Meng | – | |
| Gen (R) Tan Sri Dato' Sri Zulkiple Bin Kassim | <ul style="list-style-type: none"> Amendments to Listing Requirements – 2019 & 2020, Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries – 2020, Analysis of Corporate Governance Monitor 2020 & De-Listing Options (Methods of Privatisation) by Tricor Training Academy | 22 December 2020 |

The Directors are aware of their obligation and will continue to attend suitable training to equip and enhance themselves with the knowledge to facilitate themselves in discharging their duties and responsibilities diligently with integrity.

REMUNERATION

The RC reviews and proposes, subject to the approval of our Board the remuneration policy and term and conditions of service of each Director for his services as member of the Board as well as Committees of the Board. Nevertheless, the remuneration of Non-Executive Directors is a matter for the Board decision as a whole. Relevant Directors are required to abstain from deliberation and voting decisions in respect of his individual remuneration. The remuneration of Directors is generally based on market conditions, responsibilities held and the overall financial performance of our Group. Decisions and recommendations by RC shall be reported to our Board for approval.

The members of the RC comprise of all Independent Non-Executive Directors as follows:

| | Position |
|---|----------|
| Nor Adha Bin Yahya | Chairman |
| Ong Kuan Wah | Member |
| Tung Ghee Meng | Member |
| Cheng Ming Fui (Retired on 28/09/2020) | Member |

The Committee met one (1) time during the financial year, attended by all its members throughout the period.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

REMUNERATION (CONT'D)

Remuneration Policy and Procedures

The Executive Directors' remuneration package is linked to the experience, scope of duty and responsibility, seniority, performance and industrial practices. The remuneration of Executive Directors consists of basic salary, among others bonus whereby the Non-Executive Directors receive fixed director fees.

| Name | Fee (RM) | Allowance (RM) | Salary (RM) | Company's Contribution (RM) | Total (RM) |
|---|-------------------|-------------------|---------------------|-----------------------------|---------------------|
| Executive Director: | | | | | |
| Dato' Dr. Feizal Mustapha @ Feizal Bin Mustapha (Resigned on 30/11/2020) | - | 24,200.00 | 550,000.00 | 67,950.45 | 642,150.45 |
| Dato' Dr. Mohd Rizal Bin Mohd Jaafar | - | 4,800.00 | 1,056,000.00 | 128,219.40 | 1,189,019.40 |
| Independent Director: | | | | | |
| Gen Tan Sri Dato' Sri Zulkiple Bin Hj Kassim(R) | 48,000.00 | 13,000.00 | - | - | 61,000.00 |
| Ong Kuan Wah | 48,000.00 | 26,000.00 | - | - | 74,000.00 |
| Nor Adha Bin Yahya | 48,000.00 | 21,000.00 | - | - | 69,000.00 |
| Tung Ghee Meng | 48,000.00 | 20,000.00 | - | - | 68,000.00 |
| Cheng Ming Fui (Retired on 28/09/2020) | 36,000.00 | 12,500.00 | - | - | 48,500.00 |
| | 228,000.00 | 121,500.00 | 1,606,000.00 | 196,169.85 | 2,151,669.85 |

The RC reviews and recommends the Executive Directors' remuneration package by assessing their KPI and also refers to market of similar industry and its size as a benchmark. An appropriate remuneration package is designed to retain and attract calibre Directors to discharge their duty with integrity, to grow and lead the Company.

Details of the Senior Management's remuneration in aggregate for financial year ended 2020 are tabulated as below:

| Category | Total (RM'000) |
|------------------------|----------------|
| Salaries | 1,822 |
| Company's Contribution | 274 |
| Allowances | 388 |

| Remuneration Band | No. of Personnel |
|--------------------------|------------------|
| RM100,001 – RM150,000 | 1 |
| RM350,001 – RM400,000 | 1 |
| RM450,001 – RM500,000 | 1 |
| RM1,500,001– RM1,550,000 | 1 |
| | 4 |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Due to the confidentiality and sensitivity of the remuneration package of Senior Management as well as security concerns, the Board opts not to disclose the Senior Management's remuneration components on named basis in the bands of RM 50,000.

The Board is of the view that the disclosure of Senior Management's remuneration components will not be in the best interest of the Company given the competitive human resources environment, as such disclosure may give rise to recruitment and talent retention issues.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE

The AC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control process, review of related party transactions as well as conflict of interest situations. The AC also undertakes to provide oversight on the risk management processes/framework of the Group.

The AC is chaired by an Independent Director and consists of all Independent Directors. The Chairman of AC is not the Chairman of the board. None of the members of the AC were former key audit partners.

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

The AC is responsible for assessing the capabilities and independence of the external auditors and to also recommend to the Board on their appointment, re-appointment or termination of their services to the Company.

The External Auditors, Grant Thornton Malaysia PLT ("GTM") presented to the AC its 2020 Audit Planning Memorandum on 28 November 2020 which outlined its audit objectives, engagement and reporting responsibilities, audit approach, recent development, proposed reporting schedules and proposed fees and their focus on key audit matters with reference to the approved standards on auditing issued by the Malaysian Institute of Accountants. Subsequently, GTM will brief the AC on its audit findings and the Audited Financial Statements. This formed part of the AC's assessment of the suitability, objectivity and independence of GTM on an annual basis.

GTM has confirmed their independence to the AC in accordance with the Malaysian Institute of Accountants' By-Laws, International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.

The AC and the Board are satisfied with the performance, competence and independence of GTM and the Board had recommended their re-appointment for the shareholders' approval at the forthcoming AGM.

The Chairman and members of the AC are financially literate and have carried out their duties and responsibilities in accordance with the terms of reference of the AC.

The Board is of the opinion that the AC has performed its functions satisfactorily as the Chairman and members have the required knowledge, experience and skills to understand and effectively deliberate on matters under the purview of the AC including the financial reporting process.

The AC assists the Board in overseeing the financial reporting process and ensuring that the results of the Company's operations are fairly presented in its financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has overall responsibility for maintaining a sound system of internal control and risk management that provide a reasonable assurance of effective and efficient operations, and compliance with the relevant laws and regulations as well as with internal procedures and guidelines. The Statement on Risk Management and Internal Control as included on pages 42 and 43 of this Annual Report provides the overview of the internal control framework adopted by the Company for the current financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

Due to the limitations that are inherent in any system of risk management and internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The Board also recognises that a sound system of risk management and internal control can only reduce but not eliminate the possibility of poor judgement in decision making, human error, control process being deliberately circumvented by employees, management overriding controls and the occurrence of unforeseeable circumstances. Accordingly, the system provides only reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The internal audit function has been outsourced to an independent professional service firm to provide an independent assurance to the Board on the effectiveness and adequacy of the Group's system of internal control. Details of the internal audit function is set out in the Statement on Risk Management and Internal Control and AC Report.

The Internal Auditor attends and reports at each AC meeting on reviews conducted during each quarter. The audit personnel are free from any relationships or conflicts of interest, which could impair the objectivity and independence.

The Board has obtained assurance from the Managing Director that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

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

COMMUNICATION WITH STAKEHOLDERS

The Company values dialogues with the investors and is constantly striving to improve the communication with the public. The Board believes that an effective investor relation is essential in enhancing shareholders' value and therefore ensures that shareholders are kept well informed of major development of the Company. Such information is disseminated via the Company's Annual Report, various disclosures and announcements to Bursa Securities and the Company's website at www.widadgroup.com.

The AGM is the principal forum for dialogue between the Company and the shareholders. The Board provides the opportunity for shareholders to raise questions pertaining issues in the financial performance and business plan. The Board takes the opportunity to present a comprehensive review of the progress and performance of the Company, and provides answers to the questions raised by the shareholders during the meeting.

CONDUCT OF GENERAL MEETINGS

The Group is of the view that General Meetings are important platforms to engage with its shareholders as well as to address their concerns. The Group encourage shareholders to attend and participate in the AGM by providing adequate advance notice. In view of the Coronavirus Disease (COVID-19) pandemic and as part of our safety measures, the AGM of Widad Group Berhad ("WIDAD" or "Company") will be conducted on a fully virtual basis through remote participation and electronic voting from the Broadcast Venue ("Online AGM"). This is in line with the Guidance Notes on the Conduct of General Meetings for the Listed Issuers issued by the Securities Commission Malaysia revised on 5th March 2021.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Shareholders will not be allowed to physically present at the AGM in person at the Broadcast Venue on the day of the meeting.

The Company does not have large number of shareholders and has less than 100 shareholders who attend their virtual AGM. Shareholders who are unable to attend the virtual AGM are allowed to vote via proxy. All resolutions set out in the notice of the General Meetings are conducted via digital ballot form.

The Board is satisfied that throughout the financial year ended 31 December 2020, the Company has applied the principles and recommendations of the corporate governance set out in the Malaysian Code on Corporate Governance, where necessary and appropriate.

The Corporate Governance Overview Statement was approved by the Board of Directors on 25 May 2021.

AUDIT COMMITTEE REPORT

The principle objective of the Audit Committee is to assist the Board in discharging its statutory duties and responsibilities in relation to financial, accounting and reporting practices and to ensure proper disclosure to the shareholders of the Company.

COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

The Audit Committee (“the Committee”) comprises of the following members:

| | Position |
|---|---|
| Ong Kuan Wah | Chairman; Independent Non-Executive Director |
| Tung Ghee Meng | Member; Independent Non-Executive Director |
| Nor Adha Bin Yahya | Member; Independent Non-Executive Director |
| Cheng Ming Fui (<i>Retired on 28/09/2020</i>) | Member; Independent Non-Executive Director |

TERMS OF REFERENCE

The Terms of Reference for the Audit Committee can be viewed at the Group’s website at www.widadgroup.com.

AUTHORITY

The Committee shall have unlimited access to financial and other relevant information and documents, to the external and internal auditors and to senior management of the Company. The Committee shall also have the authority to investigate any matter within its term of reference.

MEETINGS

Meetings shall be held at least four (4) times a year or a frequency to be decided by the Committee. The quorum for each meeting shall be majority of members attended are independent. The Committee may invite the senior management or professionals to the meeting whenever deems fit, to present their findings and views.

There were four (4) meetings held during the financial year ended 31 December 2020 and the attendance record is as follows:

| | Attendance |
|---|------------|
| Ong Kuan Wah | 4/4 |
| Tung Ghee Meng | 4/4 |
| Nor Adha Bin Yahya | 4/4 |
| Cheng Ming Fui (<i>Retired on 28/09/2020</i>) | 3/3 |

The key functions and responsibilities of the Committee are as follows:

- To review the quarterly and annual financial statements prior to submission to the Board, focusing on:
 - Any changes in or implementation of major accounting policies and practices;
 - Significant audit adjustments;
 - Going concern assumptions;
 - Compliance with accounting standards and other legal requirements.
- To oversee matters relating to external audit including the reviews of the audit plan, auditor’s management letter and the audit report;
- To review the adequacy of the scope, functions, competency and resources of the internal audit functions;
- To review any related party transactions that may arise within the Company or the Group;
- To recommend to the Board the appointment of external auditors, review audit fee and any reasons of resignation or dismissal;
- To assess and review the capability and professionalism of the external auditors;
- To consider other issues, as authorised by the Board;
- To report to the Board of Directors all pertinent issues which are necessary to be reported;
- To review any significant transactions which are not within the normal course of business and any related party transactions that may arise within the Company or Group;
- Consider major findings of internal investigations and management’s response; and
- To perform any other work as may be directed by the Board from time to time.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES DURING THE YEAR

The activities of the Committee for the financial year under review were as follows:

Financial Reporting

- Reviewed the unaudited quarterly reports and annual financial statements prior to submission to the Board for consideration and approval and subsequent release to Bursa Malaysia Securities Berhad; and
- Reviewed and assessed the appropriateness of the Group's accounting policies, adequacy of financial reporting and disclosure requirements and reasonableness of judgments and projections made in connection with the preparation of the financial statements.

External Audit

- Considered the appointment of the external auditors and audit fees by evaluating the external auditor's competence, independence, objectivity and the scope of work to be conducted;
- Reviewed the external auditor's audit plan and areas of audit emphasis for financial year prior to the commencement of audit; and
- Reviewed and discussed the auditing issues, where applicable the impact of material adjustments and recommendations arising from the final audit with the external auditors.

Internal Audit

- Considered and approved the appointment of the outsourced internal audit function and their fees by evaluating their competency, independence and performance; and
- Reviewed the internal audit plan and internal audit reports and discussed the findings and recommendations by the internal auditors.

Other activities

- Reviewed the related party transactions and the basis of pricing entered into by the Group and the Company and the disclosure of such transactions in the annual report of the Company;

- Reviewed the circular to shareholders in connection with recurrent related party transactions of a revenue or trading nature; and
- Reviewed and recommended to the Board for approval of the Audit Committee Report, and Statement on Risk Management and Internal Control for inclusion in the Annual Report.

INTERNAL AUDIT FUNCTION

The Company has outsourced the internal audit function of the Group to GovernanceAdvisory.com Sdn Bhd ("GA"). GA reports directly to the Committee. Its primary responsibility is to carry out periodic reviews of the systems of internal controls so as to provide reasonable assurance to the Audit Committee that such systems are adequate and effective.

During the financial year under review, a summary of the activities carried out by the internal audit function are as follows:

- Prepared the risk based internal audit plan 2020 and 2021 for the review and approval of the Audit Committee.
- Carried out reviews in accordance with the risk based internal audit plan reviewed and approved by the Audit Committee. Details of the reviews carried out are as follows:

| Entity | Business Process |
|--|------------------------------|
| Widad Builders Sdn Bhd & Widad Facility Management Sdn Bhd | Tender / Contract Management |

Findings from the internal audit reviews conducted were discussed with Senior Management and subsequently presented, together with Management's response and proposed action plans, to the Audit Committee for their review and approval.

Notwithstanding the above, although a number of internal control deficiencies were identified during the internal audit reviews, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this Annual Report.

The total cost incurred for the outsourcing of the internal audit function for the financial year ended 31 December 2020 was RM25,969.06.

FINANCIAL STATEMENTS



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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding.

The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

FINANCIAL RESULTS

| | Group RM | Company RM |
|--|-------------|---------------|
| Profit/(Loss) after tax for the financial year | 4,011,578 | (51,231) |

DIVIDENDS

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

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

HOLDING COMPANY

The holding company is Widad Business Group Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

DIRECTORS' REPORT

DIRECTORS

The name of the Directors of the Company in office during the financial year and during the period commencing from the end of the financial year to the date of this report are:-

Company:-

Dato' Dr. Mohd Rizal Bin Mohd Jaafar (Managing Director)
 Ong Kuan Wah (Independent Non-Executive Director)
 Tung Ghee Meng (Independent Non-Executive Director)
 Nor Adha Bin Yahya (Independent Non-Executive Director)
 Gen Tan Sri Dato' Sri Zulkiple Bin Kassim (Independent Non-Executive Director)
 Cheng Ming Fui (Independent Non-Executive Director) (Retired on 28 September 2020)
 Dato' Dr. Feizal Mustapha @ Feizal Bin Mustapha (Executive Chairman) (Resigned on 30 November 2020)

Subsidiaries:-

| Name of subsidiaries | Name of Directors |
|-------------------------------------|---|
| Widad Builders Sdn. Bhd. | Tan Sri Muhammad Ikmal Opat Bin Abdullah Tan Sri Norazman Bin Hamidun Dato' Julaini Bin Jusoh Ir. Mohd Syaswan Bin Samsudin |
| Widad Capital Sdn. Bhd. | Tan Sri Muhammad Ikmal Opat Bin Abdullah Dato' Dr. Mohd Rizal Bin Mohd Jaafar |
| Widad Facility Management Sdn. Bhd. | Tan Sri Muhammad Ikmal Opat Bin Abdullah Dato' Julaini Bin Jusoh |
| Widad Green Sdn. Bhd. | Tan Sri Muhammad Ikmal Opat Bin Abdullah Dato' Dr. Mohd Rizal Bin Mohd Jaafar Dato' Dr. Feizal Mustapha @ Feizal Bin Mustapha (Resigned on 30 November 2020) |
| Widad Rail Sdn. Bhd. | Tan Sri Muhammad Ikmal Opat Bin Abdullah Dato' Dr. Mohd Rizal Bin Mohd Jaafar Dato' Dr. Feizal Mustapha @ Feizal Bin Mustapha (Resigned on 30 November 2020) |
| Widad Concession Sdn. Bhd. | Dato' Dr. Mohd Rizal Bin Mohd Jaafar Ilham Widad Bin Tan Sri Muhammad Ikmal Opat |
| Innovative City Holdings Sdn. Bhd. | Dato' Dr. Mohd Rizal Bin Mohd Jaafar Ilham Widad Bin Tan Sri Muhammad Ikmal Opat |

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests and deemed interests in the ordinary shares of the Company and its related corporations of those who were Directors as at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) are as follows:-

| | Number of ordinary shares | | |
|--|---------------------------|--------|------------------|
| | At 1.1.2020 | Bought | Sold |
| | | | At 31.12.2020 |

Interest in the Company

Dato' Dr. Mohd Rizal Bin Mohd Jaafar

| | | | | |
|-------------------|-----------|-------------|---------------|------------|
| - Direct interest | 1,850,000 | 209,531,300 | (178,331,300) | 33,050,000 |
|-------------------|-----------|-------------|---------------|------------|

| | Number of warrants | | |
|--|--------------------|--------|------------------|
| | At 1.1.2020 | Bought | Sold |
| | | | At 31.12.2020 |

Dato' Dr. Mohd Rizal Bin Mohd Jaafar

| | | | | |
|-------------------|------------|---|--------------|---|
| - Direct interest | 39,670,000 | - | (39,670,000) | - |
|-------------------|------------|---|--------------|---|

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the Directors of the Company and its subsidiaries are as follows:-

| | Incurrd by the Company | Incurrd by the subsidiaries | Group |
|-------------------------------|---------------------------|-----------------------------------|-----------|
| | RM | RM | RM |
| Fees | 228,000 | - | 228,000 |
| Salaries and other emoluments | 1,729,347 | 1,715,616 | 3,444,963 |
| Defined contribution plans | 194,323 | 205,657 | 399,980 |
| | 2,151,670 | 1,921,273 | 4,072,943 |

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

ISSUE OF SHARES AND DEBENTURES

During the financial year:-

- (a) the Company increased its issued and paid up capital from RM563,493,864 to RM576,523,104 by way of an issuance of 37,226,400 units of new ordinary shares from the exercise of Warrants 2018/2023 at the exercise price of RM0.35 per warrant as disclosed in Note 12 to the financial statements which amounted to RM13,029,240.

