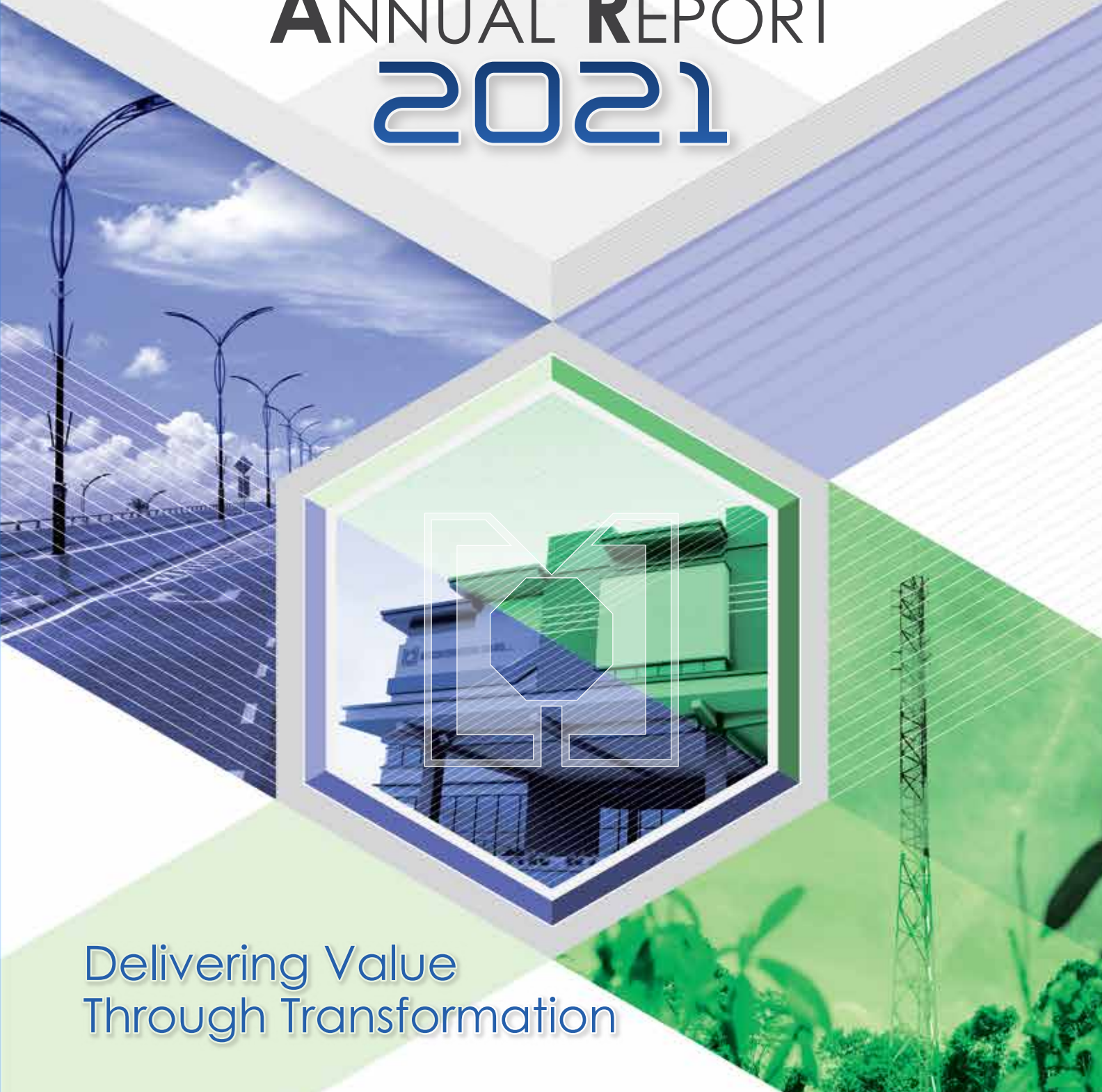




## MESTRON HOLDINGS BERHAD

[Registration No. 201801018716 (1280732-K)]  
(Incorporated in Malaysia under the Companies Act 2016)

# ANNUAL REPORT 2021



Delivering Value  
Through Transformation



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Tajul Arifin Bin Mohd Tahir**  
Independent Non-Executive  
Chairman

**Por Teong Eng**  
Managing Director

**Loon Chin Seng**  
Executive Director

**Leong Peng Phooi**  
Independent Non-Executive  
Director

**Datuk Ir. Mohd Dom Bin Ahmad**  
Independent Non-Executive  
Director

**Ng Kim Cheong**  
Independent Non-Executive  
Director

**Dato' Low Chin Koon**  
Independent Non-Executive  
Director

## AUDIT AND RISK MANAGEMENT COMMITTEE

**Ng Kim Cheong**  
Chairman

**Tajul Arifin Bin Mohd Tahir**  
Member

**Leong Peng Phooi**  
Member

**Datuk Ir. Mohd Dom Bin Ahmad**  
Member

## REMUNERATION COMMITTEE

**Tajul Arifin Bin Mohd Tahir**  
Chairman

**Leong Peng Phooi**  
Member

**Datuk Ir. Mohd Dom Bin Ahmad**  
Member

**Ng Kim Cheong**  
Member

## NOMINATION COMMITTEE

**Tajul Arifin Bin Mohd Tahir**  
Chairman

**Leong Peng Phooi**  
Member

**Datuk Ir. Mohd Dom Bin Ahmad**  
Member

**Ng Kim Cheong**  
Member

## COMPANY SECRETARIES

**Tan Tong Lang**  
(MAICSA 7045482)  
(SSM PC No. 202208000250)  
**Thien Lee Mee**  
(LS0009760)  
(SSM PC No. 201908002254)

## REGISTERED OFFICE

Level 5, Block B, Dataran PHB,  
Saujana Resort, Section U2,  
40150 Shah Alam, Selangor.  
Tel : +603-7890 0638  
Fax : +603-7890 1032

## HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

PT 50102, Jalan MU 1/9  
Seksyen 10  
Taman Perindustrian Meranti  
Utama  
47120 Puchong  
Selangor Darul Ehsan  
Tel no : +603-8069 1815  
Fax no : +603-8069 1805

## AUDITORS

Messrs Grant Thornton  
Malaysia PLT  
(201906003682 & AF 0737)  
Level 11, Sheraton Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel no : +603-2692 4022  
Fax no : +603-2691 5229

## SPONSOR

M&A Securities Sdn Bhd  
Level 11, No. 45 & 47,  
The Boulevard  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel No : +603-2284 2911  
Fax No : +603-2284 2718

## PRINCIPAL BANKERS

Public Bank Berhad  
Hong Leong Bank Berhad  
Alliance Bank Malaysia Berhad

## SHARE REGISTRAR

Aldpro Corporate Services  
Sdn Bhd  
Level 5, Block B, Dataran PHB,  
Saujana Resort, Section U2,  
40150 Shah Alam, Selangor.  
Tel No. : +603-7890 0638  
Fax No.: +603-7890 1032

## STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia  
Securities Berhad

## Ordinary Shares

Stock Name : MESTRON  
Stock Code : 0207

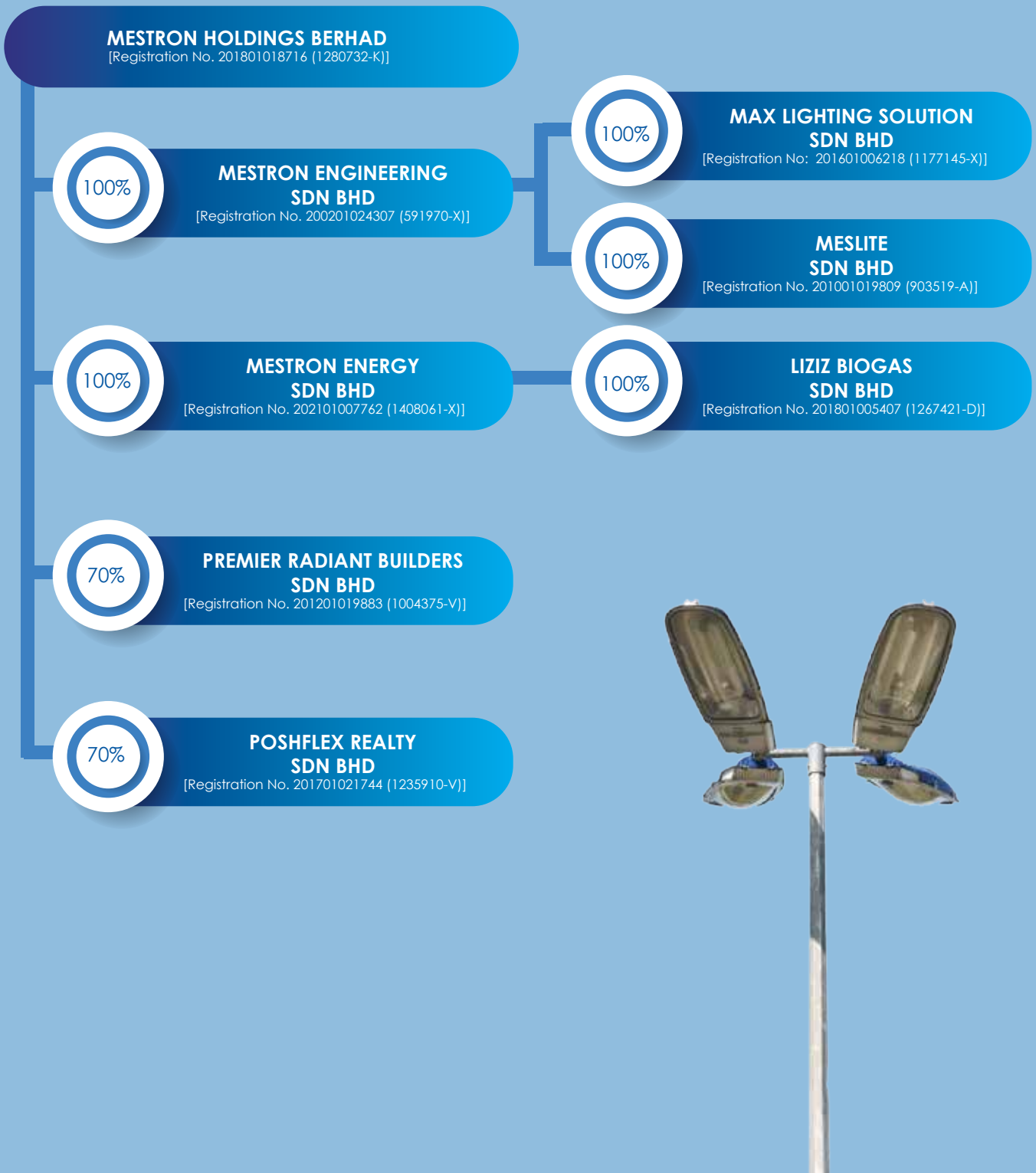
## CORPORATE WEBSITE

[www.mestron.com.my](http://www.mestron.com.my)

## INVESTOR RELATIONS

Email : [investors@mestron.com.my](mailto:investors@mestron.com.my)  
Tel no : +603-8069 1815  
Fax no : +603-8069 1805

## CORPORATE STRUCTURE





## BOARD OF DIRECTORS



- |   |  |
|---|--|
| 1. <b>Tajul Arifin Bin Mohd Tahir</b><br>(Independent<br>Non-Executive Chairman)      | 5. <b>Leong Peng Phooi</b><br>(Independent<br>Non-Executive Director)    |
| 2. <b>Por Teong Eng</b><br>(Managing Director)  | 6. <b>Ng Kim Cheong</b><br>(Independent<br>Non-Executive Director)       |
| 3. <b>Loon Chin Seng</b><br>(Executive Director)                                      | 7. <b>Dato' Low Chin Koon</b><br>(Independent<br>Non-Executive Director) |
| 4. <b>Datuk Ir. Mohd Dom<br/>Bin Ahmad</b><br>(Independent<br>Non-Executive Director) |  |



## DIRECTORS' PROFILE

### **TAJUL ARIFIN BIN MOHD TAHIR**

*Independent Non-Executive Chairman*

*Chairman of Nomination Committee and Remuneration Committee*

*Member of Audit and Risk Management Committee*

*55 years of age, Male, Malaysian*

Tajul Arifin Bin Mohd Tahir, aged 55, is our Independent Non-Executive Chairman. He was appointed to the Board on 15 October 2018, and is the Chairman of our Remuneration Committee and Nomination Committee. He is also a member of our Audit and Risk Management Committee.

He graduated with a Bachelor of Science in Business Administration from Saint Louis University, St Louis, Missouri, United States of America ("USA") in 1989. Upon his graduation, he was involved in a number of part time and freelance jobs in the hospitality as well as the food and beverage industry in USA during the period from 1989 to 1991. He returned to Malaysia and began his career in 1991 when he joined MIDF Consultancy and Corporate Services Sdn Bhd (now known as Tricor Investor & Issuing House Services Sdn Bhd) as a Public Issue Officer where he was responsible for running daily operational activities such as liaising between clients, advisors and authorities as well as offering exercises.

In 1996, he was promoted to Assistant Manager and subsequently to Manager in 2002, where his role was extended to supervising a team of public issue officers. In 2008, he was promoted to Associate Director, where he was responsible for maintaining and expanding network with the stakeholders in the initial public offering market as well as review and introduce value added services to the company's client. He left Tricor Investor & Issuing House Services Sdn Bhd as Associate Director in 2016 to provide freelance consulting work. In March 2018, he co-founded 5 Pillars Ventures Sdn Bhd, a venture capital management company licensed and registered by the Securities Commission Malaysia to undertake venture capital activities in Malaysia.

Presently, he serves as the Independent Non-Executive Director of Mobilia Holdings Berhad and Ageson Berhad. He holds directorships in several private limited companies.

His interest in the securities of the Company is disclosed in the Annual Report. He has no family relationship with any Director and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2021.

He has attended all six (6) Board of Directors' Meetings held during the financial year ended 31 December 2021.

## **DIRECTORS' PROFILE** **(cont'd)**

**POR TEONG ENG**  
*Managing Director*  
**49 years of age, Male, Malaysian**

Por Teong Eng, aged 49, is our Managing Director. He was appointed to the Board on 15 October 2018. He is primarily responsible for the overall strategy and corporate direction of our Group. He is also responsible for overseeing the manufacturing and procurement operations of our Group.

He has 20 years of working experience in the steel pole industry in Malaysia with in-depth knowledge on steel pole manufacturing.

He graduated with a Bachelor of Mechanical Engineering from University Teknologi Malaysia in 1997. Upon his graduation in 1997, he started his career with Global Engineering Center Sdn Bhd as a Design Engineer where he was involved in the design and development of various industrial products.

In 2000, he left Global Engineering Center Sdn Bhd and joined Galvapole Industries Sdn Bhd as a Production Engineer, where he was responsible for the overall planning on the manufacturing operation of steel poles, design of steel poles' structure as well as supervising production workers.