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

- (b) there were no issuance of debentures during the financial year.

WARRANTS 2018/2023

On 6 August 2018, the Company issued 490,928,369 free warrants pursuant to the bonus issue of warrants undertaken by the Company on the basis of 1 free warrant for every 5 ordinary shares held in the Company. The Warrants 2018/2023 are listed on ACE Market of Bursa Malaysia Securities Berhad with effect from 10 August 2018.

Each Warrant carries the right to subscribe for 1 new ordinary share in the Company at any time from 10 August 2018 up to the expiry date on 5 August 2023, at an exercise price of RM0.35 for each new share. Any Warrant not exercised by the expiry of the exercise period will lapse and cease to be valid for all purposes.

The ordinary shares issued from the exercise of Warrants 2018/2023 shall rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new shares arising from the exercise of Warrants 2018/2023.

As at 31 December 2020, the summary of the movements of Warrants is as follows:-

| | At 1.1.2020 | Number of warrants | | At 31.12.2020 |
|--------------------|----------------|--------------------|--------|------------------|
| | | Exercised | Lapsed | |
| Warrants 2018/2023 | 490,928,369 | (37,226,400) | - | 453,701,969 |

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains Directors' and Officers' liabilities insurance for the purpose of Section 289 of the Companies Act 2016, throughout the financial year which provides appropriate insurance coverage for the Directors and Officers of the Company and its subsidiaries. The amount of insurance premium paid during the financial year amounted to RM13,175.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) 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; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) 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 as and when they fall due;
- (b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) 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 operations of the Group and of the Company for the current financial year in which this report is made.

The significant events during the financial year are disclosed in Note 31 to the financial statements.

The events after the reporting period are disclosed in Note 32 to the financial statements.

Details of Auditors' remuneration are disclosed in Note 22 to the financial statements.

The Group and the Company have agreed to indemnify the Auditors, Grant Thornton Malaysia PLT as permitted under Section 289 of the Companies Act 2016. No payment has been made to indemnify Grant Thornton Malaysia PLT for the financial year ended 31 December 2020.

The Auditors, Grant Thornton Malaysia PLT, have expressed their willingness to continue in office.

Signed on behalf of the Directors in accordance with a resolution of the Board of Directors.

DATO' DR. MOHD RIZAL BIN MOHD JAAFAR

ONG KUAN WAH

DIRECTORS

Kuala Lumpur
25 May 2021

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 69 to 147 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 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Directors in accordance with a resolution of the Board of Directors.

DATO' DR. MOHD RIZAL BIN MOHD JAAFAR

Kuala Lumpur
25 May 2021

ONG KUAN WAH

STATUTORY DECLARATION

I, Nor Azlan Bin Zainal, being the officer primarily responsible for the financial management of Widad Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 69 to 147 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declaration Act 1960.

Subscribed and solemnly declared by
the above named at Kuala Lumpur in
the Federal Territory this day of
25 May 2021

)
)
)
)

NOR AZLAN BIN ZAINAL
(MIA NO: 11798)

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of Widad Group Berhad

(Incorporated in Malaysia) Registration No: 200901014295 (857363-U)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Widad Group Berhad, which comprise the statements of financial position as at 31 December 2020 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 69 to 147.

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 2020, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

Impairment losses on trade receivables and contract assets

The risk

Referring to Notes 8 and 9 to the financial statements. We focused on this area because the Group has material amounts of trade receivables that are past due but not impaired and contract assets. The key associate risk is the recoverability of billed trade receivables due to management judgement is required in determining the completeness of the provision for trade receivables and contract assets and in assessing their adequacy through considering the expected recoverability.

Our response

We have reviewed the ageing of trade receivables in comparison to previous years, testing the integrity of ageing by calculating the due date for a sample of invoices and reviewing the level of bad debts written off in the current year against the prior years. Besides, we have reviewed the aging of the contract assets in comparison to previous years and reviewing the reversal of contract assets in the current year and prior years. We also assessed the reasonableness of assumptions and judgements made by the management regarding the expected credit losses through examination of subsequent collections, billings and tested the operating effectiveness of the relevant control procedures that management has in place.

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Revenue recognition

The risk

Referring to Note 20 to the financial statements. There are significant accounting judgements involved including determining the stage of completion, the timing of revenue recognition and the calculation under the percentage of completion method made by management in applying the Group's revenue recognition policy to construction contracts entered into by the Group. The nature of these judgements may result in them being susceptible to management override.

Contract revenue should include the amount agreed in the initial contract, plus revenue from alterations in the original contract work, plus claims and incentive payments that are expected to be collected and that can be measured reliably.

Our response

We performed a range of audit procedures which included obtaining a sample of contracts or letter of awards, reviewing for change orders or variation orders, reviewing estimated profit and costs to complete and enquiry of key personnel regarding adjustments for job costing and potential contract losses.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

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.

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements (Cont'd)

Responsibilities of the Directors for the Financial Statements (Cont'd)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements (Cont'd)

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

We communicated 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 identified 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, actions taken to eliminate threats or safeguards applied.

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

Other Matters

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

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP002494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

Kuala Lumpur
25 May 2021

FOO LEE MENG
(NO: 03069/07/2021(J))
CHARTERED ACCOUNTANT

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

| | | Group | | Company | |
|---|------|--------------------|--------------------|--------------------|--------------------|
| | Note | 2020 | 2019 | 2020 | 2019 |
| | | RM | RM | RM | RM |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 4 | 18,092,896 | 17,398,083 | 5,296 | 8,073 |
| Right-of-use assets | 5 | 42,920,289 | 44,257,334 | - | - |
| Investment in subsidiaries | 6 | - | - | 521,000,002 | 520,000,002 |
| Fixed deposits with licensed banks | 7 | 39,961,664 | 82,801,732 | - | - |
| Total non-current assets | | 100,974,849 | 144,457,149 | 521,005,298 | 520,008,075 |
| Current assets | | | | | |
| Contract assets | 8 | 164,647,028 | 165,852,509 | - | - |
| Trade receivables | 9 | 35,252,878 | 38,292,685 | - | - |
| Other receivables | 10 | 26,112,545 | 8,521,746 | 23,219,531 | 27,264,381 |
| Tax recoverable | | 3,300 | 2,816 | - | - |
| Fixed deposits with licensed banks | 7 | 20,033,392 | - | 5,000,000 | - |
| Cash and bank balances | 11 | 63,608,106 | 32,308,377 | 26,228,403 | 15,205,799 |
| Total current assets | | 309,657,249 | 244,978,133 | 54,447,934 | 42,470,180 |
| Total assets | | 410,632,098 | 389,435,282 | 575,453,232 | 562,478,255 |
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| Equity attributable to owners of the Company | | | | | |
| Share capital | 12 | 78,299,981 | 65,270,741 | 576,523,104 | 563,493,864 |
| Cash flow hedge reserve | 13 | (2,286,545) | - | - | - |
| Retained earnings/(Accumulated losses) | | 104,678,588 | 100,667,010 | (1,178,121) | (1,126,890) |
| Total equity | | 180,692,024 | 165,937,751 | 575,344,983 | 562,366,974 |

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

| | | Note | Group 2020 RM | 2019 RM | Company 2020 RM | 2019 RM |
|--------------------------------|----|------|---------------------|-------------|-----------------------|-------------|
| LIABILITIES | | | | | | |
| Non-current liabilities | | | | | | |
| Borrowings | 14 | | 77,484,812 | 87,910,575 | - | - |
| Lease liabilities | 15 | | 324,556 | 452,635 | - | - |
| Derivative financial liability | 16 | | 1,352,285 | - | - | - |
| Deferred tax liabilities | 17 | | - | - | - | - |
| Total non-current liabilities | | | 79,161,653 | 88,363,210 | - | - |
| Current liabilities | | | | | | |
| Contract liabilities | 8 | | 495,119 | 8,324,849 | - | - |
| Trade payables | 18 | | 24,446,668 | 37,025,860 | - | - |
| Other payables | 19 | | 8,987,156 | 13,451,151 | 108,249 | 111,281 |
| Borrowings | 14 | | 100,023,798 | 54,198,150 | - | - |
| Lease liabilities | 15 | | 166,343 | 343,812 | - | - |
| Derivative financial liability | 16 | | 934,260 | - | - | - |
| Tax payable | | | 15,725,077 | 21,790,499 | - | - |
| Total current liabilities | | | 150,778,421 | 135,134,321 | 108,249 | 111,281 |
| Total liabilities | | | 229,940,074 | 223,497,531 | 108,249 | 111,281 |
| Total equity and liabilities | | | 410,632,098 | 389,435,282 | 575,453,232 | 562,478,255 |

The accompanying notes form an integral part of the financial statements of Widad Group Berhad and its subsidiaries.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2020

| | Note | Group 2020 RM | 2019 RM | Company 2020 RM | 2019 RM |
|--|------|---------------------|---------------|-----------------------|-------------|
| Revenue | 20 | 85,850,822 | 186,996,503 | 3,000,000 | 2,500,000 |
| Cost of sales | | (52,840,291) | (123,125,576) | - | - |
| Gross profit | | 33,010,531 | 63,870,927 | 3,000,000 | 2,500,000 |
| Other income | | 723,182 | 2,235,929 | 3,000,001 | 3,006,160 |
| Administrative expenses | | (21,545,412) | (27,766,452) | (5,417,364) | (5,079,261) |
| Impairment loss on financial asset | | - | - | (640,395) | - |
| Other expenses | | (11) | (13) | (11) | (13) |
| Operating profit/(loss) | | 12,188,290 | 38,340,391 | (57,769) | 426,886 |
| Finance income | 21 | 3,085,672 | 1,896,251 | 6,673 | 801 |
| Finance costs | 21 | (10,348,814) | (9,702,909) | - | - |
| Profit/(Loss) before tax | 22 | 4,925,148 | 30,533,733 | (51,096) | 427,687 |
| Tax (expense)/income | 23 | (913,570) | (18,533,033) | (135) | 138,207 |
| Profit/(Loss) for the financial year | | 4,011,578 | 12,000,700 | (51,231) | 565,894 |
| Other comprehensive loss, net of tax | | | | | |
| Item that will be reclassified subsequently to profit or loss | | | | | |
| Fair value loss on cash flow hedge | | (2,286,545) | - | - | - |
| Other comprehensive loss for the financial year, net of tax | | (2,286,545) | - | - | - |
| Total comprehensive income/(loss) for the financial year | | 1,725,033 | 12,000,700 | (51,231) | 565,894 |
| Earnings per share (sen) | | | | | |
| - Basic | 24 | 0.16 | 0.49 | | |
| - Diluted | 24 | 0.14 | 0.41 | | |

The accompanying notes form an integral part of the financial statements of Widad Group Berhad and its subsidiaries.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2020

| | Share capital RM | Cash flow hedge RM | Retained earnings/ (Accumulated losses) RM | Total RM |
|---|------------------------|--------------------------|--|-------------|
| Group | | | | |
| Balance at 1 January 2019 | 65,270,741 | - | 88,666,310 | 153,937,051 |
| Total comprehensive income for the financial year | - | - | 12,000,700 | 12,000,700 |
| Balance at 31 December 2019 | 65,270,741 | - | 100,667,010 | 165,937,751 |
| Profit for the financial year | - | - | 4,011,578 | 4,011,578 |
| Other comprehensive loss for the financial year | - | (2,286,545) | - | (2,286,545) |
| Total comprehensive income for the financial year | - | (2,286,545) | 4,011,578 | 1,725,033 |
| Transaction with owners: | | | | |
| Issuance of ordinary shares upon exercise of warrants | 13,029,240 | - | - | 13,029,240 |
| Balance at 31 December 2020 | 78,299,981 | (2,286,545) | 104,678,588 | 180,692,024 |
| Company | | | | |
| Balance at 1 January 2019 | 563,493,864 | - | (1,692,784) | 561,801,080 |
| Total comprehensive income for the financial year | - | - | 565,894 | 565,894 |
| Balance at 31 December 2019 | 563,493,864 | - | (1,126,890) | 562,366,974 |
| Total comprehensive loss for the financial year | - | - | (51,231) | (51,231) |
| Transaction with owners: | | | | |
| Issuance of ordinary shares upon exercise of warrants | 13,029,240 | - | - | 13,029,240 |
| Balance at 31 December 2020 | 576,523,104 | - | (1,178,121) | 575,344,983 |

The accompanying notes form an integral part of the financial statements of Widad Group Berhad and its subsidiaries.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

| | Note | Group 2020 RM | 2019 RM | Company 2020 RM | 2019 RM |
|--|------|---------------------|--------------|-----------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Profit/(Loss) before tax | | 4,925,148 | 30,533,733 | (51,096) | 427,687 |
| Adjustments for:- | | | | | |
| Depreciation of property, plant and equipment | | 1,891,280 | 1,765,621 | 2,777 | 5,789 |
| Depreciation of right-of-use assets | | 1,170,500 | 1,378,895 | - | - |
| Dividend income | | - | - | (3,000,000) | (2,500,000) |
| Interest expenses | | 10,348,814 | 9,702,909 | - | - |
| Interest income | | (3,085,672) | (1,896,251) | (6,673) | (801) |
| Impairment loss on financial asset | | - | - | 640,395 | - |
| Bad debts written off | | - | 28,029 | - | - |
| Unrealised (gain)/loss on foreign exchange | | (1) | 13 | (1) | 13 |
| Operating profit/(loss) before working capital changes | | 15,250,069 | 41,512,949 | (2,414,598) | (2,067,312) |
| Changes in working capital:- | | | | | |
| Contract balances | | (6,624,249) | (38,499,939) | - | - |
| Payables | | (17,024,954) | 9,189,754 | (3,032) | (1,025,173) |
| Receivables | | 1,796,819 | 26,577,451 | 1,221,000 | (1,218,300) |
| Cash generated (used in)/from operations | | (6,602,315) | 38,780,215 | (1,196,630) | (4,310,785) |
| Interest received | | 18,639 | 21,220 | 4,638 | 801 |
| Interest paid | | (896,045) | (1,414,635) | - | - |
| Tax paid | | (6,982,341) | (10,639,749) | - | (9,440) |
| Tax refunded | | 3,000 | 6,559 | - | - |
| Net cash flows (used in)/from operating activities | | (14,459,062) | 26,753,610 | (1,191,992) | (4,319,424) |

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

| | | Group | | Company | |
|--|------|--------------|--------------|--------------|------------|
| | Note | 2020 | 2019 | 2020 | 2019 |
| | | RM | RM | RM | RM |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Acquisition of subsidiaries | | - | - | (1,000,000) | (2) |
| Purchase of property, plant and equipment | A | (2,351,548) | (726,705) | - | (365) |
| Purchase of right-of-use assets | | (28,000) | - | - | - |
| Deposits for proposed acquisitions | | (18,859,542) | - | (12,702,315) | - |
| Dividends received | | - | - | 3,000,000 | 2,500,000 |
| Interest received | | 3,067,033 | 1,641,062 | 2,035 | - |
| Advances from subsidiaries | | - | - | 14,885,635 | 16,770,558 |
| Repayment from ultimate holding company | | 2,124,446 | 858,776 | - | - |
| Withdrawal/(Placement) of fixed deposits | | 37,840,068 | (8,509,112) | (5,000,000) | - |
| Repayment from/(Advance to) a related company | | 387,285 | (452,697) | - | - |
| Net cash flows from/(used in) investing activities | | 22,179,742 | (7,188,676) | (814,645) | 19,270,191 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| (Repayment to)/Advance from ultimate holding company | | (18,368) | 10,010 | - | - |
| Interest paid | | (9,452,769) | (8,288,274) | - | - |
| Drawdown of borrowings | | 191,349,149 | 59,962,534 | - | - |
| Repayment of borrowings | | (75,858,206) | (57,520,235) | - | - |
| Repayment of SUKUK | | (70,000,000) | (20,000,000) | - | - |
| Repayment of lease liabilities | | (345,548) | (511,010) | - | - |
| Withdrawal of Designated Bank Accounts | | 878,137 | 17,879,117 | - | - |
| Proceeds from issuance of shares upon exercise of warrants | | 13,029,240 | - | 13,029,240 | - |
| Net cash flows from/(used in) financing activities | | 49,581,635 | (8,467,858) | 13,029,240 | - |
| CASH AND CASH EQUIVALENTS | | | | | |
| Net changes | | 57,302,315 | 11,097,076 | 11,022,603 | 14,950,767 |
| Brought forward | | 11,753,905 | 656,842 | 15,205,799 | 255,045 |
| Effects of exchange rate changes | | 1 | (13) | 1 | (13) |
| Carried forward | B | 69,056,221 | 11,753,905 | 26,228,403 | 15,205,799 |

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

| | Group | | Company | |
|---|------------------|----------------|----------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Total purchase of property, plant and equipment | 2,351,548 | 726,705 | - | 365 |
| Total purchase of right-of-use assets | 68,000 | - | - | - |
| Purchase through finance lease arrangement | (40,000) | - | - | - |
| | 2,379,548 | 726,705 | - | 365 |

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B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position items:-

| | Group | | Company | |
|--|--------------------|-------------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Fixed deposits with licensed banks | 59,995,056 | 82,801,732 | 5,000,000 | - |
| Cash and bank balances | 63,608,106 | 32,308,377 | 26,228,403 | 15,205,799 |
| Bank overdrafts | (9,585,277) | (19,676,335) | - | - |
| | 114,017,885 | 95,433,774 | 31,228,403 | 15,205,799 |
| Less: Fixed deposits pledged with licensed banks | (44,961,664) | (82,801,732) | (5,000,000) | - |
| Designated Bank Accounts | - | (878,137) | - | - |
| | 69,056,221 | 11,753,905 | 26,228,403 | 15,205,799 |

WIDAD GROUP BERHAD

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | 1 January 2020 RM | New lease RM | Cash flows RM | 31 December 2020 RM |
|--|-------------------------|--------------------|---------------------|---------------------------|
|--|-------------------------|--------------------|---------------------|---------------------------|

Group

| | | | | |
|-------------------------------|-------------|--------|------------|-------------|
| Borrowings* | 122,432,390 | - | 45,490,943 | 167,923,333 |
| Amount due to holding company | 18,368 | - | (18,368) | - |
| Lease liabilities | 796,447 | 40,000 | (345,548) | 490,899 |

| | | | | |
|--|-------------|--------|------------|-------------|
| | 123,247,205 | 40,000 | 45,127,027 | 168,414,232 |
|--|-------------|--------|------------|-------------|

| | 1 January 2019 RM | Cash flows RM | 31 December 2019 RM |
|--|-------------------------|---------------------|---------------------------|
|--|-------------------------|---------------------|---------------------------|

Group

| | | | |
|-------------------------------|-------------|--------------|-------------|
| Borrowings* | 139,990,901 | (17,558,511) | 122,432,390 |
| Amount due to holding company | 8,358 | 10,010 | 18,368 |
| Lease liabilities | 1,307,457 | (511,010) | 796,447 |

| | | | |
|--|-------------|--------------|-------------|
| | 141,306,716 | (18,059,511) | 123,247,205 |
|--|-------------|--------------|-------------|

* The borrowings exclude bank overdrafts as it related to operating activities.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur and the principal place of business of the Company is located at WBG Penthouse, Widad Semantan (WISE), No 3, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur.

The Company is principally engaged in investment holding.

The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

The holding company is Widad Business Group Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 May 2021.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act 2016 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair value attributable to the risks that are being hedged in effective hedge relationships.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Basis of Measurement (Cont'd)

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value are measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 MFRSs

2.4.1 Adoption of New Standards/Amendments/Improvements to MFRSs

The Group and the Company have consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2020.

Initial application of the new standards/amendments/improvements to MFRSs did not have material financial impact to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.2 Standards Issued But Not Yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to MFRS effective 1 June 2020:-

| | |
|-----------------------|--|
| Amendments to MFRS 16 | Leases - COVID-19-Related Rent Concessions |
|-----------------------|--|

Amendments to MFRSs effective 1 January 2021:-

| | |
|--|--|
| Amendments to MFRS 4*, MFRS 7, MFRS 9, MFRS 16 and MFRS 139 | Interest Rate Benchmark Reform - Phase 2 |
|--|--|

Amendments to MFRSs effective 1 January 2022:-

| | |
|---|--|
| Amendments to MFRS 3 | Business Combinations - Reference to the Conceptual Framework |
| Amendments to MFRS 116 | Property, Plant and Equipment - Proceeds before Intended Use |
| Amendments to MFRS 137 | Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts-Cost of Fulfilling A Contract |
| Annual improvements to MFRS Standards 2018-2020 (MFRS 1*, 9 and 141*) | |

MFRSs, Amendments to MFRSs effective 1 January 2023:-

| | |
|------------------------|--|
| Amendments to MFRS 4* | Insurance Contract - Extension of Temporary Exemption from Applying MFRS 9 |
| MFRS 17* | Insurance Contracts |
| Amendments to MFRS 17* | Insurance Contracts |
| Amendments to MFRS 101 | Presentation of Financial Statements - Classification of Liabilities as Current or Non-current |
| Amendments to MFRS 101 | Presentation of Financial Statements - Disclosure of Accounting Policies |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates |

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.2 Standards Issued But Not Yet Effective (cont'd)

Amendments to MFRSs - effective date deferred indefinitely:-

Amendments to MFRS 10 and
MFRS 128*

Consolidated Financial Statements and Investments in Associates
and Joint Ventures - Sale or Contribution of Assets between an
Investor and its Associate or Joint Venture

* Not applicable to the Group and the Company.

The initial application of the above standards, amendments and interpretations are not expected to have material financial impact to the financial statements.

2.5 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made.

Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2.5.1 Key Sources of Estimation Uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful Lives of Depreciable Assets

Management estimates the useful lives of the depreciable assets to be within 5 to 50 years and reviews the useful lives of depreciable assets at end of each reporting year. At 31 December 2020, management assesses that the useful lives represent the expected utility of the assets to the Group and the Company. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's and the Company's assets.

Impairment of Non-financial Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.1 Key Sources of Estimation Uncertainty (cont'd)

Revenue from Contracts with Customers

Revenue is recognised when or as the control of the asset is transferred to our customers and, depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time. If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress, based on the physical proportion of contract work-to-date certified by the Group and the customers.

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 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 these judgments, management relies on past experience and the work of specialists. A change in the estimate will directly affect the revenue to be recognised.

Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group has RM147,847 (2019: RM673,466) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by RM35,483 (2019: RM167,130).

Income Taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of 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 and the Company recognised tax liabilities 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 difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.1 Key Sources of Estimation Uncertainty (cont'd)

Provision for Expected Credit Losses ("ECLs") of Trade Receivables and Contract Assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns such as the repayment pattern of the customers, customers type and coverage by letters of credit.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Fair Value of Financial Instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

2.5.2 Significant Management Judgement

There is no significant management judgements in applying the accounting policies of the Group and of the Company that have the most significant effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group or the Company. Control exists when the Group or the Company is exposed, 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. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group or the Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution.

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

3.1.2 Basis of Consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting period.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.13 of the financial statements.

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

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of existing equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRSs.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income at the date of acquisition.

3.1.4 Reverse Acquisition upon Consolidation

Consolidated financial statements prepared following a reverse acquisition are issued under the name of the legal parent (accounting acquiree) but described in the notes as a continuation of the financial statements of the legal subsidiary (accounting acquirer), with one adjustment, which is to adjust retroactively the accounting acquirer's legal capital to reflect the legal capital of the accounting acquiree. That adjustment is required to reflect the capital of the legal parent (accounting acquiree). Comparative information presented in those consolidated financial statements also is retroactively adjusted to reflect the legal capital of the legal parent (accounting acquiree).

Because the consolidated financial statements represent the continuation of the financial statements of the legal subsidiary except for its capital structure, the consolidated financial statements reflect:

- (a) The assets and liabilities of the legal subsidiary (accounting acquirer) recognised and measured at their pre-combination carrying amounts.
- (b) The assets and liabilities of the legal parent (accounting acquiree) recognised and measured in accordance with the applicable accounting standard.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.4 Reverse Acquisition upon Consolidation (cont'd)

- (c) The retained earnings and other equity balances of the legal subsidiary (accounting acquirer) before the business combination.
- (d) The amount recognised as issued equity interests in the consolidated financial statements determined by adding the issued equity interest of the legal subsidiary (accounting acquirer) outstanding immediately before the business combination to the fair value of the legal parent (accounting acquiree) determined in accordance with the applicable accounting standard. However, the equity structure (i.e. the number and type of equity interests issued) reflects the equity structure of the legal parent (accounting acquiree), including the equity interests of the legal parent (accounting acquiree) issued to effect the combination. Accordingly, the equity structure of the legal subsidiary (accounting acquirer) is restated using the exchange ratio established in the acquisition agreement to reflect the number of shares of the legal parent (accounting acquiree) issued in the reverse acquisition.
- (e) The non-controlling interest's proportionate share of the legal subsidiary's (accounting acquirer's) pre-combination carrying amounts of retained earnings and other equity interests.

3.1.5 Loss of Control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.2 Foreign Currency Translation

The Group's consolidated financial statements are presented in RM, which is also the Company's functional currency.

3.2.1 Foreign Currency Transactions and Balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, Plant and Equipment

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All property, plant and equipment are subsequently stated at cost less accumulated depreciation and less any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring 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.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful lives. Property, plant and equipment are depreciated based on the estimated lives of the assets shown as follows:-

| | |
|---|-----|
| Leasehold land and building | 2% |
| Freehold land and building | 2% |
| Furniture, fitting and office equipment | 20% |
| Plant and machinery | 10% |
| Renovation | 10% |
| Motor vehicles | 20% |
| Site cabin and signboard | 10% |

Capital work-in-progress consists of building under construction for intended use as office. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction until the property, plant and equipment are ready for their intended use.

The residual values, useful life and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of future economic benefits embodied in the items 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 in the financial year in which the asset is derecognised.

3.4 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases (cont'd)

3.4.1 As a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line over the shorter of the lease term and the estimated useful lives of the assets, as follows:-

| | |
|-----------------------------|-----|
| Leasehold land and building | 2% |
| Motor vehicles | 20% |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 3.7 Impairment of Non-financial Assets.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases (cont'd)

3.4.1 As a Lessee (cont'd)

Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment and premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.4.2 As a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature. 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.

3.5 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.5.1 Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at transaction price as disclosed in Note 3.11 to the financial statements.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial Instruments (cont'd)

3.5.1 Financial Assets (cont'd)

Initial Recognition and Measurement (cont'd)

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

The Group and the Company only have financial assets at amortised cost on their statements of financial position.

Financial Assets at Amortised Cost

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and the Company's financial assets at amortised cost include trade and most of other receivables, cash and bank balances and fixed deposits with licensed banks.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial Instruments (cont'd)

3.5.1 Financial Assets (cont'd)

Derecognition (cont'd)

When the Group and the Company have transferred their rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Impairment

The Group and the Company recognise an allowance for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets. 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 balances 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 and contract assets 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.

Impairment for trade receivables and contract assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure ECL, trade receivables and contract assets are grouped into categories. The categories are differentiated by the different business risks and are subject to different credit assessments. Contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group considers the expected credit loss rates for trade receivables as a reasonable approximation of the loss rates for contract assets with similar risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial Instruments (cont'd)

3.5.1 Financial Assets (cont'd)

Impairment (cont'd)

Impairment for financial assets other than trade receivables and contract assets

The Group and the Company consider the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The assessment considers available, reasonable and supportable forward-looking information.

Credit impaired

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.

An impairment loss in respect of debt investments measured at fair value through OCI is recognised in profit or loss and the allowance account is recognised in OCI.

At each reporting date, the Group and the Company assess whether the financial assets carried at amortised cost and debt securities at fair value through OCI are credit-impaired.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group and the Company consider a receivable as credit impaired when one or more events that have a detrimental impact on the estimated cash flows have occurred. These instances include adverse changes in the financial capability of the debtor and default or significant delay in payments. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

3.5.2 Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial Instruments (cont'd)

3.5.2 Financial Liabilities (cont'd)

Subsequent Measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:-

- Financial liabilities at fair value through profit or loss; or
- Financial liabilities at amortised cost.

The Group's and the Company's financial liabilities include trade and most of other payables, lease liabilities and borrowings which are measured at amortised cost and derivative financial liability which is measured at fair value through profit or loss designated upon initial recognition.

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities that are derivatives and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied.

For financial liabilities where it is designated as fair value through profit or loss, the Group recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

Financial Liabilities at Amortised Cost

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss. This category generally applies to interest-bearing borrowings.

Financial liabilities are classified as current liabilities for those having maturity dates of not more than 12 months after the reporting date, and the balance is classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial Instruments (cont'd)

3.5.2 Financial Liabilities (cont'd)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

3.5.3 Offsetting of Financial Instruments

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

3.5.4 Financial Guarantee Contracts

Financial guarantee contracts issued by the Group and the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3.5.5 Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial Instruments (cont'd)

3.5.5 Derivative Financial Instruments and Hedge Accounting (cont'd)

Initial Recognition and Measurement (cont'd)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair Value Hedges

The change in the fair value of a hedging instrument is recognised in the statements of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statements of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses cross currency swap as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to the currency basis spread is recognised as other expense.

The Group designates only the change in fair value of the spot element of cross currency swap as a hedging instrument in cash flow hedging relationships. The foreign currency basis spread is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial Instruments (cont'd)

3.5.5 Derivative Financial Instruments and Hedge Accounting (cont'd)

Initial Recognition and Measurement (cont'd)

Cash Flow Hedges (cont'd)

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Hedges of a Net Investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

The Company uses a cross-currency swap as a hedge of its exposure to foreign exchange risks and interest rate risks on its borrowings. Details are given in Note 16 to the financial statements.

3.6 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, bank balances, fixed deposits with licensed banks and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Bank overdraft is shown in current liabilities in the statements of financial position.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdraft and pledged deposits.

For the purpose of the statements of financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of Non-financial Assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

Note 2.5 - Significant assumptions estimates and judgements

Note 3.3 - Property, plant and equipment

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group and the Company base their impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's and the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of ten years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company estimate the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

3.8 Equity, Reserves and Distributions to Owners

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Retained earnings/Accumulated losses include all current and prior years' accumulated profits/losses.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Equity, Reserves and Distributions to Owners (cont'd)

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.

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the shares to be distributed. At the end of the financial year and on the settlement date, the Company reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Company 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.

All transactions with owners of the Company are recorded separately within equity.

3.9 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group and the Company expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the profit or loss net of any reimbursement.

If the effect of the time 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.

3.10 Employees Benefits

3.10.1 Short Term Employees Benefits

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

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

3.10.2 Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into independent entities of funds and will have no legal or constructive obligations to pay further contribution if any of the funds do not hold sufficient assets to pay all employees benefits relating to employee services in the current and preceding financial year.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, the Company and its subsidiaries, all of which were incorporated in Malaysia, make such contributions to the Employees Provident Fund ("EPF").

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Revenue

3.11.1 Revenue from Contracts with Customers

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group’s and the Company’s customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes.

If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

The control over the goods or services is transferred over time and revenue is recognised over time if:-

- the customer simultaneously receives and consumes the benefits provided by the Group’s and the Company’s performance as the Group and the Company perform;
- the Group’s and the Company’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group’s and the Company’s performance does not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

The Group and the Company recognise revenue from construction over time if it creates an asset with no alternative use to the Group and the Group and the Company have an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of the performance obligation is measured based on the Group’s and the Company’s effort or inputs to the satisfaction of the performance obligation (e.g. by reference to the contract costs incurred to date as a percentage of the estimated total contract costs of the contract, i.e. the stage of completion).

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Revenue (cont'd)

3.11.1 Revenue from Contracts with Customers (cont'd)

Performance obligations by segment are as follows:

Construction

Revenue from construction contract is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance creates and enhances an asset that the customer controls as the Group performs or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on methods that best depict the Group's performance in satisfying the performance obligation, where the Group's efforts or inputs to the satisfaction of the performance obligation (e.g. by reference to the contract of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract).

Services

Services are recognised in the accounting period in which the services are rendered and the customer receives and consumes the benefits provided by the Group, and the Group has a present right to payment for, the services.

3.11.2 Contract Balances

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in Note 3.5.1.

Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Revenue (cont'd)

3.11.2 Contract Balances

Contract Costs

The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission). These costs are recognised in contract assets if the Group expects to recover those costs.

3.11.3 Others Revenue Recognition

Revenue from other sources are recognised as follows:

Interest Income

Interest income is recognised on time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group and the Company.

Dividend Income

Dividend income from investment is recognised when the shareholder's right to receive payment has been established provided it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Rental Income

Rental income is accounted on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as revenue.

Management Fees Income

Management fees are recognised when services are rendered.

3.12 Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Borrowing Costs (cont'd)

All other borrowing costs are expensed 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.

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.

3.13 Tax Expense

Tax expense comprises current tax and deferred tax. Current tax and deferred tax are 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.

3.13.1 Current Tax

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.

Current tax for current and prior years is recognised in the statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

3.13.2 Deferred Tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements 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 that 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 at the reporting date.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Goods and Services Tax

Goods and Services Tax ("GST") is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate. Input tax that a company pays on business purchases is offset against output tax.

Revenue, expenses and assets are recognised net of GST except:-

- where the GST incurred in a purchase of asset or service is not recoverable from the 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 that are stated with GST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

The Malaysian Government has zero rated the GST effective from 1 June 2018. This mean the GST rate on the supplier of goods or services or on the importation of goods has been revised from 6% to 0%.