In 2002, he left Galvapole Industries Sdn Bhd and founded Mestron Engineering Sdn Bhd in the same year. He was instrumental to the formation and growth of our Group's business. Together with our Executive Director, Loon Chin Seng, they developed our Group from a small scale light pole manufacturer to a supplier of steel poles for various high-profile construction projects such as East Klang Valley Expressway project, Coastal Highway Southern Link project, LRT Ampang line extension project, Sungai Buloh - Kajang MRT line project and Bukit Jalil National Sport Complex refurbishment project.

He does not hold any directorship in other public companies and listed issuer.

His interest in the securities of the Company is disclosed in the Annual Report. He has no family relationship with any other Director and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2021.

He has attended all six (6) Board of Directors' Meetings held for the financial year ended 31 December 2021.

## DIRECTORS' PROFILE (cont'd)

### LOON CHIN SENG

*Executive Director*

46 years of age, Male, Malaysian

Loon Chin Seng, aged 46, is our Executive Director. He was appointed to the Board on 15 October 2018. He is primarily responsible for managing and implementing our Group's business development plans and strategies, as well as overseeing the sales, marketing and administrative functions of our Group.

He has 21 years of working experience in the steel pole industry with in-depth knowledge on the sales and marketing of steel poles and outdoor lighting products.

He graduated with a Diploma in Business Administration in 1995 and an Advanced Diploma in Business Administration in 1996 from Stamford College Malaysia, under a programme accredited by The Association of Business Executives, United Kingdom. He subsequently furthered his studies on a part-time basis and obtained a Master of Business Administration from Heriot-Watt University, United Kingdom in 1999.

In 1997, he started his career as Credit and Marketing Officer in UOL Factoring Sdn Bhd, where he was responsible for conducting customer credit assessment as well as the sales and marketing activities of financial services such as factoring and trade financing.

In 1999, he left UOL Factoring Sdn Bhd and joined Galvapole Industries Sdn Bhd as Administrative and Marketing Executive where he was primarily involved in customer credit evaluation and the sales and marketing of steel poles manufactured by the company. He was subsequently promoted to Assistant Sales Manager in 2005 where he was responsible for leading and overseeing the sales and marketing team as well as liaise with overseas customers for the sales of steel poles.

In 2006, he left Galvapole Industries Sdn Bhd and joined Mestron Engineering Sdn Bhd in the same year assuming his role as the Executive Director. He was instrumental to the expansion of our Group's business to international markets such as Singapore and Australia. Together with our Managing Director, Por Teong Eng, they developed our Group from a small-scale light pole manufacturer to a supplier of steel poles for various high-profile construction projects such as East Klang Valley Expressway project, Coastal Highway Southern Link project LRT Ampang line extension project Sungai Buloh - Kajang MRT line project and Bukit Jalil National Sport Complex refurbishment project.

He does not hold any directorship in other public companies and listed issuer.

His interest in the securities of the Company is disclosed in the Annual Report. He has no family relationship with any other Director and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2021.

He has attended all six (6) Board of Directors' Meetings held during the financial year ended 31 December 2021.



## **DIRECTORS' PROFILE**

### **(cont'd)**

#### **LEONG PENG PHOOI**

*Independent Non-Executive Director*

*Member of Audit and Risk Management Committee, Nomination Committee and Remuneration Committee*

*65 years of age, Male, Malaysian*

Leong Peng Phooi, aged 65, is our Independent Non-Executive Director. He was appointed to the Board on 15 October 2018 and is also a member of our Audit and Risk Management Committee, Remuneration Committee and Nomination Committee.

He completed his Malaysian Certificate of Education (equivalent to Sijil Pelajaran Malaysia/ Form 5) at St. Xavier's Institution in Penang in 1974. Upon completing his secondary education, he took on several part time and freelance jobs before joining General Instrument (M) Sdn Bhd in 1981 as a Maintenance Technician where he was involved in the maintenance and trouble-shooting of machineries used in the manufacturing of semiconductor.

In 1983, he left the firm and joined ESAB (M) Sdn Bhd in the same year as a Technician, where he was involved in the maintenance, functional checks and repair of welding and cutting equipment. Subsequently in 1987, he was promoted to the position of Sales and Marketing Manager, where he was responsible for managing the sales and marketing team and overseeing the sales and marketing activities of the company. In 1994 he left ESAB (M) Sdn Bhd and joined Galvapole Industries Sdn Bhd in the same year as Sales and Marketing Manager. During his tenure in Galvapole Industries Sdn Bhd, he was responsible for planning, improving and implementing the sales and marketing policies of the company as well as managing and monitoring the performance of the sales and marketing team.

In 2007, he resigned from Galvapole Industries Sdn Bhd to take a sabbatical from work to attend to his family matters. In 2010 he joined Alpine Pipe Manufacturing Sdn Bhd, a manufacturer of steel materials such as steel sections (i.e. steel materials in various size and shape used for steel fabrication) and steel pipes, as an Export Manager, where he was responsible for planning and coordinating the international sales of steel pipes and related accessories. In 2011, he retired from his career due to his decision to spend more time with his family members.

In 2014, he decided to re-enter the workforce and rejoined Alpine Pipe Manufacturing Sdn Bhd, as Research and Development Manager, where he was responsible for overseeing the development of new products, as well as overseeing the sales and marketing functions of the company. He currently still holds the position of Research and Development Manager at Alpine Pipe Manufacturing Sdn Bhd. Alpine Pipe Manufacturing Sdn Bhd does not manufacture steel poles and as such is not in competition with our Group. Hence, his involvement in Alpine Manufacturing Sdn Bhd does not result in a conflict of interest situation with our Group.

He does not hold directorship in any other public listed companies and listed issuer.

His interest in the securities of the Company is disclosed in the Annual Report. He does not have family relationship with any other Director and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2021.

He has attended all six (6) Board of Directors' Meetings held during the financial year ended 31 December 2021.

## DIRECTORS' PROFILE (cont'd)

### **DATUK IR. MOHD DOM BIN AHMAD**

*Independent Non-Executive Director*

*Member of Audit and Risk Management Committee, Nomination Committee and Remuneration Committee*

*59 years of age, Male, Malaysian*

Datuk Ir. Mohd Dom Bin Ahmad, aged 59, is our Independent Non-Executive Director. He was appointed to the Board on 17 November 2020 and is also a member of our Audit and Risk Management Committee, Remuneration Committee and Nomination Committee.

He obtained his Degree in Bachelor in Engineering (Civil) with Hons from University of Technology Malaysia in 1986, he is currently a member of the Institute of Engineers Malaysia (IEM) and also a registered professional engineer with the Board of Engineer Malaysia (BEM). He started his career with Pernas Engineering Sdn Bhd as a Civil Engineer. He left Pernas Engineering Sdn Bhd in 1989 and joined HSS Integrated Sdn Bhd in 1990 as a Civil Engineer and was later promoted to Assistant Resident Engineer.

He left HSS Integrated Sdn Bhd in 1993 and joined MTD Group in 1994 as a Project Manager and worked his way up within the group and got promoted to the Chief Operating Officer ("COO") of Alloy Group and holding directorships in multiple private companies within the group. During his tenure with MTD and Alloy Group, he was overseeing multiple transmission line, building, housing, roadworks, bridges and highway projects.

He was also in charge of the operation and maintenance of tolled highways in Malaysia and Philippines. He left his position as the COO in 2011 and was redesignated as the Technical Advisor of Alloy and MTD Group and eventually retired from Alloy and MTD Group in 2016.

Datuk Ir. Mohd Dom Bin Ahmad has founded his own construction company MDA Builders Sdn Bhd since 2017 and is acting as their Managing Director currently.

Presently, he serves as the Independent Non-Executive Director of Gabungan AQRS Berhad.

His interest in the securities of the Company is disclosed in the Annual Report. He does not have family relationship with any other Director and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2021.

He has attended all six (6) Board of Directors' Meetings held during the financial year ended 31 December 2021.

## DIRECTORS' PROFILE

### (cont'd)

**NG KIM CHEONG***Independent Non-Executive Director**Chairman of Audit and Risk Management Committee**Member of Nomination Committee and Remuneration Committee**53 years of age, Male, Malaysian*

Ng Kim Cheong, aged 53, is our Independent Non-Executive Director. He was appointed to the Board on 12 March 2021. He is Chairman of our Audit and Risk Management Committee, and member of Remuneration Committee and Nomination Committee.

He obtained his professional qualification from the Association of Chartered Certified Accountants (United Kingdom) in 2001. He is currently a member of the Malaysian Institute of Accountants (MIA) and the Chartered Tax Institute of Malaysia (CTIM).

Prior to setting up his own public practice in 2001, he spends seven years with an international affiliated audit firm where he gained valuable experience in the area of auditing, financial reporting, taxation, company secretarial and accounting. He gained extensive exposure to listed entities while doing auditing from 1994 to 2001.

In 2001, he started his practice by providing management services to the business community. He obtained his audit and tax license in 2003 and immediately started his full fledged audit firm by providing auditing and taxation services to his Corporate clients.

In order to provide a wider spectrum of services to his Corporate clients, he rebranded his Chartered Accountants firm as KCSM in 2005. He expanded his business network by acquiring another two established audit firms of more than 30 years in 2015 and 2018 respectively.

He is currently the Group Managing Partner of KCSM Group of Audit Firms, which consist of KCSM, KCSM KUAN PLT and HALIM & LEE. He has more than 26 years of experience in auditing, financial reporting, taxation, company secretarial, accounting, due diligence, share valuation, liquidation and tax investigation. He is also a regular speaker for seminars in the area of taxation and GST.

He does not hold directorship in any other public listed companies and listed issuer.

His interest in the securities of the Company is disclosed in the Annual Report. He does not have family relationship with any other Director and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2021.

Upon his appointment, he has attended four (4) out of four (4) Board of Directors' Meeting held during the financial year ended 31 December 2021.

## DIRECTORS' PROFILE (cont'd)

### DATO' LOW CHIN KOON

*Independent Non-Executive Director*  
42 years of age, Male, Malaysian

Dato' Low Chin Koon, aged 42, is our Independent Non-Executive Director. He was appointed to the Board on 18 November 2021.

Dato' Low is the Group Managing Director of WYSEN Group of Companies. He founded WYSEN Industry Sdn Bhd in 1999 venturing into the business of making office chairs. He then expanded his business by exporting to Australia, Brunei, Middle East, India, Africa and other countries.

In 2004 and 2005, he established WYSEN Office Supplies Sdn Bhd and WYSEN Office Systems Sdn Bhd to sell products to local markets and manufacturing of panel workstation respectively. As a Group Managing Director, Dato' Low monitors the entire operations and take charge of the business development of the Group,

In addition to implementation of quality management project within the Group. Dato' Low has established a Corporate Charity Fund in 2009. He was also appointed as the Malaysia Furniture Council Youth Chief and Malaysia Timber Industry Board of Committee Director respectively in 2019. In 2021, he was appointed as the Forest Research Institute Malaysia Board of Research Advisor Committee.

He does not hold directorship in any other public listed companies and listed issuer.

His interest in the securities of the Company is disclosed in the Annual Report. He does not have family relationship with any other Director and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2021.



## KEY SENIOR MANAGEMENT'S PROFILE

**Ong Han Lin**

*Chief Financial Officer*

**Por Teong Eng**

*Managing Director*

**Lee Chun Heng**

*Head of Sales & Marketing*

**Loon Chin Seng**

*Executive Director*

**Neo Yeung Tat**

*Technical Manager*

**Tan Hock Choon**

*Production Manager*



## KEY SENIOR MANAGEMENT'S PROFILE (cont'd)

**Por Teong Eng**  
*Managing Director*

**Loon Chin Seng**  
*Executive Director*

---

The profiles of Por Teong Eng and Loon Chin Seng are shown under Directors' Profile on page 6 and 7 respectively of this annual report.

**Lee Chun Heng**  
*Head of Sales and Marketing*  
48 years of age, Male, Malaysian

---

Lee Chun Heng, aged 48, joined our Group in 2009. He is our Head of Sales and Marketing and is responsible for the overall sales and marketing activities of our Group.

He obtained his Certificate of Business Studies from Stamford College Malaysia in 1996. Upon graduation in 1996, he started his career with Resorts World Berhad (now known as Genting Malaysia Berhad), a leisure and hospitality company, as Marketing Assistant and subsequently promoted to Marketing Manager. During his tenure, he was responsible for the advertising and marketing activities of the company.

In 2002, he left Genting Malaysia Berhad and joined his family used car dealer business, Syarikat Perniagaan Meng Tuck, as Sales and Marketing Manager where he was responsible in managing the sales and marketing operation of the company. In 2005, he left his family business and joined Signage Universe Sdn Bhd, an advertising and events company, as Sales and Marketing Manager. In 2008, he left the firm and joined M Stage Asia Sdn Bhd, an event management company, as Marketing Manager. During his tenure, he was involved in planning and organising events and road shows for multinational companies.

In 2009, he left M Stage Asia Sdn Bhd and joined our Group as our Sales and Marketing Manager. Subsequently in 2015, he was promoted to his current roles as the Head of Sales and Marketing. He has over 22 years of experience in sales and marketing.

Presently, he does not hold any directorship in any other public listed companies and listed issuer. He has no family relationship with any Directors and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2021.

## KEY SENIOR MANAGEMENT'S PROFILE

### (cont'd)

#### **Tan Hock Choon**

*Production Manager*

42 years of age, Male, Malaysian

---

Tan Hock Choon, aged 42, joined our Group in 2017 as Production Manager and is responsible for overseeing our manufacturing activities.

He graduated with a Bachelor of Mechanical Engineering from Universiti Kebangsaan Malaysia in 2004. Upon graduation in 2004, he began his career with Malayawata Steel Berhad (now known as Ann Joo Resources Berhad), as a Procurement Engineer where he was involved in overseeing the sourcing and procurement of engineering consumable parts, equipment and external services used in the manufacturing process.

In 2006, he left Malayawata Steel Berhad and joined Galvapole Industries Sdn Bhd as Production Engineer, where he was responsible for the overall manufacturing planning for steel poles, design of steel poles' structure for various applications as well as supervising production workers in the overall manufacturing operation. He was promoted to Senior Production Engineer in 2008, and later to Factory Manager in 2012. During his tenure with Galvapole Industries Sdn Bhd, he was responsible for the overall management of the production facility and was involved in quality assurance, machinery inspection and maintenance as well as the process improvement activities for the production operation.

In 2016, he left Galvapole Industries Sdn Bhd and joined Impact Renewable Solutions Sdn Bhd, a company focusing on renewable energy solutions, as Production Manager, where he was responsible for overseeing the material procurement, research & development activities and overall production processes of solar thermal products.

In 2017, he left Impact Renewable Solutions Sdn Bhd and joined our Group in his present position as Production Manager where he is responsible in managing our manufacturing facility to ensure minimal interruption in our manufacturing operation. He brings with over 14 years of experience in management of manufacturing facilities and manufacturing operations.

Presently, he does not hold directorship in any other public listed companies and listed issuer. He has no family relationship with any Directors and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2021.

## KEY SENIOR MANAGEMENT'S PROFILE (cont'd)

### Ong Han Lin

*Chief Financial Officer*

32 years of age, Male, Malaysian

Ong Han Lin, aged 32, joined our Group in 2021. He is our Chief Financial Officer and is responsible for handling our Group's overall finance functions including the monitoring of financial performance and results, financial reporting, treasury management and tax compliance.