The GST has been replaced with Sales and Services Tax effective from 1 September 2018. The rate for sales tax is fixed at 5% or 10%, while the rate for services tax is fixed at 6%.

3.15 Sales and Services Tax

Expenses and assets are recognised net of the amount of sales and services tax, except:-

- (a) When the sales and services tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- (b) When receivables and payables are stated with the amount of sales and services tax included.

The net amount of sales and services tax payable to the taxation authority is included as part of payables in the statements of financial position.

3.16 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.17 Contingencies

3.17.1 Contingent Liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of 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 liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Contingencies (cont'd)

3.17.2 Contingent Assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

3.18 Related Parties

A related party is a person or entity that is related to the Group and the Company. A related party transaction is a transfer of resources, services or obligations between the reporting entity and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the reporting entity if that person:-

- (i) Has control or joint control over the Group and the Company;
- (ii) Has significant influence over the Group and the Company; or
- (iii) Is a member of the key management personnel of the holding company of the Company, or the Group or the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:-

- (i) The entity and the Group or the Company are members of the same group;
- (ii) One entity is an associate or joint venture of the other entity;
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the same third entity;
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above;
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the Group or the entity; or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3.19 Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company over the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company over the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares during the period.

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4. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land and building | Furniture, fitting and office equipment | Plant and machinery | Renovation | Motor vehicles | Site cabin and signboard | Total |
|-----------------------------------|----------------------------|---|---------------------|------------|----------------|--------------------------|------------|
| | RM | RM | RM | RM | RM | RM | RM |
| Cost | | | | | | | |
| At 1 January 2019 | 5,594,276 | 1,142,348 | 5,550 | 14,871,929 | 1,133,745 | 141,880 | 22,889,728 |
| Additions | - | 66,583 | - | 660,122 | - | - | 726,705 |
| Reclassification | - | 998,517 | - | (998,517) | - | - | - |
| At 31 December 2019 | 5,594,276 | 2,207,448 | 5,550 | 14,533,534 | 1,133,745 | 141,880 | 23,616,433 |
| Additions | - | 74,313 | - | 2,277,235 | - | - | 2,351,548 |
| Transfer from right-of-use assets | - | - | - | - | 1,607,944 | - | 1,607,944 |
| At 31 December 2020 | 5,594,276 | 2,281,761 | 5,550 | 16,810,769 | 2,741,689 | 141,880 | 27,575,925 |
| Accumulated depreciation | | | | | | | |
| At 1 January 2019 | 563,191 | 959,614 | 5,550 | 1,818,126 | 1,028,388 | 77,860 | 4,452,729 |
| Charge for the financial year | 111,886 | 237,787 | - | 1,328,499 | 79,482 | 7,967 | 1,765,621 |
| Reclassification | - | 41,604 | - | (41,604) | - | - | - |
| At 31 December 2019 | 675,077 | 1,239,005 | 5,550 | 3,105,021 | 1,107,870 | 85,827 | 6,218,350 |
| Charge for the financial year | 111,886 | 178,459 | - | 1,448,691 | 144,277 | 7,967 | 1,891,280 |
| Transfer from right-of-use assets | - | - | - | - | 1,373,399 | - | 1,373,399 |
| At 31 December 2020 | 786,963 | 1,417,464 | 5,550 | 4,553,712 | 2,625,546 | 93,794 | 9,483,029 |
| Net carrying amount | | | | | | | |
| At 31 December 2020 | 4,807,313 | 864,297 | - | 12,257,057 | 116,143 | 48,086 | 18,092,896 |
| At 31 December 2019 | 4,919,199 | 968,443 | - | 11,428,513 | 25,875 | 56,053 | 17,398,083 |

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

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

| Company | Furniture, fitting and office equipment RM | |
|---|--|-----|
| Cost | | |
| At 1 January 2019 | 63,827 | |
| Additions | 365 | |
| At 31 December 2019/At 31 December 2020 | 64,192 | 105 |
| Accumulated depreciation | | |
| At 1 January 2019 | 50,330 | |
| Charge for the financial year | 5,789 | |
| At 31 December 2019 | 56,119 | |
| Charge for the financial year | 2,777 | |
| At 31 December 2020 | 58,896 | |
| Net carrying amount | | |
| At 31 December 2020 | 5,296 | |
| At 31 December 2019 | 8,073 | |

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4.1 Assets pledged as securities to financial institutions

The net carrying amounts of assets pledged as securities for borrowings are:-

| | Group 2020 RM | 2019 RM |
|----------------------------|---------------------|------------|
| Freehold land and building | 4,807,313 | 4,919,199 |

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

5. RIGHT-OF-USE ASSETS

As a lessee

The Group has leases for leasehold land and building and motor vehicles that run between 5 to 50 years.

The Group also has leases of premises, motor vehicles and office equipment with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

| | Motor vehicles RM | Leasehold land and building RM | Total RM |
|---|-------------------------|---|-------------|
| Group | | | |
| At 1 January 2019 | 1,068,229 | 44,568,000 | 45,636,229 |
| Depreciation charged for the financial year | (402,895) | (976,000) | (1,378,895) |
| At 31 December 2019 | 665,334 | 43,592,000 | 44,257,334 |
| Reclassification to property, plant and equipment | (234,545) | - | (234,545) |
| Addition | 68,000 | - | 68,000 |
| Depreciation charged for the financial year | (194,500) | (976,000) | (1,170,500) |
| At 31 December 2020 | 304,289 | 42,616,000 | 42,920,289 |

The above motor vehicles are held under lease liabilities.

The leasehold land and building have been pledged as securities for bank borrowings as disclosed in Note 14 to the financial statements.

The maturity analysis of lease liabilities is disclosed in Note 15 to the financial statements.

The following are the amounts recognised in profit or loss:-

| | Group 2020 RM | 2019 RM |
|--|---------------------|------------|
| Depreciation expense of right-of-use assets | 1,170,500 | 1,378,895 |
| Interest expense on lease liabilities | 31,689 | 35,976 |
| Expense relating to variable lease payments not included in the measurement of lease liabilities | 8,859 | 67,078 |
| Total amount recognised in profit or loss | 1,211,048 | 1,481,949 |

The Group had total cash outflows for leases of RM386,096 (2019: RM614,064).

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

5. RIGHT-OF-USE ASSETS (CONT'D)

As a lessor

The Group has entered into operating lease on its land and building. The lease is cancellable with 3 months prior written notice. Rental income recognised by the Group during the year is RM718,960 (2019: RM795,530).

6. INVESTMENT IN SUBSIDIARIES

| | Company | |
|--------------------------|-------------|-------------|
| | 2020 | 2019 |
| | RM | RM |
| Unquoted shares, at cost | | |
| - within Malaysia | 521,000,002 | 520,000,002 |

Details of subsidiaries, all of which are incorporated and domiciled in Malaysia are as follows:-

| Name of companies | Principal place of business | Effective ownership interest and voting interest | | Principal activities |
|---------------------------------------|-----------------------------|--|------|----------------------|
| | | 2020 | 2019 | |
| Direct interest | | | | |
| Widad Builders Sdn. Bhd. (“WBSB”) | Malaysia | 100% | 100% | @@ |
| Widad Green Sdn. Bhd. | Malaysia | 100% | 100% | ^ |
| Widad Rail Sdn. Bhd. | Malaysia | 100% | 100% | ^ |
| Widad Concession Sdn. Bhd. (“WCSB”) | Malaysia | 100% | - | ^ |
| Indirect interest | | | | |
| Widad Facility Management Sdn. Bhd. * | Malaysia | 100% | 100% | \$ |
| Widad Capital Sdn. Bhd. * | Malaysia | 100% | 100% | Δ |
| Innovative City Holdings Sdn. Bhd.** | Malaysia | 100% | - | ^ |

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of subsidiaries, all of which are incorporated and domiciled in Malaysia are as follows (cont'd):-

^ Dormant.

@@ The principal activity of this subsidiary is general trading, construction and providing full facility management and mechanical and electrical maintenance, care and improvement.

\$ The subsidiary is principally engaged in landscaping work and general contractors.

Δ The principal activities of the subsidiary are construction, providing facility management services and fund raising vehicle.

* Direct subsidiaries of WBSB.

** Direct subsidiary of WCSB.

Acquisition of subsidiaries

On 27 February 2020, the Company had incorporated a wholly-owned subsidiary, WCSB with an initial share capital of 1 ordinary share of RM1.

On 23 April 2020, a wholly-owned subsidiary of the Company, WCSB had incorporated a wholly-owned subsidiary, Innovative City Holdings Sdn. Bhd. with an initial share capital of 1 ordinary share of RM1.

In prior financial year, the Company incorporated two wholly-owned subsidiaries namely Widad Rail Sdn. Bhd. and Widad Green Sdn. Bhd. with both having an initial share capital of 1 ordinary share of RM1 each.

7. FIXED DEPOSITS WITH LICENSED BANKS

Non-current assets

Group

The fixed deposits with licensed banks have been pledged to banks for banking facilities, and hence, are not available for general use.

The average effective profit rates for fixed deposits with licensed banks for the Group are ranging from 1.51% to 4.10% (2019: 2.75% to 4.00%) per annum.

Current assets

Group and Company

Included in the fixed deposits with licensed banks of amounted RM5,000,000 (2019: RMNil) have been pledged to banks for banking facilities, and hence, are not available for general use.

The average interest rates of the fixed deposits for the Group are ranged from 1.51% to 4.10% (2019: Nil) per annum whereas for the Company, it is ranged from 1.85% to 3.03% (2019: Nil) per annum.

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8. CONTRACT ASSETS/(LIABILITIES)

| | Group 2020 RM | 2019 RM |
|-----------------------------|---------------------|--------------------|
| Contract assets | | |
| - Construction contracts | <u>164,647,028</u> | <u>165,852,509</u> |
| Contract liabilities | | |
| - Customers deposits | <u>495,119</u> | <u>8,324,849</u> |

Construction contracts

The construction contracts represent the timing differences in revenue recognition and the milestone billings.

Contract assets primarily relate to the rights to consideration for work completed on construction contracts but not yet billed as at the reporting date.

Contract liabilities consist of advance billings in excess of revenue recognised, typically resulting from the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect the physical completion of the contracts.

Customers deposits

Customers deposits related to deposit made by customers for the construction projects which is partially performed or have yet to perform by the Group as at the reporting date.

Significant changes to the Group's contract assets and contract liabilities balances during the financial year are as follows:-

| | Group 2020 RM | 2019 RM |
|---|---------------------|-------------------|
| Contract assets at the beginning of the year not transferred to the trade receivables due to change in time frame | <u>84,571,388</u> | <u>46,529,760</u> |
| Contract liabilities at the beginning of the year recognised as revenue | <u>7,829,730</u> | <u>9,137,262</u> |

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– 31 December 2020

9. TRADE RECEIVABLES

| | Group | |
|-------------------|-------------------|-------------------|
| | 2020 | 2019 |
| | RM | RM |
| Trade receivables | 27,532,509 | 8,729,912 |
| Retention sum | 7,720,369 | 29,562,773 |
| | 35,252,878 | 38,292,685 |

Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group to the trade receivables ranging from 1 to 60 days (2019: 1 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

10. OTHER RECEIVABLES

| | Group | | Company | |
|-----------------------------------|-------------------|------------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Non-trade receivables | 1,124,431 | 960,000 | - | - |
| Amount due from holding company | - | 2,124,446 | - | - |
| Amount due from subsidiaries | - | - | 11,157,611 | 26,043,381 |
| Amount due from a related company | 215,115 | 602,400 | - | - |
| | 1,339,546 | 3,686,846 | 11,157,611 | 26,043,381 |
| Less: Impairment loss | - | - | (640,395) | - |
| | 1,339,546 | 3,686,846 | 10,517,216 | 26,043,381 |
| Deposits | 22,992,890 | 4,834,900 | 12,702,315 | 1,221,000 |
| Prepayments | 1,780,109 | - | - | - |
| | 26,112,545 | 8,521,746 | 23,219,531 | 27,264,381 |

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– 31 December 2020

10. OTHER RECEIVABLES (CONT'D)

The movement of impairment losses during the financial year is as follow:

| | Company 2020 RM | 2019 RM |
|----------------|-----------------------|------------|
| At 1 January | - | - |
| Addition | 640,395 | - |
| At 31 December | 640,395 | - |

Included in deposits of the Group and of the Company is an amount of RM12,702,315 (2019: RMNil) paid for the acquisition of Serendah Heights Sdn. Bhd. from Prihatin Ehsan Holdings Sdn. Bhd., Training Camp Aabata Sdn. Bhd. and Just Wisdom Sdn. Bhd. This transaction had been completed after the financial year end.

Included in deposits of the Group and of the Company is an amount of RM6,100,000 and RMNil (2019: RMNil and RM1,220,000) respectively paid for the acquisition of Inovatif Mewah Sdn. Bhd. from Menang Development Sdn. Bhd., Menang Industries (M) Sdn. Bhd. and Tentu Selesa Sdn. Bhd. The proposed acquisition had been called off on 19 March 2021 and the deposit had been refunded on the even date.

Related company refers to members of Widad Business Group Sdn. Bhd.'s group of companies.

Amounts due from holding company, subsidiaries and a related company are unsecured, bear no interest and repayable on demand.

11. CASH AND BANK BALANCES

Group

The cash and bank balances of a subsidiary was maintained in Designated Bank Accounts amounting to RMNil (2019: RM878,137) for which utilisation was restricted for the payments of principal and interest or future profit in respect of the Sukuk Murabahah Programme.

NOTES TO THE FINANCIAL STATEMENTS

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12. SHARE CAPITAL

| | No. of ordinary shares | | Amount | |
|---|------------------------|---------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Unit | Unit | RM | RM |
| Group | | | | |
| Issued and fully paid with no par value:- | | | | |
| At 1 January | 2,454,641,845 | 2,454,641,845 | 65,270,741 | 65,270,741 |
| Issuance of ordinary shares upon exercise of warrants | 37,226,400 | - | 13,029,240 | - |
| At 31 December | 2,491,868,245 | 2,454,641,845 | 78,299,981 | 65,270,741 |
| Company | | | | |
| Issued and fully paid with no par value:- | | | | |
| At 1 January | 2,454,641,845 | 2,454,641,845 | 563,493,864 | 563,493,864 |
| Issuance of ordinary shares upon exercise of warrants | 37,226,400 | - | 13,029,240 | - |
| At 31 December | 2,491,868,245 | 2,454,641,845 | 576,523,104 | 563,493,864 |

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 restriction and rank equally to the Company's residual assets.

13. CASH FLOW HEDGE RESERVE

The cash flow hedge reserve contains the effective portion of the gain or loss on hedging instruments in cash flow hedges and is not available for distribution as dividends.

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– 31 December 2020

14. BORROWINGS

| | Group | | |
|--|--------------------|--------------------|------------|
| | 2020 | 2019 | |
| | RM | RM | |
| <u>Secured:</u> | | | |
| Sukuk Murabahah Programme (“SUKUK”) | - | 70,000,000 | |
| Commodity Murabahah | 73,216,000 | - | |
| Term loans | 83,969,333 | 40,285,712 | |
| Revolving credit | 10,000,000 | 10,150,028 | |
| | 167,185,333 | 120,435,740 | 113 |
| <u>Unsecured:</u> | | | |
| Term loans | 738,000 | - | |
| Bank overdrafts | 9,585,277 | 19,676,335 | |
| Bill purchase | - | 1,996,650 | |
| | 10,323,277 | 21,672,985 | |
| | 177,508,610 | 142,108,725 | |
| <u>Repayable:</u> | | | |
| - within 1 year | 100,023,798 | 54,198,150 | |
| - more than 1 year but less than 5 years | 52,911,453 | 60,801,545 | |
| - above 5 years | 24,573,359 | 27,109,030 | |
| | 77,484,812 | 87,910,575 | |
| | 177,508,610 | 142,108,725 | |

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The interest rates of the Group for the borrowings (other than SUKUK and Commodity Murabahah) are 2.35% to 6.85% (2019: 6.17% to 7.73%) per annum.

The profit rates of the Group for the SUKUK are 4.70% to 5.20% (2019: 4.70% to 5.20%) per annum.

The profit rates of the Group for the Commodity Murabahah is 4.50% (2019: Nil) per annum.

The SUKUK of the Group are secured by way of:-

- a pledge of fixed deposits and Designated Bank Accounts;
- corporate guarantee by a subsidiary;
- assignment of the proceeds receivables;
- fixed and floating charges over all assets; and
- shares of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

14. BORROWINGS (CONT'D)

The borrowings of the Group (other than SUKUK and Commodity Murabahah) are secured by way of:-

- (a) a pledge of fixed deposits;
- (b) a first party legal charge over the freehold and leasehold land and buildings;
- (c) a jointly and severally guarantee by the subsidiaries' directors, subsidiaries' ex-directors and a person connected to subsidiaries' director;
- (d) corporate guarantee by the Company and holding company;
- (e) assignment of the proceeds receivables; and
- (f) assignment of the proceeds rentals.

The Commodity Murabahah is secured by way of:-

- (a) corporate guarantee by the Company;
- (b) assignment of the proceeds receivables;
- (c) a pledge of fixed deposits; and
- (d) fixed and floating charges over all assets.