He graduated with a Bachelor of Commerce (Hons) Accounting from Universiti Tunku Abdul Rahman in 2012. He obtained his associate membership in the Association of Chartered Certified Accountants ("ACCA") in March 2019 and membership in the Malaysian Institute of Accountants ("MIA") in July 2019.

He began his career as an Audit Assistant in auditing firm, TML Corporate Services Sdn Bhd and pursuing his professional affiliation of ACCA from 2013 to 2015 on part time basis. During his tenure in TML Corporate Services Sdn Bhd, he was mainly responsible in handling the auditing small medium companies and computing draft tax computation.

In 2015, he left TML Corporate Services Sdn Bhd and joined KPMG PLT as an Audit Associate and was promoted to Senior Audit Associate in 2016, where he was involved in statutory audit assignments. In January 2018, he was promoted to Assistant Manager where his role was extended to leading and monitoring a team of senior and audit associates for listed companies and special audit assignments in Malaysia. He left the firm in May 2020.

In May 2020, he joined Oceaneering Services (Malaysia) Sdn Bhd as Senior Accountant. During his tenure in Oceaneering, he was involved in shared service center and mainly dealt with United States, United Kingdom, India, Thailand, Australia and Malaysia. He also dealt with auditor and tax agent to meet the compliance and deadline as stated by government authority.

In August 2021, he was recruited to join our Group as Finance and Accounts Manager given his understanding of manufacturing operations gained from his past experiences and involvements in audit firms. In March 2022, he was promoted to his current position as the Chief Financial Officer of our Group.

Presently, he does not hold directorship in any other public listed companies or private limited companies. He has no family relationship with any Directors and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2021.



## KEY SENIOR MANAGEMENT'S PROFILE

### (cont'd)

#### **Neo Yeung Tat**

*Technical Manager*

31 years of age, Male, Malaysian

---

Neo Yeung Tat, aged 31, joined our Group in 2015. He is our Technical Manager and is responsible for overseeing the design and development of our products. He graduated with a Bachelor of Engineering in Mechanical Engineering from INTI International University in 2014 and a Master of Engineering in Mechanical Engineering from University of Bradford, United Kingdom in 2015.

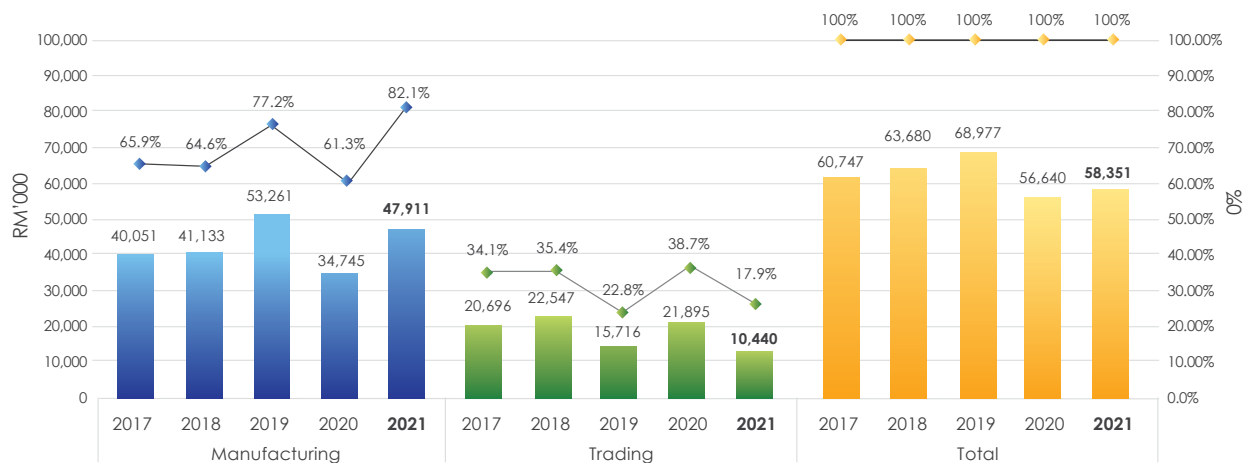
Upon graduation in 2015, he joined our Group as Technical Design Engineer. During his tenure, he was involved in the evaluation and enhancement of pole designs, preparation of street lighting simulation reports and addressing various technical issues. In 2018, he was promoted to his present position to lead our technical team.

Presently, he does not hold directorship in any other public listed companies and listed issuer. He has no family relationship with any Directors and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

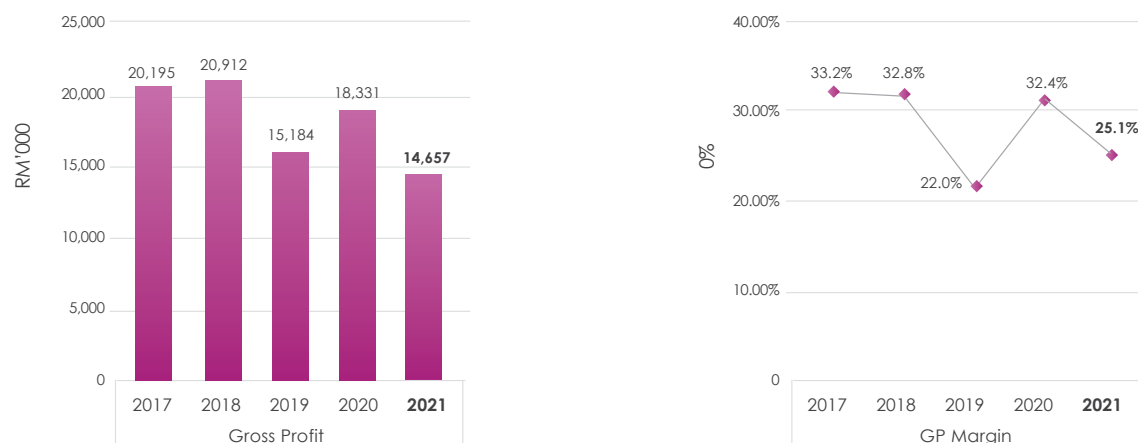
He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2021.

## FINANCIAL HIGHLIGHTS

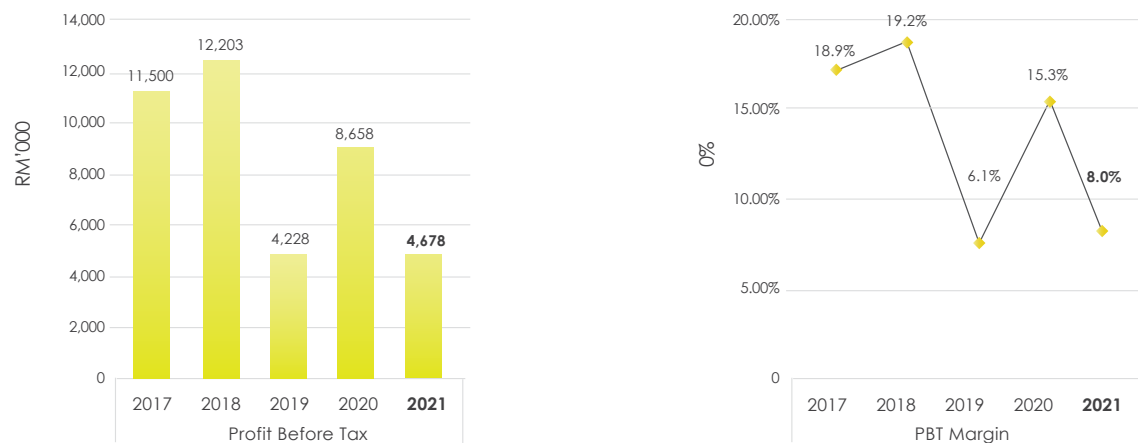
### Revenue By Business Segments



### Gross Profit & GP Margin



### Profit Before Tax & PBT Margin



#### Note:

- (1) Our Company was only incorporated on 18 May 2018. The FYE 2017 to FYE 2018 were presented based on the historical combined audited financial statements of Mestron Holdings and its subsidiary companies.

# CHAIRMAN'S STATEMENT

## Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present you with the 3rd Annual Report and Audited Financial Statements of Mestron Holdings Berhad ("Mestron" or the "Company") for the financial year ended 31 December 2021 ("FYE 2021").

Without a doubt, the year 2021 has been a very challenging year for all of us, full with various challenges and uncertainties, most notably with the global outbreak of COVID-19. The widespread COVID-19 affected the economies, global business community and the livelihoods of many.

However, despite the tremendous challenges in the global and Malaysian economy, I am honoured to say that whilst our operations have been impacted with the stoppage in operation (from June to mid-Aug 2021) with the implementation of National Recovery Plan, Mestron manages to remain resilient. With that, on behalf of Mestron, I would like to extend the sincere gratitude and appreciation to all business partners for the continuous support and trust during this challenging business environment.

## YEAR IN REVIEW

In FYE 2021, despite the challenging business condition as resulted from the COVID-19 pandemic, Mestron managed to achieve profit before tax of RM4.68 million with revenue of RM58.35 million representing an improvement of 3.0% in revenue as compared to FYE 2021. The improvement was a result of the increased demand for pole products (i.e. standard poles and specialty poles) during the year.

The Group's balance sheet remains robust, with net assets of RM96.35 million and a healthy net current asset position of RM44.82 million.

## TRANSFORMATIONAL GROWTH

We will continue to leverage on our established track record and solid experience in the steel poles manufacturing, whilst remaining agile and resilient to stay ahead of the challenges and intense competition in the Industrial products and deliver forward-looking transformational strategies for quality growth. In view of this, we have identified four key growth drivers, namely:

- Quality** - We have in-depth technical expertise and are committed to delivering quality products
- Multiplicity** - We have a comprehensive range of steel pole products
- Technology** - We are well equipped with a fleet of machinery and equipment, enabling us to enhance our manufacturing capabilities and production efficiency
- Competence** - We have an experienced management and technical team

## DIVIDENDS

Although our Group does not have any formal dividend policy, we have been consistently paying dividends since our listing in June 2019. For FYE 2021, we have declared and paid a first interim dividend of 0.13 sen per shares.

## CHAIRMAN'S STATEMENT (cont'd)

### PROSPECTS

Looking ahead, our growing business and strong portfolio of multiple brands will continue to offer quality products and services to our customers in Malaysia and internationally, as we work on securing more project not only in Malaysia but also overseas, to strengthen our core business in steel poles manufacturing.

With the recent announced National Digital Network (Jendela) plan by the Government of Malaysia, which seeks to steer Malaysia towards achieving better digital connectivity by boosting the efficiency of national infrastructure and optimising spectrum usage, our Group expect to see a stronger demand for our offering of specialty poles such as high mast and telecommunication monopole, which are essential in the development of telecommunication infrastructure.

Further, with the intention to create values for our shareholders, we had acquired a new subsidiary to venture into biogas green business for waste-to-energy projects in Malaysia on 3 September 2021. The acquisition is in line with our focus on Environment, Social and Governance ("ESG") initiatives. Moving forward, our Group will also explore other business opportunities in the renewable energy space to diversify and complement our existing earnings.

Nonetheless, we are cognisant of the current economic uncertainties, and will continue to exercise extra vigilance in the business operations, We will also adopt an adaptive business strategy that react proactively to the prevailing market environment.

### WORD OF APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude the Management team and employees of Mestron for their dedication and undeterred commitments that helped us navigate through this unprecedented and challenging year.

To our shareholders, from all of us at Mestron, wish to express our utmost appreciation for your continued support and trust. Stay safe, stay strong.

**Tajul Arifin Bin Mohd Tahir**

Independent Non-Executive Chairman



# MANAGEMENT DISCUSSION AND ANALYSIS

## Dear Valued Shareholders,

On behalf of the Board of Directors ("the Board") of Mestron, I am pleased to present the Management Discussion and Analysis ("MD&A") of the Mestron and its subsidiaries ("Group") for the financial year ended 31 December 2021 ("FYE 2021").

The following MD&A should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2021 and related notes thereto.

## OVERVIEW OF THE GROUP'S BUSINESS

Mestron was incorporated in Malaysia as a public company on 18 May 2018 and was later listed on the ACE Market of Bursa Malaysia Securities Berhad on 18 June 2019. Mestron is an investment holding company. Through our subsidiaries, our Group is principally involved:

- Manufacturing of steel poles comprising standard street light poles, decorative light poles and specialty poles ("Manufacturing Segment");
- Trading of outdoor lighting products ("Trading Segment");
- Renewable energy ("Renewable energy segment"); and
- Property development ("Property segment")

Our Group, through our subsidiary, Mestron Engineering Sdn Bhd ("Mestron Engineering"), has been involved in the steel poles business in Malaysia since 2002. Throughout the years, we had participated in several high-profile infrastructure projects such as East Klang Valley Expressway, Coastal Highway Southern Link, Sungai Buloh – Kajang MRT project and other prestige residential development projects. Further, our Group also have business presence in several geographical areas and supplied our products to international markets over the years, such as Australia, Singapore, Brunei, Korea, Myanmar, Sri Lanka, Maldives and Philippines.

Besides, through our subsidiary, Mestron Engineering and Max Lighting Solution Sdn Bhd, we also has been involved in the trading business of various outdoor lighting products since 2010. The trading business was started with the intention to complement our offering of various street lighting poles and provide our customers with a one stop destination for all street lighting needs. Our Group is currently the authorised distributor for various world-renowned lighting brands, such as Phillips, General Electric, Grupppe, Nikkon and Osram.

## CORPORATE OBJECTIVES AND STRATEGIES

As a business entity, the Group's main objective is to enhance shareholders' value and provide a sustainable return on their investment. In pursuit of our corporate objective, we intend to:

- **Expand the sales of high mast and telecommunication monopole products and capitalise on the gradual rollout of 5G connectivity infrastructure in Malaysia**

With the announcement of National Digital Network (Jendela) plan by Government of Malaysia, which essentially seeks to roll out domestic 5G connectivity, our Group expects a stronger demand for our offering of specialty poles such as high mast and telecommunication monopole, which is essential in the development of telecommunication infrastructure.

To implement this initiative, we will expand our marketing efforts specifically on the telecommunication infrastructure industry in Malaysia. Further, in order to accommodate the anticipated increase in demand, we will also strive to continuously automate the manufacturing processes for high mast poles and telecommunication monopoles through the acquisition of additional machinery and equipment as well as the continued improvement of existing manufacturing process.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (cont'd)

- **Expand business operations in the renewable energy space**

As the world evolves, there is a gradual shift from conventional energy source to sustainable energy source. In view of the favourable long term outlook of the renewable energy sector, our Group looks forward to expand our renewable energy segment and derive a sustainable long term earnings stream.

### FINANCIAL PERFORMANCE REVIEW

#### Revenue

In FYE 2021, our Group recorded higher revenue of RM58.35 million as compared to RM56.64 million recorded in FYE 2020, representing an increase of approximately 3.0% mainly due contributed by the increase in revenue for our manufacturing segment. There is no revenue generated from renewable and property segment as at 31 December 2021.