15. LEASE LIABILITIES

| | Group | |
|--|-----------|-----------|
| | 2020 | 2019 |
| | RM | RM |
| At 1 January | 796,447 | 1,307,457 |
| Addition | 40,000 | - |
| Accretion of interest | 31,689 | 35,976 |
| Payments | (377,237) | (546,986) |
| At 31 December | 490,899 | 796,447 |
| Current | 166,343 | 343,812 |
| Non-current | | |
| - more than 1 year but less than 5 years | 324,556 | 446,367 |
| - above 5 years | - | 6,268 |
| | 324,556 | 452,635 |
| | 490,899 | 796,447 |

The effective interest rate of the Group for lease liabilities are ranging from 4.47% to 14.35% (2019: 4.47% to 5.63%) per annum.

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15. LEASE LIABILITIES (CONT'D)

The lease liabilities of the Group were secured by legal charge over the assets of the Group as disclosed in Note 5 to the financial statements and secured against personal guarantee by:

| | Group 2020 RM | 2019 RM |
|-------------|---------------------|----------------|
| Directors | 430,789 | 469,266 |
| Ex-director | - | 196,068 |
| | 430,789 | 665,334 |

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16. DERIVATIVE FINANCIAL LIABILITY

| | Notional amount RM | Asset RM | Liability RM | Net RM |
|---------------------------|--------------------------|-------------------|-------------------|------------------|
| Group | | | | |
| Hedging derivative | | | | |
| Cash flow hedge | | | | |
| 2020 | | | | |
| <u>Non-current</u> | | | | |
| Cross currency swap | 32,947,200 | 39,567,645 | 40,919,930 | 1,352,285 |
| <u>Current</u> | | | | |
| Cross currency swap | 40,268,800 | 33,732,127 | 34,666,387 | 934,260 |
| | 73,216,000 | 73,299,772 | 75,586,317 | 2,286,545 |

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The Group entered into cross currency swap to manage its exposure in foreign currency risk arising from foreign currency borrowing, which was entered to minimise the interest cost.

The Group uses cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuations over the hedging period on the foreign currency borrowing. Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument are recognised directly in OCI until such time as the hedged item affects profit or loss, then the gains or losses are transferred to the profit or loss. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the profit or loss.

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16. DERIVATIVE FINANCIAL LIABILITY (CONT'D)

The following table indicates the periods in which the cash flows associated with the cross currency swap are expected to occur and affect profit or loss:-

| | Carrying amount RM | Expected cash flows RM | Within 1 year RM | 2 to 5 years RM |
|---------------------|--------------------------|------------------------------|------------------------|--------------------|
| Group | | | | |
| 2020 | | | | |
| Cross currency swap | 73,216,000 | 77,086,167 | 35,685,428 | 41,400,739 |

The cash flow hedges of the borrowing was assessed to be highly effective and a net unrealised loss of RM2,286,545 (2019: RMNil) of the Group relating to the hedging instruments are included in OCI. The unrealised loss recognised in OCI is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss.

17. DEFERRED TAX LIABILITIES

| | Property, plant and equipment RM | Unutilised capital allowances RM | Unabsorbed business losses RM | Total RM |
|-------------------------------|--|---|--|-------------|
| Group | | | | |
| At 1 January 2019 | 3,734 | (3,734) | - | - |
| Recognition in profit or loss | 14,008 | (14,008) | - | - |
| At 31 December 2019 | 17,742 | (17,742) | - | - |
| Recognition in profit or loss | 61,405 | 17,742 | (79,147) | - |
| At 31 December 2020 | 79,147 | - | (79,147) | - |

Deferred tax assets have not been recognised in respect of the following items (stated at gross) for certain subsidiary due to uncertainty of future taxable income of the subsidiary.

| | Group 2020 RM | 2019 RM |
|-------------------------------|---------------------|------------|
| Unutilised capital allowances | - | 22,908 |
| Unabsorbed business losses | 147,847 | 673,466 |
| | 147,847 | 696,374 |

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17. DEFERRED TAX LIABILITIES (CONT'D)

Effective Year of Assessment (“YA”) 2019 as announced in the Annual Budget 2019, the unabsorbed business losses of the subsidiaries as of 31 December 2020 and thereafter will only be available for carry forward for a period of 7 consecutive years, the unabsorbed business losses will be disregarded.

Tax losses for which no deferred tax asset was recognised expire as follows:-

| | Group | |
|---------|----------------|---------|
| | 2020 | 2019 |
| | RM | RM |
| YA 2025 | 147,847 | 673,466 |

18. TRADE PAYABLES

Group

Trade payables are non-interest bearing and the normal credit terms granted by the suppliers are ranging from 30 to 90 days (2019: 30 to 90 days). However, the term varies according to negotiation with the suppliers.

19. OTHER PAYABLES

| | Group | | Company | |
|-------------------------------|------------------|------------|----------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Non-trade payables | 3,309,585 | 3,843,310 | 2,249 | 27,033 |
| Amount due to holding company | - | 18,368 | - | - |
| Accrual of expenses | 5,628,517 | 8,488,483 | 106,000 | 84,248 |
| Deposit received | 49,000 | 64,400 | - | - |
| GST payable | 54 | 1,036,590 | - | - |
| | 8,987,156 | 13,451,151 | 108,249 | 111,281 |

Included in deposit received is an amount of RM49,000 (2019: RM64,400) due to a related company.

Amount due to holding company is unsecured, non-interest bearing and repayable on demand.

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20. REVENUE

Revenue comprise the followings:-

| | Group | | Company | |
|---------------------------------------|------------|-------------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Revenue from contracts with customers | 85,850,822 | 186,996,503 | - | - |
| Revenue from other sources | | | | |
| - dividend income from a subsidiary | - | - | 3,000,000 | 2,500,000 |
| | 85,850,822 | 186,996,503 | 3,000,000 | 2,500,000 |

Disaggregation of the Group's revenue from contracts with customers:-

| | 2020 | 2019 |
|---|------------|-------------|
| | RM | RM |
| <u>Geographical market</u> | | |
| Malaysia | 85,850,822 | 186,996,503 |
| <u>Major products and services line</u> | | |
| Construction contracts | 28,211,154 | 119,005,202 |
| Integrated facility management | 57,639,668 | 67,991,301 |
| | 85,850,822 | 186,996,503 |
| <u>Timing of revenue recognition</u> | | |
| At a point in time | 57,639,668 | 67,991,301 |
| Over time | 28,211,154 | 119,005,202 |
| | 85,850,822 | 186,996,503 |

Group

The remaining contractual billings to customer from its construction activities amounted to RM158,222,587 (2019: RM118,850,940) and will be billed progressively upon the fulfillment of contractual milestones notwithstanding if control of the assets has not been transferred to the customers. The contractual billing period for construction activities is between 6 to 12 months (2019: 7 to 11 months).

The remaining contractual billings to customer from its integrated facility management amounted to RM180,763,994 (2019: RM251,882,812) and will be billed progressively upon the fulfillment of contractual milestones notwithstanding if control of the assets has not been transferred to the customers. The contractual billing period for integrated facility management is between 18 months (2019: 3 to 30 months).

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21. FINANCE INCOME/FINANCE COSTS

Finance income

| | Group | | Company | |
|-------------------------|------------------|------------------|--------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Interest income:- | | | | |
| - Fixed deposits profit | 3,067,033 | 1,875,031 | 2,035 | - |
| - Hibah | 18,639 | 21,220 | 4,638 | 801 |
| | 3,085,672 | 1,896,251 | 6,673 | 801 |

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Finance costs

| | Group | |
|-------------------------------------|-------------------|------------------|
| | 2020 | 2019 |
| | RM | RM |
| Interest expenses:- | | |
| - bank overdrafts | 896,045 | 1,414,635 |
| - lease liabilities | 31,689 | 35,976 |
| - SUKUK coupon | 4,301,129 | 4,269,357 |
| - term loans | 4,031,982 | 3,982,941 |
| - cross-currency interest rate swap | 767,264 | - |
| - facility interest | 320,705 | - |
| | 10,348,814 | 9,702,909 |

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22. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax has been determined after charging/(crediting), amongst other items, the following:-

| | Group | | Company | |
|---|-----------|-----------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Auditors' remuneration: | | | | |
| - Statutory audit | 168,000 | 165,000 | 45,000 | 45,000 |
| - Other services | 469,300 | 374,300 | 9,800 | 4,800 |
| Bad debts written off | - | 28,029 | - | - |
| Depreciation of property, plant and equipment | 1,891,280 | 1,765,621 | 2,777 | 5,789 |
| Rental income | (718,960) | (795,530) | - | - |
| Loss/(Gain) on foreign exchange | | | | |
| - realised | 11 | (4) | 11 | (4) |
| - unrealised | (1) | 13 | (1) | 13 |

23. TAX EXPENSE/(INCOME)

| | Group | | Company | |
|---------------------------------------|-------------|------------|---------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Current year provision | 3,400,596 | 10,982,664 | - | - |
| (Over)/Under provision in prior years | (2,487,026) | 7,550,369 | 135 | (138,207) |
| Total tax expense/(income) | 913,570 | 18,533,033 | 135 | (138,207) |

Malaysian income tax is calculated at the statutory tax rate at 24% (2019: 24%) of the estimated assessable profits for the financial year.

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23. TAX EXPENSE/(INCOME) (CONT'D)

The numerical reconciliation between the effective tax rate and the statutory tax rate of the Group and of the Company are as follows:-

| | Group | | Company | |
|--|--------------------|------------|--------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Profit/(Loss) before tax | 4,925,148 | 30,533,733 | (51,096) | 427,687 |
| Tax at Malaysian statutory tax rate of 24% (2019: 24%) | 1,182,035 | 7,328,097 | (12,263) | 102,645 |
| Tax effects in respect of:- | | | | |
| Income not subject to tax | (720,778) | (445) | (1,440,000) | (1,320,000) |
| Expenses not deductible for tax purposes | 3,070,985 | 3,574,750 | 1,452,263 | 1,217,355 |
| (Over)/Under provision in prior financial years | (2,487,026) | 7,550,369 | 135 | (138,207) |
| Movement of deferred tax assets not recognised | (131,646) | 80,262 | - | - |
| Total tax expense/(income) | 913,570 | 18,533,033 | 135 | (138,207) |

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24. EARNINGS PER SHARE

Basic earnings per ordinary share

The calculation of basic earnings per share was based on the profit attributable to ordinary equity holders of the Company to the weighted average number of ordinary shares issued calculated as follows:-

| | Group | |
|---|----------------------|---------------|
| | 2020 | 2019 |
| Profit for the financial year attributable to ordinary equity holders of the Company (RM) | 4,011,578 | 12,000,700 |
| Weighted average number of ordinary shares in issue: | | |
| Number of issued ordinary shares at 1 January | 2,454,641,845 | 2,454,641,845 |
| Effect of ordinary shares issued during the financial year | 9,306,600 | - |
| Weighted average number of ordinary shares at 31 December | 2,463,948,445 | 2,454,641,845 |
| Basic earnings per ordinary share (sen) | 0.16 | 0.49 |

NOTES TO THE FINANCIAL STATEMENTS

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24. EARNINGS PER SHARE (CONT'D)

Diluted earnings per ordinary share

| | 2020 | 2019 |
|---|----------------------|---------------|
| Profit for the financial year attributable to ordinary equity holders of the Company (RM) | 4,011,578 | 12,000,700 |
| Weighted average number of ordinary shares in issue | 2,463,948,445 | 2,454,641,845 |
| Effects of warrants outstanding | 453,701,969 | 490,928,369 |
| Weighted average number of ordinary shares assumed to be in issue | 2,917,650,414 | 2,945,570,214 |
| Diluted earnings per ordinary share (sen) | 0.14 | 0.41 |

25. EMPLOYEES BENEFITS EXPENSE

| | Group | | Company | |
|-------------------------------|-------------------|------------|------------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Salaries and other emoluments | 17,151,925 | 15,822,886 | 3,968,703 | 3,560,647 |
| Defined contribution plans | 133,046 | 1,627,039 | 436,333 | 384,095 |
| | 17,284,971 | 17,449,925 | 4,405,036 | 3,944,742 |

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– 31 December 2020

25. EMPLOYEES BENEFITS EXPENSE (CONT'D)

Included in the employees benefits expense are Directors' remuneration as follows:-

Directors' remuneration

| Group | 2020 RM | 2019 RM |
|--------------------------------------|------------------|------------------|
| <u>Existing Directors</u> | | |
| Directors of the Company | | |
| Directors' fees | 192,000 | 216,000 |
| Salaries and other emoluments | 1,141,724 | 1,806,147 |
| Defined contribution plans | 127,296 | 199,296 |
| | 1,461,020 | 2,221,443 |
| Directors of the subsidiaries | | |
| Salaries and other emoluments | 1,715,616 | 1,715,616 |
| Defined contribution plans | 205,657 | 205,657 |
| | 1,921,273 | 1,921,273 |
| <u>Past Directors</u> | | |
| Directors of the Company | | |
| Directors' fees | 36,000 | - |
| Salaries and other emoluments | 587,623 | - |
| Defined contribution plans | 67,027 | - |
| | 690,650 | - |
| | 4,072,943 | 4,142,716 |

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25. EMPLOYEES BENEFITS EXPENSE (CONT'D)

Included in the employee benefits expense are Directors' remuneration as follows (cont'd):-

Directors' remuneration (cont'd)

| Company | 2020 RM | 2019 RM |
|-------------------------------|------------------|------------------|
| <u>Existing Directors</u> | | |
| Directors' fees | 192,000 | 216,000 |
| Salaries and other emoluments | 1,141,724 | 1,806,147 |
| Defined contribution plans | 127,296 | 199,296 |
| | 1,461,020 | 2,221,443 |
| <u>Past Directors</u> | | |
| Directors' fees | 36,000 | - |
| Salaries and other emoluments | 587,623 | - |
| Defined contribution plans | 67,027 | - |
| | 690,650 | - |
| | 2,151,670 | 2,221,443 |

26. CAPITAL COMMITMENT

| | Group 2020 RM | 2019 RM |
|--|---------------------|------------|
| <u>Capital expenditure</u> | | |
| <u>Authorised and contracted for:-</u> | | |
| - Property, plant and equipment | 3,008,753 | 1,705,388 |

NOTES TO THE FINANCIAL STATEMENTS

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27. RELATED PARTY DISCLOSURES

Related party transactions

The Group and the Company have the following transactions with the following related parties at negotiated terms agreed between the parties during the financial year:-

| | 2020 RM | 2019 RM |
|--|------------------|------------------|
| Group | | |
| IT services charged from a related company | - | 234,800 |
| Rental income charged to a related company | <u>695,800</u> | <u>772,800</u> |
| Company | | |
| Dividend received from a subsidiary | <u>3,000,000</u> | 2,500,000 |
| Management fee charged to a subsidiary | <u>3,000,000</u> | <u>3,000,000</u> |

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Related party balances

The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 10 and 19 to the financial statements.

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly and entity that provides key management personnel services to the Group and the Company.

Key management includes all the Directors of the Company and its subsidiaries and certain members of senior management of the Group and of the Company.

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27. RELATED PARTY DISCLOSURES (CONT'D)

Compensation of key management personnel (cont'd)

The remuneration of key management personnel of the Group and of the Company are as follows:-

| | Group | | Company | |
|-----------------------------------|-----------|-----------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Salaries and other emoluments | 497,902 | 504,102 | 396,918 | 416,923 |
| Defined contribution plans | 65,088 | 60,288 | 54,720 | 49,920 |
| | 562,990 | 564,390 | 451,643 | 466,843 |
| Directors' remuneration (Note 25) | 4,072,943 | 4,142,716 | 1,461,020 | 2,221,443 |
| | 4,635,933 | 4,707,106 | 1,912,663 | 2,688,286 |

28. OPERATING SEGMENT

Business segment

For management purposes, the Group is organised into business units based on their services, which comprises the following:-

- | | |
|------------------------------------|---|
| (a) Integrated facility management | Scheduled maintenance, ad-hoc maintenance and upgrading and renovation to ensure optimum effectiveness and efficiency and cater to its customers' requirements and preferences. |
| (b) Constructions | Infrastructure and civil works such as construction of low and high-rise buildings for a variety of uses, sewerage treatments plants and etc. |
| (c) Other | Other non-reportable segments comprise operations related to investment holding. |

The Group has aggregated certain operating segments to form a reportable segment due to the similar nature and operational characteristics of the products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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28. OPERATING SEGMENT (CONT'D)

Business segment (cont'd)

| Group 2020 | Note | Integrated facility management RM | Constructions RM | Other RM | Elimination RM | Total RM |
|---|------|--|---------------------|-------------|-------------------|--------------|
| Revenue:- | | | | | | |
| External customers | | 57,639,668 | 28,211,154 | - | - | 85,850,822 |
| Inter-segment | (a) | 67,537,148 | - | 3,000,000 | (70,537,148) | - |
| Total revenue | | 125,176,816 | 28,211,154 | 3,000,000 | (70,537,148) | 85,850,822 |
| Results:- | | | | | | |
| Interest income | | | | | | 3,085,672 |
| Finance costs | | | | | | (10,348,814) |
| Depreciation of property, plant and equipment | | | | | | (1,891,280) |
| Depreciation of right-of-use assets | | | | | | (1,170,500) |
| Other non-cash expenses | (b) | | | | | 1 |
| Tax expense | | | | | | (913,570) |
| Segment profit | (c) | | | | | 11,274,720 |
| Assets:- | | | | | | |
| Unallocated segment assets | (d) | | | | | 410,628,798 |
| Additions to non-current assets | (f) | | | | | 2,419,548 |
| Liabilities:- | | | | | | |
| Unallocated segment liabilities | (g) | | | | | 33,928,943 |

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28. OPERATING SEGMENT (CONT'D)

Business segment (cont'd)

| Group | Note | Integrated facility management | Constructions | Other | Elimination | Total |
|---|------|--------------------------------------|---------------|-----------|--------------|--------------|
| 2019 | | RM | RM | RM | RM | RM |
| Revenue:- | | | | | | |
| External customers | | 67,991,301 | 119,005,202 | - | - | 186,996,503 |
| Inter-segment | (a) | 69,370,336 | - | 2,500,000 | (71,870,336) | - |
| Total revenue | | 137,361,637 | 119,005,202 | 2,500,000 | (71,870,336) | 186,996,503 |
| Results:- | | | | | | |
| Interest income | | | | | | 1,896,251 |
| Finance costs | | | | | | (9,702,909) |
| Depreciation of property, plant and equipment | | | | | | (1,765,621) |
| Depreciation of right-of-use assets | | | | | | (1,378,895) |
| Other non-cash expenses | (b) | | | | | (28,042) |
| Tax expense | | | | | | (18,533,033) |
| Segment profit | (c) | | | | | 19,807,358 |
| Assets:- | | | | | | |
| Unallocated segment assets | (d) | | | | | 389,432,466 |
| Additions to non-current assets | (f) | | | | | 726,705 |
| Liabilities:- | | | | | | |
| Unallocated segment liabilities | (g) | | | | | 58,801,860 |

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28. OPERATING SEGMENT (CONT'D)

Business segment (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

(a) Inter-segment revenues are eliminated on consolidation.