The breakdown of our revenue by business division is as follows:

Business divisions	FYE 2020	FYE 2021	RM	%
Manufacturing Segment	34,745	47,911	13,166	37.9
Trading Segment	21,895	10,440	(11,455)	(52.3)
	<b>56,640</b>	<b>58,351</b>		

#### **Manufacturing Segment**

For FYE 2021, Manufacturing Segment remains as the major revenue contributor for our Group, contributing approximately 82.1% of our total revenue.

For FYE 2021, the revenue for Manufacturing Segment increase from RM34.75 million in FYE 2020 to RM47.91 million mainly due to the increased demand of standard pole and specialty pole (i.e. high mast and specialty pole) from domestic market.

#### **Trading Segment**

In FYE 2021, the revenue of Trading Segment saw decrease of RM11.46 million from RM21.90 million in FYE 2020 to RM10.44 million. The decrease in revenue was mainly due to the delay and postponement of order deliveries for light emitting diode ("LED") outdoor lighting products from domestic market due to the implementation of movement restriction by the Government during the year, as combative efforts against the outbreak of COVID-19.

#### Gross Profit Margin

The overall shift in the revenue from Trading Segment to Manufacturing Segment has contributed negatively to the overall gross profit margin of our Group as the trading of outdoors lighting products generally command a higher profit margin than our manufactured steel poles. Our overall gross profit margin decreased from 32.4% in FYE 2020 to 25.1% in FYE 2021.

Despite recorded higher revenue, the gross profit margin for our Manufacturing Segment decreased from 22.9% in FYE 2020 to 20.9% in FYE 2021 mainly due comparative lower sales of steel poles products with higher profit margin, such as decorative light poles.

Further, the gross profit margin of our Trading Segment also saw a decrease from 47.4% in FYE 2020 to 44.5% in FYE 2021 due to the decrease in demand for outdoor lighting products with higher technical specification (i.e. brightness, useful life and electricity consumption), which generally command a higher sales margin.

#### Profit Before Tax

Our Group achieved profit before tax of RM4.68 million as compared with RM8.66 million recorded in FYE 2020, representing a decrease of RM3.98 million or 45.95%. The decrease in the profit before tax was mainly attributable to the following:

- Lower gross profit due to the decrease in the overall gross profit margin of our Group; and
- Loss-making subsidiaries for newly incorporated companies under renewable energy segment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (cont'd)

### Financial Position

Our total asset as at 31 December 2021 stood at RM127.58 million, which saw an increase of RM38.74 million from RM88.84 million as at 31 December 2020. The increase was mainly due to the increase in property, plant and equipment with the purchase of seventeen parcels of vacant industrial lands, one unit of 0.3MW roof top solar power generation facilities and one unit of constructing work-in-progress biogas plant. Our cash and bank balances remained robust, which stood at RM30.29 million as at 31 December 2021, evidencing the adequacy of our Group's working capital.

On the other hand, our Group's total liabilities stood at RM31.23 million as at 31 December 2021, representing an increase of RM8.14 million from RM23.09 million as at 31 December 2020, mainly due to the increase in costs incurred for constructing biogas plant in Gua Musang for renewable energy segment.

Our Group has a strong net current assets position of RM44.82 million with a current ratio of 2.75 times as at 31 December 2021. Further, our Group also maintain a healthy gearing level. Our total borrowing as at 31 December 2021 stood at RM4.62 million, translating into a gearing ratio of 0.05 times.

For the upcoming financial year, our Group will strive to remain prudent in maintaining a sound financial position to achieve our strategic objectives of generating higher earnings in the coming years.

### Cash Flows From Operating Activities

In FYE 2021, our Group continued to generate healthy cash flows from operating activities, recording net cash inflows of RM9.67 million.

### Capital Commitments

There is no capital commitments that had not been provided for in the audited statement of financial position as at 31 December 2021.

### RISKS RELATING TO OUR BUSINESS

There are some key risks relating to our business and operations which stated in below:

- **We face competition from other industry players.**

The street lighting industry in Malaysia is a niche industry comprising a handful of local industry players. We face competition from both new and existing industry players. We also face competition from other industry players that were recognised by Jabatan Kerja Raya as approved supplier of street light poles in securing orders for public road projects. The competition that we face from other industry players may impact our sales and profitability as we may be forced to be more price competitive to secure sales orders.

- **We are subject to fluctuations in the price of raw materials.**

The price of our main raw materials namely, steel plates and steel pipes fluctuate according to global steel prices, which is subject to the demand and supply conditions of steel in the global market, prices of raw materials for the production of steel such as coal and iron and prevailing energy costs. Any fluctuations on the global steel prices may lead to a rise in our cost of production as well as our carry cost for maintaining our inventories. If we are unable to pass on this increase in raw material to our customers, we will bear the increasing costs and this may have a material impact on our financial results.

- **The lack of long-term contracts may result in the fluctuation of our Group's performance.**

Our Group's sales are mainly based on purchase orders and occasionally other forms of confirmed orders due to the nature of our business and prevailing customer practices. Any adverse economic conditions, or slowdowns in the industries in which our customer operate, may negatively impact our sales and consequently our financial performance.

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

- **We are subject to risk on the maintenance or renewal of products certifications and registrations.**

Our standard street light poles have been certified by SIRIM QAS International Sdn Bhd to be compliant with BS EN 40 – 5:2002. Based on this certification, our standard street light poles have been registered by JKR to be approved for use as street lighting. We may not be able to sell our standard street light poles if we are unable to renew or maintain the above certification and registration. This will affect our sales and financial performance.

- **Our business is exposed to sudden and unexpected equipment failures, flood, fires and burglary, which may lead to interruptions in our business operations.**

Our Group's manufacturing activities are heavily dependent on our machinery and equipment. Unexpected events such as damages and operating failure in the machinery and equipment, floods, fires and burglary in our manufacturing facilities will interrupt our manufacturing activities and consequently cause delay in our production schedules and timely delivery of our products to our customers. This could adversely impact our business operation and financial performance. Further, the occurrence of unforeseen event such as floods, fire and burglary on our manufacturing facilities may result in an immediate financial loss.

### FORWARD-LOOKING STATEMENT

Despite having achieved higher revenue in FYE 2021 amid the challenging business operating condition due to the COVID-19 pandemic, we will not relax our efforts and will continue to strive to elevate the business of our Group. Looking ahead, we are optimistic on our business prospect and business momentum as the world and business community gradually recover from the COVID-19 pandemic.

For the upcoming financial year, we will remain focus on our existing business operation and actively pursue various efforts in expanding our business. We will also expand our sales and marketing efforts to place ourself in a better position to capitalise on the anticipated increased demand for specialty poles such as high mast and telecommunication monopole, which is in line with the National Digital Network (Jendela) plan announced by the Government of Malaysia which seeks to roll out domestic 5G connectivity.

Furthermore, we have entered into a Share Sale and Purchase Agreement ("SSPA") with Chua Nyok Chong ("CNC") and Chua Boon Hong ("CBH") to acquire 806,000 ordinary shares or 10.0% of the share capital of Winstar Aluminium Manufacturing Sdn Bhd ("WAMSB") for RM6 million on 11 February 2022. This is a synergistic acquisition that allows the Group to increase our range of value-added services to our existing and prospective customers. On top of that, this acquisition is also advantageous to the Group as it would be able to directly source the required aluminium parts for its solar panel business. This would help reduce costs incurred and speed up the process of procuring necessary aluminium parts.

Nonetheless, we are cognisant of the current economic uncertainties, and will continue to exercise extra vigilance in the business operations. We will also adopt an adaptive business strategy that react proactively to the prevailing market environment.

### DIVIDEND

We recognise that it is important to reward our investors with dividends. Therefore, it is always our intention to pay dividends to shareholders to allow our shareholders to participate in our profits, subject to various factors including, amongst others, our financial performance, cash flow requirement, availability of distributable reserves and capital expenditure plans and other factors that the Board of Directors deems relevant.