(b) Other non-cash expenses consist of the following items:-

| | Group 2020 RM | 2019 RM |
|--|---------------------|-----------------|
| Unrealised gain/(loss) on foreign exchange | 1 | (13) |
| Bad debts written off | - | (28,029) |
| | <u>1</u> | <u>(28,042)</u> |

(c) The following items are added to/(deducted from) segment profit to arrive at “profit after tax” presented in the consolidated statements of profit or loss:-

| | Group 2020 RM | 2019 RM |
|------------------|---------------------|-------------------|
| Segment profit | 11,274,720 | 19,807,358 |
| Finance income | 3,085,672 | 1,896,251 |
| Finance costs | (10,348,814) | (9,702,909) |
| Profit after tax | <u>4,011,578</u> | <u>12,000,700</u> |

(d) The following items are added to segment assets to arrive at total assets reported in the consolidated statements of financial position:-

| | Group 2020 RM | 2019 RM |
|-----------------|---------------------|--------------------|
| Segment assets | 410,628,798 | 389,432,466 |
| Tax recoverable | 3,300 | 2,816 |
| Total assets | <u>410,632,098</u> | <u>389,435,282</u> |

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28. OPERATING SEGMENT (CONT'D)

Business segment (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (Cont'd):-

- (e) It was not practicable to separate out the segment results for its business segments as the Directors of the Company are of the opinion that excessive costs would be incurred.
- (f) Additions to non-current assets consist of:-

| | Group | |
|-------------------------------|------------------|----------------|
| | 2020 | 2019 |
| | RM | RM |
| Property, plant and equipment | 2,351,548 | 726,705 |
| Right-of-use assets | 68,000 | - |
| | 2,419,548 | 726,705 |

- (g) The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statements of financial position:-

| | Group | |
|--------------------------------|--------------------|--------------------|
| | 2020 | 2019 |
| | RM | RM |
| Segment liabilities | 33,928,943 | 58,801,860 |
| Derivative financial liability | 2,286,545 | - |
| Lease liabilities | 490,899 | 796,447 |
| Borrowings | 177,508,610 | 142,108,725 |
| Tax payable | 15,725,077 | 21,790,499 |
| | 229,940,074 | 223,497,531 |

- (h) Unallocated assets and liabilities were jointly used by all segments.

Geographical information

Revenue and non-current assets information by geographical segments are not presented as the Group's customers and activities are located and conducted principally in Malaysia.

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28. OPERATING SEGMENT (CONT'D)

Information about major customers

The followings are major customers with revenue equal or more than 10% of the Group's total revenue:-

| | Revenue | | | | Operating Segments |
|--------------|------------|----|-------------|----|--------------------------------|
| | 2020 | | 2019 | | |
| | RM | % | RM | % | |
| - Customer A | 57,639,668 | 67 | 67,991,301 | 36 | Integrated facility management |
| - Customer B | 16,701,750 | 19 | 92,672,886 | 50 | Constructions |
| - Customer C | 11,140,919 | 13 | 23,697,778 | 13 | Constructions |
| | 85,482,337 | 99 | 184,361,965 | 99 | |

29. FINANCIAL INSTRUMENTS

29.1 Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:-

- (a) Amortised cost ("AC"); and
- (b) Fair value through profit or loss designated upon initial recognition ("FVTPL")

| Group 2020 | Carrying amount RM | AC RM | FVTPL RM |
|------------------------------------|--------------------------|--------------------|-------------|
| Financial assets | | | |
| Trade receivables | 35,252,878 | 35,252,878 | - |
| Other receivables | 24,332,436 | 24,332,436 | - |
| Fixed deposits with licensed banks | 59,995,056 | 59,995,056 | - |
| Cash and bank balances | 63,608,106 | 63,608,106 | - |
| | 183,188,476 | 183,188,476 | - |

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 Categories of Financial Instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

- (a) Amortised cost ("AC"); and
- (b) Fair value through profit or loss designated upon initial recognition ("FVTPL")

| Group (cont'd) 2020 | Carrying amount RM | AC RM | FVTPL RM |
|------------------------------------|--------------------------|--------------------|------------------|
| Financial liabilities | | | |
| Trade payables | 24,446,668 | 24,446,668 | - |
| Other payables | 8,987,102 | 8,987,102 | - |
| Derivative financial liability | 2,286,545 | - | 2,286,545 |
| Borrowings | 177,508,610 | 177,508,610 | - |
| | 213,228,925 | 210,942,380 | 2,286,545 |
| 2019 | | | |
| Financial assets | | | |
| Trade receivables | 38,292,685 | 38,292,685 | - |
| Other receivables | 8,521,746 | 8,521,746 | - |
| Fixed deposits with licensed banks | 82,801,732 | 82,801,732 | - |
| Cash and bank balances | 32,308,377 | 32,308,377 | - |
| | 161,924,540 | 161,924,540 | - |
| Financial liabilities | | | |
| Trade payables | 37,025,860 | 37,025,860 | - |
| Other payables | 12,414,561 | 12,414,561 | - |
| Borrowings | 142,108,725 | 142,108,725 | - |
| | 191,549,146 | 191,549,146 | - |

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 Categories of Financial Instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

- (a) Amortised cost ("AC"); and
- (b) Fair value through profit or loss designated upon initial recognition ("FVTPL")

| Company 2020 | Carrying amount RM | AC RM | FVTPL RM |
|------------------------------------|--------------------------|-------------------|-------------|
| Financial assets | | | |
| Other receivables | 23,219,531 | 23,219,531 | - |
| Fixed deposits with licensed banks | 5,000,000 | 5,000,000 | - |
| Cash and bank balances | 26,228,403 | 26,228,403 | - |
| | 54,447,934 | 54,447,934 | - |
| Financial liability | | | |
| Other payables | 108,249 | 108,249 | - |
| 2019 | | | |
| Financial assets | | | |
| Other receivables | 27,264,381 | 27,264,381 | - |
| Cash and bank balances | 15,205,799 | 15,205,799 | - |
| | 42,470,180 | 42,470,180 | - |
| Financial liability | | | |
| Other payables | 111,281 | 111,281 | - |

29.2 Financial Risk Management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and of the Company's business whilst managing their credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:-

29.2.1 Credit Risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet their contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group and the Company do not expect to incur material credit losses of their financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. The Group's and the Company's transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group and the Company do not offer credit terms without the approval of the head of credit control.

Maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of financial assets recognised at reporting date summarised below:-

| | Group | | Company | |
|------------------------------------|--------------------|--------------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Trade receivables | 35,252,878 | 38,292,685 | - | - |
| Other receivables | 24,332,436 | 8,521,746 | 23,219,531 | 27,264,381 |
| Contract assets | 164,647,028 | 165,852,509 | - | - |
| Fixed deposits with licensed banks | 59,995,056 | 82,801,732 | 5,000,000 | - |
| Cash and bank balances | 63,608,106 | 32,308,377 | 26,228,403 | 15,205,799 |
| | 347,835,504 | 327,777,049 | 54,447,934 | 42,470,180 |

Trade receivables, other receivables and contract assets

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. The Group's debt recovery process are as follows:-

- Above 90 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the finance team; and
- The Group will commence a legal proceeding against the customers who having dispute or does not adhere to the restructure of the repayment scheme.

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

29.2.1 Credit Risk (cont'd)

Trade receivables, other receivables and contract assets (cont'd)

Recognition and measurement of impairment loss (cont'd)

The Group uses a provision matrix to measure ECLs for all the past due debts. Credit term which are past due more than 365 days and having dispute with the trade receivables will be considered as credit impaired.

The Group assessed the risk of loss based on the following factors:

- (a) overall past trend payments of customers;
- (b) financial performances of each individual customers; and
- (c) gross domestic product growth rate, base lending rate, and unemployed rate.

None of the Group's and the Company's financial assets are secured by collateral or other credit enhancements.

Set out below is the information about the credit risk exposure and ECLs on the Group's trade receivables and contract assets which are grouped together as they are expected to have similar risk nature:

| | 31 December 2020 | | | 31 December 2019 | | |
|----------------------------|-----------------------|----------------|--------------------|-----------------------|----------------|--------------------|
| | Gross carrying amount | Loss allowance | Net balances | Gross carrying amount | Loss allowance | Net balances |
| Group | RM | RM | RM | RM | RM | RM |
| Current (Not past due) | 184,042,897 | - | 184,042,897 | 202,911,642 | - | 202,911,642 |
| 1-30 days past due | 14,517,160 | - | 14,517,160 | - | - | - |
| More than 90 days past due | 1,339,849 | - | 1,339,849 | 1,233,552 | - | 1,233,552 |
| | 199,899,906 | - | 199,899,906 | 204,145,194 | - | 204,145,194 |
| Trade receivables | 35,252,878 | - | 35,252,878 | 38,292,685 | - | 38,292,685 |
| Contract assets | 164,647,028 | - | 164,647,028 | 165,852,509 | - | 165,852,509 |
| | 199,899,906 | - | 199,899,906 | 204,145,194 | - | 204,145,194 |

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

29.2.1 Credit Risk (cont'd)

Trade receivables, other receivables and contract assets (cont'd)

Recognition and measurement of impairment loss (cont'd)

The Group and the Company use three categories to reflect its credit risk and how the loss allowance is determined for each of those categories for financial assets other than trade receivables. A summary of the assumptions underpinning the Group's and the Company's expected credit loss model is as follows:-

| Category | Definition of categories | Basis of recognising expected credit loss |
|-----------------|---|---|
| Performing | Receivables have a low risk of default and a strong capacity to meet contractual cash flows. | 12 months expected credit loss |
| Underperforming | Receivables for which there is a significant increase in credit risk due to actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations. | Lifetime expected credit loss |
| Non-performing | Receivables which are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. | Lifetime expected credit loss |

Based on the above, loss allowance is derived as follows:-

- (i) the likelihood that the debtor would not be able to repay during the contractual period;
- (ii) the percentage of contractual cash flows that will not be collected if default happens; and
- (iii) the outstanding amount that is exposed to default risk.

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

29.2.1 Credit Risk (cont'd)

Trade receivables, other receivables and contract assets (cont'd)

Credit risk concentration

In respect of trade and other receivables, the Group has no significant concentration of credit risk with any single counterparty or any group of counterparties having similar characteristics, except below mentioned.

| | 2020 | | Group | | 2019 | |
|---------------------------------|-------------|-----|-------|---|-------------|-----|
| | RM | % | | % | RM | % |
| Trade receivables | | | | | | |
| Malaysia | | | | | | |
| 2 customers (2019: 2 customers) | 34,524,818 | 98 | | | 36,029,008 | 94 |
| Contract assets | | | | | | |
| Malaysia | | | | | | |
| 3 customers (2019: 5 customers) | 164,647,028 | 100 | | | 165,852,509 | 100 |

The Group continuously monitors credit standing of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

Cash and bank balances and fixed deposits with licensed banks

The credit risk for cash and bank balances and fixed deposits with licensed banks is considered low, since the counterparties are reputable financial institutions with high quality external credit ratings and have no history of default. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Intercompany balances

The Group and the Company provide unsecured advances to the related company, subsidiaries and holding company and monitor the ability of the related company, subsidiaries and holding company to repay the advances on an individual basis.

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2020

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

29.2.1 Credit Risk (cont'd)

Intercompany balances (cont'd)

Generally, the Group and the Company consider advances to subsidiaries and holding company to have low credit risk. The Group and the Company assume that there is a significant increase in credit risk when the subsidiaries' or holding company's financial position deteriorates significantly. As the Group and the Company are able to determine the timing of payments of the advances when they are payable, the Group and the Company consider the advances to be in default when the subsidiaries, and holding company are not able to pay when demanded. The Group and the Company consider the loan or advances to be credit impaired when the subsidiaries, and holding company are unlikely to repay their advance to the Group or the Company in full, the loan or advance is overdue for more than a year, or the subsidiaries and holding company are continuously loss making and having deficit in shareholders' funds.

The Group and the Company determine the probability of default for these advances individually using internal information available.

As at the end of the reporting period, there was no indication that the intercompany amounts are not recoverable.

Financial guarantee

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to subsidiaries. The maximum exposure to credit risk is as disclosed in Note 29.2.2 to the financial statements as at the reporting date. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

29.2.2 Liquidity Risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due as a result of shortage of funds.

In managing their exposures to liquidity risk arises principally from their various payables and borrowings, the Group and the Company maintain a level of cash and cash equivalents and banking facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet their liabilities as and when they fall due.

The Group and the Company aim to maintain a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

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– 31 December 2020

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

29.2.2 Liquidity Risk (cont'd)

Analysis of financial liabilities by remaining contractual maturity period

The following table shows the areas where the Group and the Company are exposed to liquidity risk:-

| | Carrying amount RM | Total contractual cash flows RM | Current Within 1 year RM | Non-current 2 to 5 years RM | More than 5 years RM |
|---|--------------------------|--|-----------------------------------|--------------------------------------|----------------------------|
| Group | | | | | |
| 2020 | | | | | |
| <u>Non-derivative financial liabilities</u> | | | | | |
| <u>Secured</u> | | | | | |
| Borrowings | 167,185,333 | 185,783,054 | 95,378,416 | 60,985,603 | 29,419,035 |
| <u>Unsecured</u> | | | | | |
| Trade payables | 24,446,668 | 24,446,668 | 24,446,668 | - | - |
| Other payables | 8,987,102 | 8,987,102 | 8,987,102 | - | - |
| Borrowings | 10,323,277 | 10,405,803 | 9,722,031 | 656,421 | 27,351 |
| Lease liabilities | 490,899 | 534,023 | 188,337 | 345,686 | - |
| | 211,433,279 | 230,156,650 | 138,722,554 | 61,987,710 | 29,446,386 |
| <u>Derivative financial liability</u> | | | | | |
| <u>Secured</u> | | | | | |
| Outflow | 75,586,317 | 75,586,317 | 34,666,387 | 40,919,930 | - |
| Inflow | (73,299,772) | (73,299,772) | (33,732,127) | (39,567,645) | - |
| | 2,286,545 | 2,286,545 | 934,260 | 1,352,285 | - |
| Total undiscounted financial liabilities | 213,719,824 | 232,443,195 | 139,656,814 | 63,339,995 | 29,446,386 |

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

29.2.2 Liquidity Risk (cont'd)

Analysis of financial liabilities by remaining contractual maturity period (cont'd)

| | Carrying amount RM | Total contractual cash flows RM | Current Within 1 year RM | Non-current 2 to 5 years RM | More than 5 years RM |
|---|--------------------------|--|-----------------------------------|--------------------------------------|----------------------------|
| Group | | | | | |
| 2019 | | | | | |
| <u>Non-derivative financial liabilities</u> | | | | | |
| <u>Secured</u> | | | | | |
| Borrowings | 120,435,740 | 147,036,733 | 39,570,674 | 73,351,334 | 34,114,725 |
| <u>Unsecured</u> | | | | | |
| Trade payables | 37,025,860 | 37,025,860 | 37,025,860 | - | - |
| Other payables | 12,414,561 | 12,414,561 | 12,414,561 | - | - |
| Borrowings | 21,672,985 | 21,672,985 | 21,672,985 | - | - |
| Lease liabilities | 796,447 | 857,975 | 373,464 | 478,171 | 6,340 |
| Total undiscounted financial liabilities | 192,345,593 | 219,008,114 | 111,057,544 | 73,829,505 | 34,121,065 |

NOTES TO THE FINANCIAL STATEMENTS

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

29.2.2 Liquidity Risk (cont'd)

Analysis of financial liabilities by remaining contractual maturity period (cont'd)

| | Carrying amount RM | Total contractual cash flows RM | Current Within 1 year RM | Non-current 2 to 5 years RM | More than 5 years RM |
|---|--------------------------|--|-----------------------------------|--------------------------------------|----------------------------|
| Company | | | | | |
| 2020 | | | | | |
| <u>Non-derivative financial liabilities</u> | | | | | |
| <u>Unsecured</u> | | | | | |
| Other payables | 108,249 | 108,249 | 108,249 | - | - |
| Financial guarantee* | 126,448,360 | 126,448,360 | 126,448,360 | - | - |
| 2019 | | | | | |
| <u>Non-derivative financial liabilities</u> | | | | | |
| <u>Unsecured</u> | | | | | |
| Other payables | 111,281 | 111,281 | 111,281 | - | - |
| Financial guarantee* | 6,539,313 | 6,539,313 | 6,539,313 | - | - |

* This exposure is included in liquidity risk for illustration only. No financial guarantee was called upon by the holder as at the end of the reporting period.

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the financial liabilities at the reporting date.

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

29.2.3 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's placement in fixed rate deposits, fixed rate borrowings and fixed rate lease liabilities are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's and the Company's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group and the Company maintain fixed rate borrowings and floating debt based on assessment of their existing exposure and desired interest rate profile.

The Group has entered into cross currency swap with a notional contract amount of RM73,216,000 (2019: RMNil) in order to hedge its floating rate bank loan. As at end of the financial reporting period, the swap matures over the next 2 years following the maturity of the floating rate bank loan and has a fixed swap rate of 4.50% (2019: Nil).

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting date were:-

| | Group | | Company | |
|--------------------------------------|--------------|------------|-----------|------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Fixed rate instruments | | | | |
| <u>Financial asset</u> | | | | |
| - Fixed deposits with licensed banks | 59,995,056 | 82,801,732 | 5,000,000 | - |
| <u>Financial liabilities</u> | | | | |
| - Borrowings | 83,216,000 | 82,146,678 | - | - |
| - Lease liabilities | 490,899 | 796,447 | - | - |
| | 83,706,899 | 82,943,125 | 5,000,000 | - |
| Net financial (liabilities)/asset | (23,711,843) | (141,393) | 5,000,000 | - |
| Floating rate instrument | | | | |
| <u>Financial liability</u> | | | | |
| - Borrowings | 94,292,610 | 59,962,047 | - | - |

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

29.2.3 Interest Rate Risk (cont'd)

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change in 25 basis point (bp) in interest rates at the end of the reporting period would have increase/ (decreased) profit for the year and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | Profit for the financial year | | Equity | |
|--------------------------|-------------------------------|-------------|-------------|-------------|
| | +25bp RM | -25bp RM | +25bp RM | -25bp RM |
| Group | | | | |
| 2020 | | | | |
| Floating rate instrument | (235,732) | 235,732 | (235,732) | 235,732 |
| 2019 | | | | |
| Floating rate instrument | (149,905) | 149,905 | (149,905) | 149,905 |

29.2.4 Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

To mitigate the Group's and the Company's exposure to foreign currency risk, the Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group and the Company. The currency giving rise to this risk is primarily Singapore Dollar ("SGD") and United State Dollar ("USD").

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

29.2.4 Foreign Currency Risk (cont'd)

The Group's and the Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting year is as follows:-

| | Denominated in | |
|--------------------------|----------------|-----------|
| | SGD RM | USD RM |
| Group and Company | | |
| 2020 | | |
| Cash and bank balances | 289 | 389 |
| 2019 | | |
| Cash and bank balances | 286 | 427 |

Foreign currency sensitivity analysis

There is no foreign currency sensitivity analysis as the foreign currency risk exposure is minimal.

29.3 Fair Values of Financial Instruments

The carrying amounts of financial assets and liabilities of the Group and of the Company at the reporting date approximate their fair values due to their short-term nature, insignificant impact of discounting or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Fair Value Hierarchy

The following table provides an analysis of the financial instrument that are measured subsequent to initial recognition at fair value.

| | Level 2 | |
|----------------------------|------------|------------|
| | 2020 RM | 2019 RM |
| Group | | |
| <u>Financial liability</u> | | |
| Cross currency swap | 2,286,545 | - |

In prior financial year, no fair value hierarchy has been disclosed for financial assets and financial liabilities as the Group and the Company do not have financial instruments measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.3 Fair Values of Financial Instruments (cont'd)

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.

Level 1 Fair Value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

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 financial assets or liabilities, either directly or indirectly.

Level 3 Fair Value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

30. CAPITAL MANAGEMENT

The capital structure of the Group consists of net debt of the Group comprising borrowings as detailed in Note 14 of the financial statements off set with cash and bank balances, and equity of the Group comprising issued capital and retained earnings as detailed in Note 12 of the financial statements.

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and sustain future development of the business.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total debt divided by total equity. Total debt is including lease liabilities, revolving credit, bill purchase, term financing/loan and bank overdrafts.

The debt-to-equity ratio of the Group and of the Company at the end of the reporting year was as follows:-

| | Group | | Company | |
|----------------------|-------------|-------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Total debt | 177,999,509 | 142,905,172 | - | - |
| Total equity | 180,692,024 | 165,937,751 | 575,344,983 | 562,366,974 |
| Debt-to-equity ratio | 0.99 | 0.86 | - | - |

There were no changes in the Group's and the Company's approach to capital management during the financial year.

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31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 19 February 2020, the Company had entered into the following Conditional Share Sale Agreements:

- (i) The Conditional Share Sale Agreement with Prihatin Ehsan Holdings Sdn. Bhd. and Training Camp Aabata Sdn. Bhd. for the proposed acquisition of 4,500,000 ordinary shares in Serendah Heights Sdn. Bhd., representing 90% equity interest in the company, for a purchase consideration of RM114,623,156 to be satisfied via a combination of RM103,160,840 in cash and RM11,462,315 in new Company shares, by the issuance and allotment of up to 24,131,150 new Company shares at an issue price of at least RM0.475 per consideration share, subject to the terms of the agreement.
- (ii) The Conditional Share Sale Agreement with Just Wisdom Sdn. Bhd. for the proposed acquisition of the remaining 500,000 Serendah Heights Sdn. Bhd. shares, representing 10% equity interest in Serendah Heights Sdn. Bhd., for a purchase consideration of RM12,400,000 to be fully satisfied in cash.

The acquisition has been approved by the shareholders in Extraordinary General Meeting (“EGM”) held on 26 October 2020.

- (b) On 27 February 2020, the Company had incorporated a wholly-owned subsidiary, Widad Concession Sdn. Bhd. (“WCSB”) with an initial share capital of 1 ordinary share of RM1.
- (c) On 11 March 2020, the World Health Organisation declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order (“MCO”) starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

The Group and the Company are significantly impacted by the COVID-19. As such, the Group and the Company have implemented several measures to weather through this current challenging time. These efforts are on-going as the Group and the Company continue to seek support from their vendors and business partners to address their cash flow requirements. The following measures had been taken, with further additional efforts to be taken:

Funding

During the year, the Company issued 37,226,400 new ordinary shares at an exercise price of RM0.35 per ordinary share for total cash of RM13,029,240 arising from exercise of warrants. After the year end, the Company further issued 16,918,100 new ordinary shares at an exercise price of RM0.35 per ordinary share for total cash of RM5,921,335 arising from exercise of warrants.

Operation

The Group and the Company have temporarily shut down their premises from 18 March 2020 in alignment with the MCO Policy. The Group’s and the Company’s operation resumed gradually from early April 2020 with proper Standard Operating Procedures put in place and achieved full operation in early May 2020. The disruption of its operations during the financial year due to MCO and the relevant financial impact has been taken into account in the financial results of the Group and of the Company.

- (d) On 23 April 2020, a wholly-owned subsidiary of the Company, WCSB had incorporated a wholly-owned subsidiary, Innovative City Holdings Sdn. Bhd. (“ICHSB”) with an initial share capital of 1 ordinary share of RM1.

NOTES TO THE FINANCIAL STATEMENTS

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31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

- (e) On 24 June 2020, ICHSB had entered into Conditional Share Sale Agreement (“SSA”) with Menang Development (M) Sdn. Bhd., Menang Industries (M) Sdn. Bhd. and Tentu Selesa Sdn. Bhd. (“the Vendors”) for the proposed acquisition of 100% equity interest or 69,300,100 ordinary shares in Inovatif Mewah Sdn. Bhd. for a purchase consideration of RM122,000,000 to be fully satisfied in cash. The acquisition has been approved by the shareholders in EGM held on 15 October 2020.

32. EVENTS AFTER THE REPORTING PERIOD

- (a) The Malaysian Government has again imposed the MCO and Conditional Movement Control Order (“CMCO”) for selected states which are severely affected by the COVID-19 pandemic on 11 January 2021. Besides, the Malaysia King declared state of emergency for the country until 1 August 2021 to curb the spread of COVID-19 on 12 January 2021.
- (b) The restrictions imposed have not, however, negatively impacted the Group’s financial performance as our main construction services were allowed to operate throughout the MCO/CMCO, under guidelines set by the National Security Council, Ministry of Health and Ministry of International Trade and Industry respectively.
- (c) As at the date of authorisation of the financial statements, the COVID-19 pandemic situation is still evolving and uncertain. The Group will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic.
- (d) On 10 February 2021, the Company had incorporated a wholly-owned subsidiary, Widad Energy Sdn. Bhd. with an initial share capital of 1 ordinary share of RM1.
- (e) On 24 February 2021, the Company had incorporated a wholly-owned subsidiary, Widad Master Sdn. Bhd. with an initial share capital of 1 ordinary share of RM1.
- (f) On 19 March 2021, a wholly-owned subsidiary of the Widad Concession Sdn. Bhd., ICHSB had issued a letter of termination of the SSA to the Vendors to call off the proposed acquisition of Inovatif Mewah Sdn. Bhd. and it was accepted by the Vendors on even date. The deposit paid for the proposed acquisition had been refunded on the even date.
- (g) On 19 March 2021, the proposed acquisition of Serendah Heights Sdn. Bhd. had been completed with the balance payment of the cash consideration of RM93,495,369 and RM11,160,000 and allotment of 24,055,226 consideration shares. 5,000,000 of ordinary shares of Serendah Heights Sdn. Bhd. had been successfully transferred from Prihatin Ehsan Holdings Sdn. Bhd., Just Wisdom Sdn. Bhd. and Training Camp Aabata Sdn. Bhd. to the Company on 31 March 2021.

33. COMPARATIVE INFORMATION

Certain comparative figures in the financial statements have been reclassified on the face of statements of financial position to conform the current year presentation due to change in reclassification.

ANALYSIS OF SHAREHOLDINGS

As at 7 May 2021

Total number of Issued Shares : 2,736,500,171
 Class of Shares : Ordinary Shares
 Voting Rights : One vote per ordinary share

SIZE OF SHAREHOLDINGS as at 7 May 2021

| Size of Holdings | No. of Shareholders | Total Holdings | % |
|-------------------------------------|---------------------|----------------|--------|
| Less than 100 shares | 10 | 120 | 0.00 |
| 100 – 1,000 shares | 1,210 | 788,735 | 0.03 |
| 1,001 – 10,000 shares | 5,416 | 32,571,211 | 1.19 |
| 10,001 – 100,000 shares | 4,524 | 162,803,800 | 5.95 |
| 100,001 – below 5% of issued shares | 907 | 1,920,699,305 | 70.19 |
| 5% and above of issued shares | 2 | 619,637,000 | 22.64 |
| | 12,069 | 2,736,500,171 | 100.00 |

DIRECTORS' SHAREHOLDINGS as at 7 May 2021

| No. | Name | No. of Shares Held | | | |
|-----|--|--------------------|------|----------|---|
| | | Direct | % | Indirect | % |
| 1. | Dato' Mohd Rizal Bin Mohd Jaafar | 33,050,000 | 1.21 | - | - |
| 2. | Tung Ghee Meng | - | - | - | - |
| 3. | Ong Kuan Wah | - | - | - | - |
| 4. | Nor Adha Bin Yahya | - | - | - | - |
| 5. | Jen Tan Sri Dato' Sri Zulkiple Bin Hj Kassim (B) | - | - | - | - |

SUBSTANTIAL SHAREHOLDERS as at 7 May 2021

| No. | Name | No. of Shares Held | | | |
|-----|--|--------------------|-------|------------------------------|-------|
| | | Direct | % | Indirect | % |
| 1. | Widad Business Group Sdn Bhd | 1,286,603,980 | 47.02 | 817,000 ⁽¹⁾ | 0.03 |
| 2. | Tan Sri Muhammad Ikmal Opat bin Abdullah | 125,245,700 | 4.58 | 1,290,820,980 ⁽²⁾ | 47.17 |

Notes

- (1) Deemed interest pursuant to Section 8 of the Companies Act ("Act") by virtue of being the holding company of Wardah Communication Sdn. Bhd.
- (2) Deemed interest via shareholding in Widad Business Group Sdn. Bhd. and through his children, Mr. Isyraf Widad Bin Muhammad Ikmal Opat and Mr. Ilham Widad Bin Muhammad Ikmal Opat pursuant to Section 8 of the Act.

ANALYSIS OF SHAREHOLDINGS

As at 7 May 2021

THIRTY (30) LARGEST SHAREHOLDERS as at 7 May 2021

| No. | Name | No. of Shares Held | Percentage (%) |
|-----|--|-----------------------|-------------------|
| 1. | UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD <i>LIMRA CAPITAL BERHAD FOR WIDAD BUSINESS GROUP SDN BHD</i> | 424,637,000 | 15.52 |
| 2. | MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WIDAD BUSINESS GROUP SDN BHD</i> | 195,000,000 | 7.13 |
| 3. | CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB FOR WIDAD BUSINESS GROUP SDN BHD</i> | 122,552,695 | 4.48 |
| 4. | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK INVESTMENT BANK BERHAD FOR WIDAD BUSINESS GROUP SDN BHD</i> | 122,500,000 | 4.48 |
| 5. | PRIMUS EQUITIES & ASSETS SDN. BHD. | 120,000,000 | 4.39 |
| 6. | PERTUBUHAN KESELAMATAN SOSIAL | 117,000,000 | 4.28 |
| 7. | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD <i>PEMBANGUNAN SUMBER MANUSIA BERHAD</i> | 96,463,000 | 3.53 |
| 8. | JF APEX NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WIDAD BUSINESS GROUP SDN BHD</i> | 81,300,000 | 2.97 |
| 9. | KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WIDAD BUSINESS GROUP SDN BHD</i> | 66,000,000 | 2.41 |
| 10. | BI NOMINEES (TEMPATAN) SDN BHD <i>WIDAD BUSINESS GROUP SDN BHD</i> | 52,000,000 | 1.90 |
| 11. | MENUJU ASAS CAPITAL SDN BHD | 40,000,000 | 1.46 |
| 12. | ABDUL MALIK BIN DASTHIGEER | 36,160,000 | 1.32 |
| 13. | KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR MUHAMMAD IKMAL OPAT BIN ABDULLAH</i> | 35,470,000 | 1.30 |
| 14. | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR MUHAMMAD IKMAL OPAT BIN ABDULLAH</i> | 32,099,900 | 1.17 |
| 15. | KOPERASI SAHABAT AMANAH IKHTIAR MALAYSIA BERHAD | 30,000,000 | 1.10 |

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WIDAD GROUP BERHAD

ANALYSIS OF SHAREHOLDINGS

As at 7 May 2021

THIRTY (30) LARGEST SHAREHOLDERS as at 7 May 2021 (Cont'd)

| No. | Name | No. of Shares Held | Percentage (%) |
|-----|--|-----------------------|-------------------|
| 16. | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WIDAD BUSINESS GROUP SDN.BHD.</i> | 30,000,000 | 1.10 |
| 17. | MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR MUHAMMAD IKMAL OPAT BIN ABDULLAH</i> | 29,832,000 | 1.09 |
| 18. | UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR UOB KAY HIAN PTE LTD</i> | 29,676,100 | 1.08 |
| 19. | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WIDAD BUSINESS GROUP SDN BHD</i> | 26,040,000 | 0.95 |
| 20. | KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WIDAD BUSINESS GROUP SDN BHD</i> | 20,000,000 | 0.73 |
| 21. | KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WIDAD BUSINESS GROUP SDN BHD</i> | 20,000,000 | 0.73 |
| 22. | LOW KOK YEW | 19,863,000 | 0.73 |
| 23. | MALIK STREAMS CORPORATION SDN.BHD. | 18,800,000 | 0.69 |
| 24. | MAYBANK INVESTMENT BANK BERHAD | 18,000,000 | 0.66 |
| 25. | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WIDAD BUSINESS GROUP SDN BHD</i> | 16,596,800 | 0.61 |
| 26. | CHIN KEAN PING | 15,050,100 | 0.55 |
| 27. | SJ SEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WIDAD BUSINESS GROUP SDN BHD</i> | 15,000,000 | 0.55 |
| 28. | SJ SEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WIDAD BUSINESS GROUP SDN BHD</i> | 15,000,000 | 0.55 |
| 29. | SJ SEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WIDAD BUSINESS GROUP SDN BHD</i> | 15,000,000 | 0.55 |
| 30. | SJ SEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WIDAD BUSINESS GROUP SDN BHD</i> | 15,000,000 | 0.55 |

ANALYSIS OF WARRANTHOLDINGS

As at 7 May 2021

No. of Warrants in issue : 385,415,269
Exercise price of the Warrants : RM0.35
Expiry date of the Warrants : 5 August 2023

SIZE OF WARRANTHOLDINGS as at 7 May 2021

| Holdings | No. of Warrantholders | Total Holdings | % |
|---------------------------------------|-----------------------|----------------|--------|
| Less than 100 warrants | 114 | 4,025 | 0.00 |
| 100 – 1,000 warrants | 383 | 176,876 | 0.05 |
| 1,001 – 10,000 warrants | 1,238 | 7,656,519 | 1.99 |
| 10,001 – 100,000 warrants | 1,388 | 52,918,397 | 13.73 |
| 100,001 – below 5% of issued warrants | 412 | 260,244,952 | 67.52 |
| 5% and above of issued warrants | 2 | 64,414,500 | 16.71 |
| | 3,537 | 385,415,269 | 100.00 |

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WIDAD GROUP BERHAD

DIRECTORS' WARRANTHOLDINGS as at 7 May 2021

| No. | Name | No. of Warrants Held | | | |
|-----|--|----------------------|---|----------|---|
| | | Direct | % | Indirect | % |
| 1. | Dato' Mohd Rizal Bin Mohd Jaafar | - | - | - | - |
| 2. | Tung Ghee Meng | - | - | - | - |
| 3. | Ong Kuan Wah | - | - | - | - |
| 4. | Nor Adha Bin Yahya | - | - | - | - |
| 5. | Jen Tan Sri Dato' Sri Zulkiple Bin Hj Kassim (B) | - | - | - | - |

SUBSTANTIAL WARRANTHOLDERS as at 7 May 2021

| No. | Name | No. of Warrants Held | | | |
|-----|--|----------------------|-------|---------------------------|------|
| | | Direct | % | Indirect | % |
| 1. | Tan Sri Muhammad Ikmal Opat bin Abdullah | 43,815,360 | 11.37 | 35,144,500 ⁽¹⁾ | 9.12 |
| 2. | Widad Business Group Sdn Bhd | 35,144,500 | 9.12 | - | - |
| 3. | Lee Yen Yen | 21,782,120 | 5.65 | - | - |

Notes

⁽¹⁾ Deemed interest via shareholding in Widad Business Group Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

ANALYSIS OF WARRANTHOLDINGS

As at 7 May 2021

THIRTY (30) LARGEST WARRANTHOLDERS as at 7 May 2021

| No. | Name | No. of Warrants Held | Percentage (%) |
|-----|--|-------------------------|-------------------|
| 1. | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR MUHAMMAD IKMAL OPAT BIN ABDULLAH</i> | 39,670,000 | 10.29 |
| 2. | KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WIDAD BUSINESS GROUP SDN BHD</i> | 24,744,500 | 6.42 |
| 3. | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE YEN YEN</i> | 12,493,940 | 3.24 |
| 4. | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHIN KEAN PING</i> | 12,056,900 | 3.13 |
| 5. | BI NOMINEES (TEMPATAN) SDN BHD <i>WIDAD BUSINESS GROUP SDN BHD</i> | 10,400,000 | 2.70 |
| 6. | UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR UOB KAY HIAN PTE LTD</i> | 9,058,980 | 2.42 |
| 7. | KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE YEN YEN</i> | 9,058,980 | 2.35 |
| 8. | YEOH SOO ANN | 8,486,200 | 2.20 |
| 9. | CHOR WAN YOKE | 7,092,100 | 1.84 |
| 10. | CHIN KEAN PING | 6,125,220 | 1.59 |
| 11. | YEE KOK LEONG | 5,750,000 | 1.49 |
| 12. | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LOW KOK YEW</i> | 5,190,000 | 1.35 |
| 13. | LOW KOK YEW | 5,158,200 | 1.34 |
| 14. | KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR MUHAMMAD IKMAL OPAT BIN ABDULLAH</i> | 4,000,000 | 1.04 |
| 15. | LEE AUN CHEE | 3,803,600 | 0.99 |

ANALYSIS OF WARRANTHOLDINGS

As at 7 May 2021

THIRTY (30) LARGEST WARRANTHOLDERS as at 7 May 2021 (Cont'd)

| No. | Name | No. of Warrants Held | Percentage (%) |
|-----|--|----------------------|----------------|
| 16. | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE CHIN LOONG</i> | 3,688,000 | 0.96 |
| 17. | TAN LIP HAN | 3,300,000 | 0.86 |
| 18. | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR BENNIE HOO WEI CHUAN</i> | 3,000,000 | 0.78 |
| 19. | KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE KIAN KAH</i> | 2,830,000 | 0.73 |
| 20. | CHENG SIEW FONG | 2,820,000 | 0.73 |
| 21. | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GAN BO TAN</i> | 2,750,000 | 0.71 |
| 22. | CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB FOR YEE KOK LEONG</i> | 2,464,200 | 0.64 |
| 23. | POO AH MOI | 2,305,000 | 0.60 |
| 24. | CHEAH SIEW LIM | 2,300,000 | 0.60 |
| 25. | TING CHIH KUAN | 2,300,000 | 0.60 |
| 26. | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>WONG JEN WEY</i> | 1,892,000 | 0.49 |
| 27. | TAY BAN YEW | 1,692,500 | 0.44 |
| 28. | RHB NOMINEES (TEMPATAN) SDN BHD <i>YEOH SOO ANN</i> | 1,600,000 | 0.42 |
| 29. | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHEW BEN BEN</i> | 1,500,000 | 0.39 |
| 30. | TAN YEO LEK | 1,450,000 | 0.38 |

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OTHER DISCLOSURE

REQUIREMENTS

1) Audit Fees and Non-Audit Fees

During the financial year ended 31 December 2020, the amount of audit fees and non-audit fees paid or payable to the Company and the Group are as follows:

| | Group (RM) | Company (RM) |
|----------------|---------------|-----------------|
| Audit Fees | 168,000 | 45,000 |
| Non-Audit Fees | 469,300 | 9,800 |

2) Material Contracts and Contracts relating to Loans.

There were no material contracts entered into by the Group which involved directors' interest during the financial year.

3) Revaluation of Landed Properties

Not applicable.

4) Profit Guarantee

The Company did not provide any profit guarantee during the financial year.

5) Recurrent Related Party Transactions

During the financial year ended 31 December 2020, there were some related party transaction which are summarised as follows:

| | Group 2020 (RM'000) | 2019 (RM'000) |
|--|---------------------------|------------------|
| Rental of premises charged by Widad Builders Sdn Bhd ("WBSB") ⁽¹⁾ to Dataprep Holding Berhad ⁽²⁾ | 696 | 773 |
| ICT consultation and services charged by Dataprep Holding Berhad to Widad Builders Sdn Bhd | - | 235 |

Notes :

1. Widad Builders Sdn Bhd is a subsidiary of Widad Group Berhad. The principal activities of this subsidiary is general trading, construction and providing full facility management and mechanical and electrical maintenance, care and improvement.
2. Dataprep Holding Berhad is a subsidiary of Widad Business Group Sdn Bhd which is an ultimate holding Company for Widad Group Berhad. The principal activities of the Company are investment holding and provision of management services to subsidiaries.

SUMMARY OF GROUP PROPERTIES

As at 31 December 2020

| Description | Existing Use | Location | Built-up/ Land Area | Tenure | Age of Building (Years) | Date of Acquisition | Net Book Value As at 31 December 2020 (RM'000) |
|---------------------------------|--------------|---|------------------------------|--|-------------------------------|------------------------|---|
| 12 storey office building | Office | Jalan Semantan, Damansara Heights, Kuala Lumpur | 132,945 sqft /17,305 sqft | Leasehold for 99 years expiring on 30 January 2073 | 23 | 18 October 2013 | 42,616 |
| 5-storey shop-office | Vacant | Alam Avenue 2, Section 16, Shah Alam | 9,220 sqft /1,856 sqft | Leasehold for 99 years | 6 | 30 January 2014 | 4,807 |

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WIDAD GROUP BERHAD

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twelfth (“12th”) Annual General Meeting (“**AGM**”) of the Company will be conducted on a fully virtual basis at the Broadcast Venue at WBG Penthouse, Widad Semantan(WiSe), No. 3, Jalan Semantan, Damansara Heights, 50490, Kuala Lumpur on Tuesday, 29 June 2021 at 3.00 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Directors’ and Auditors’ Reports thereon.
2. To approve the payment of Directors’ fees and benefits up to RM500,000.00 from this AGM until the next AGM of the Company. **Ordinary Resolution 1**
3. To re-elect the following Directors retiring in accordance with Article 86 the Company’s Constitution and being eligible, have offered themselves for re-election: -
 - (i) Mr. Tung Ghee Meng **Ordinary Resolution 2**
 - (ii) Mr. Ong Kuan Wah **Ordinary Resolution 3**
4. To re-appoint Grant Thornton Malaysia PLT as Auditors for the financial year ending 31 December 2021 and to authorise the Board of Directors to fix their remuneration. **Ordinary Resolution 4**

AS SPECIAL BUSINESS

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

5. **AUTHORITY TO ISSUE SHARES** **Ordinary Resolution 5**

“THAT pursuant to Section 75 and Section 76 of the Companies Act 2016 and subject to the approvals from the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution, does not exceed twenty (20) per cent of the total number of issued shares of the Company at the time of submission to the authority AND THAT the Directors be and are also hereby empowered to obtain the approval from Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company.”

NOTICE OF ANNUAL GENERAL MEETING

6. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

Ordinary Resolution 6

"THAT subject always to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and/or its subsidiaries ("**Widad Group**") to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.4 of the Circular to Shareholders dated 28 May 2021, which are necessary for the day-to-day operations of Widad Group provided that the transaction are in the ordinary course of business, and are carried out at arms' length basis on normal commercial terms which are not more favourable to the related party than those generally available to the public as well as are not detrimental to the minority shareholders' of the Company and such approval, shall continue to be in force until; -

- i) the conclusion of the next AGM of the Company following the 12th AGM at which the Proposed Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at the meeting, the Proposed Shareholders' Mandate authority is renewed;
- ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2)(b) of the Companies Act, 2016 ("**Act**") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier.

AND THAT the Board of Directors of the Company be and is hereby authorised to do all acts, deeds, things and to execute all necessary documents as they may consider necessary or expedient in the best interest of the Company with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted under relevant authorities and to deal with all matters in relation thereto and to take such steps and do all acts and things in any manner as they may deem necessary of expedient to implement, finalise and give full effect to the transactions contemplated and/or authorised by this Ordinary Resolution"

- 7. To transact any other business which may properly be transacted at an AGM for which due notice shall have been given.

By Order of the Board

LIM SECK WAH (MAICSA 0799845) (SSM PC NO: 202008000054)
TANG CHI HOE (KEVIN) (MAICSA 7045754) (SSM PC NO: 202008002054)
SHUHILAWATI BINTI TAJUDDIN (LS0010190) (SSM PC NO: 202008001358)
Company Secretaries

Dated: 28 May 2021
Kuala Lumpur

NOTICE OF ANNUAL GENERAL MEETING

Notes:-

1. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. **No shareholders/proxies** from the public will be physically present at the meeting venue. Shareholders who wish to participate in the 12th AGM will therefore have to register via the link <https://vps.megacorp.com.my/dNgSTi>. Kindly refer to the annexure of the Administrative Details for further information.
2. For the purpose of determining a member who shall be entitled to attend, speak and vote at the 12th AGM, the Company shall be requesting the Record of Depositors as at 23 June 2021. Only a depositor whose name appears on the Record of Depositors as at 23 June 2021 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
3. A member may appoint up to two (2) proxies who need not be members of the Company to attend, speak and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined under the Central Depositories Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the company 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 authorized nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.
7. The Form of Proxy or the instrument appointing a proxy and the power of attorney (if any) under which it is signed or authorised certified copy thereof must be deposited at the office of the Poll Administrator, Mega Corporate Services Sdn. Bhd., situated at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or email to AGM-support.WIDAD@megacorp.com.my not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof. You also have the option to register directly at <https://vps.megacorp.com.my/dNgSTi> to submit the proxy appointment electronically not later than Sunday, 27 June 2021 at 3.00 p.m. For further information on the electronic submission of proxy form, kindly refer to the annexure of the Administrative Details.
8. By submitting the duly executed proxy form, a member and his/her proxy consent to the Company (and/or its agents/ service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for this meeting and any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Special Business

i. Ordinary Resolution 5 – Authority to issue shares

The proposed Resolution 5, if passed, will empower the Directors to issue shares up to 20% of the total number of issued shares of the Company at any one time during the validity of the authority granted for such purposes as they may consider being in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

The general mandate sought to grant authority to Directors to issue shares is a renewal of the mandate that was approved by the shareholders at the Eleventh AGM held on 28 September 2020. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund-raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

Bursa Malaysia Securities Berhad has via their letter dated 16 April 2020 granted several additional temporary relief measures to listed corporations, amongst others, an increase in general mandate limit for new issues of securities to not more than 20% of the total number of issued shares of the Company for the time being ("**20% General Mandate**"). Pursuant to the 20% General Mandate, Bursa Securities has also mandated that the 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2021 ("**Extended Utilisation Period**") and thereafter, the 10% general mandate will be reinstated.

Up to the date of this Notice, 152,290,000 ordinary shares were issued by way of private placement ("**Private Placement**"). Total proceeds of RM66,705,180.00 were raised from the Private Placement and RM63,582,680 has been utilized in accordance with the mandate of this exercise. The details of Private Placement as follows:-

| Number of ordinary shares | Issue price per share (RM) | Amount (RM) |
|---------------------------|----------------------------|---------------|
| 121,800,000 | 0.4245 | 51,704,100.00 |
| 30,490,000 | 0.4920 | 15,001,080.00 |
| 152,290,000 | | 66,705,180.00 |

Ordinary Resolution 6 – Proposed Shareholders' Mandate

The explanatory note on Ordinary Resolution 6 is set out in the Circular to Shareholders dated 28 May 2021.

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FORM OF PROXY

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



WIDAD
GROUP BERHAD

Registration No: 200901014295 (857363 U)
(Incorporated in Malaysia)

| | |
|--------------------|--|
| No. of shares held | |
| CDS Account No. | |

I/We * _____ (Full name in block) NRIC/Passport/Registration No.* _____

of _____ (Address)

with email address _____ mobile phone no. _____

being a member/members* of **WIDAD GROUP BERHAD** ("the Company") hereby appoint(s):-

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|----------------------|-------------------|-----------------------------|---|
| | | No. of Shares | % |
| Address | | | |
| Email Address | | | |
| Mobile Phone No. | | | |

and / or*

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|----------------------|-------------------|-----------------------------|---|
| | | No. of Shares | % |
| Address | | | |
| Email Address | | | |
| Mobile Phone No. | | | |

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend, speak and vote for *me/us and on my/our behalf at the Twelfth ("12th") Annual General Meeting ("AGM") of the Company to be conducted on a fully virtual basis at the Broadcast Venue at WBG Penthouse, Widad Semantan(WiSe), No. 3, Jalan Semantan, Damansara Heights, 50490, Kuala Lumpur on Tuesday, 29 June 2021 at 3.00 p.m. or any adjournment thereof.

Please indicate with an "x" in the appropriate spaces how you wish your votes to be cast. If no specific direction as to vote is given, the proxy will vote or abstain from voting at his/her discretion.

| ORDINARY RESOLUTIONS | FIRST PROXY | | SECOND PROXY | |
|--|-------------|---------|--------------|---------|
| | FOR | AGAINST | FOR | AGAINST |
| 1. To approve payment of Directors' fees and benefits up to RM500,000.00 from this AGM until the next AGM of the Company | | | | |
| 2. To re-elect the director, Mr. Tung Ghee Meng | | | | |
| 3. To re-elect the director, Mr. Ong Kuan Wah | | | | |
| 4. To re-appoint the retiring auditors, Messrs. Grant Thornton Malaysia PLT | | | | |
| 5. Authority to Issue Shares | | | | |
| 6. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature | | | | |

* delete whichever is not applicable.

Dated this _____ 2021 _____

Signature of Member(s) / Common Seal



Notes:-

1. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. **No shareholders/proxies** from the public will be physically present at the meeting venue. Shareholders who wish to participate in the 12th AGM will therefore have to register via the link <https://vps.megacorp.com.my/dNgSTi>. Kindly refer to the annexure of the Administrative Details for further information.
2. For the purpose of determining a member who shall be entitled to attend, speak and vote at the 12th AGM, the Company shall be requesting the Record of Depositors as at 23 June 2021. Only a depositor whose name appears on the Record of Depositors as at 23 June 2021 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
3. A member may appoint up to two (2) proxies who need not be members of the Company to attend, speak and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined under the Central Depositories Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the company 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 authorized nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.
7. The Form of Proxy or the instrument appointing a proxy and the power of attorney (if any) under which it is signed or authorised certified copy thereof must be deposited at the office of the Poll Administrator, Mega Corporate Services Sdn. Bhd, situated at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or email to AGM-support.Widad@megacorp.com.my not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof. You also have the option to register directly at <https://vps.megacorp.com.my/dNgSTi> to submit the proxy appointment electronically not later than Sunday, 27 June 2021 at 3.00 p.m. For further information on the electronic submission of proxy form, kindly refer to the annexure of the Administrative Details.
8. By submitting the duly executed proxy form, a member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for this meeting and any adjournment thereof.

Fold here to seal

STAMP

SHARE REGISTRAR

Mega Corporate Services Sdn. Bhd.
Level 15-2
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Fold here to seal



Scan me for more Information
to visit our website.

www.widadgroup.com

WIDAD GROUP BERHAD

Registration No: 200901014295 (857363-U)

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