The Board has declared a first interim single-tier dividend of RM0.0013 per ordinary share amounting to a total dividend payable of RM1.21 million for FYE 2021, to reward our loyal shareholders for their continued support and belief in our Group. This dividend represents an approximate 37.8% dividend payout of our net profit for FYE 2021. The dividend was paid by the Company on 28 January 2022.



# SUSTAINABILITY STATEMENT

Here at Mestron, sustainability is a key priority and underscores all our business activities. We incorporate the principles of sustainability when developing our business strategies and the day-to-day operation. Further, we also take steps, whenever and wherever possible, to progressively improve our efforts in sustainability. This sustainability statement outlines our Group's efforts to manage sustainability risk related to our business operation. Understanding our sustainability risks and opportunities helps us to operate in responsible and sustainable manner.

## Statement Scope and Boundary

The scope of this sustainability statement focuses on major revenue contributors, which are the trading of outdoor lighting and manufacturing division of steel poles. Details of the Group's trading and manufacturing facilities are shown in the table below.

Building	No. of Buildings	Locations
Office, Factory cum Warehouse	2	Puchong, Selangor
Open Storage Yard	1	Puchong, Selangor
Open Shed	1	Puchong, Selangor

This report has been prepared for the reporting period between 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2021.



## Reporting Framework

This statement has been prepared in accordance with the Bursa Malaysia Securities Berhad's Sustainability Reporting Guide. The format adopted is in line with recommended Global Reporting Initiatives (GRI) 4.0 Sustainability Reporting Guidelines. The Group also decided to adopt Sustainable Development Goals (SDGs) as part of the report.

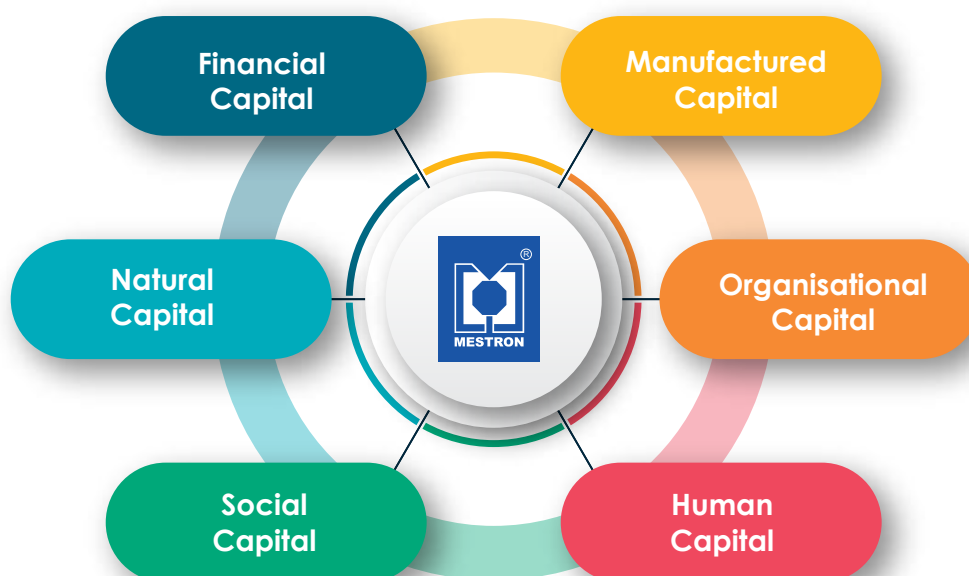
## Sustainability Strategy







### SIX CAPITAL OF MESTRON

At the Core of the Mestron value-creation business model is enhance the value creation by adopting the suitable model that evolved over the years to address the fast-changing environmental and business landscape. Mestron chooses to embrace the framework by the international intergrated Reporting Council (IIRC) to make business and financial sense of Sustainability performance. The model has streghthened our sustianability strategy, policies and pratices and is aligned to global best standard including the UN Sustainable Development Goals(SDGs). MESTRON apply model to Six Capital, which entails our roles as developer, an asset owner and a corporate citizen continues to create sustained value for our business and stakeholders.

# SUSTAINABILITY STATEMENT (cont'd)

## SIX CAPITAL OF MESTRON



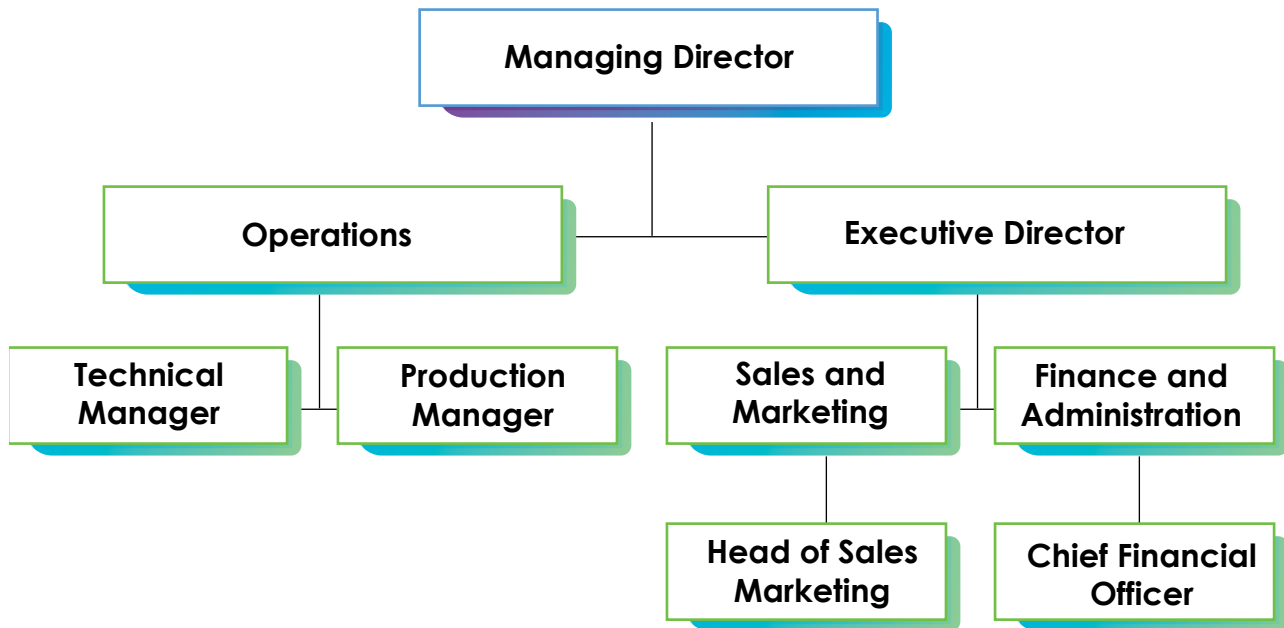
Financial	Manufactured	Organisational
Funds available to firm from operations and financing	Manufactured physical objects used in value creation	Governance, internal control system and procedures
<b>Financial Highlight</b>  <p>Resources to sustain the company form operations and supportive to others capitals</p>	<b>Marketplace</b>  <p>Implementing sustainability through product innovation</p>	<b>Governance</b>  <p>Board engagement on strategy, internal control to enhance the sustainability initiative</p>
Human	Social	Natural
Skills, motivation, alignment with organisational goals	Relations with key institutions, stakeholder groups, shared norms and values, trust and confidence, and its social license to operate	Renewable and non-renewable natural elements, and the eco-system, used as inputs by the firm now or in the past or future, and impact of firm on them
<b>Workplace</b>  <p>Creating a safe and supportive working environment.</p>	<b>Community</b>  <p>Contributing to local community development.</p>	<b>Environment</b>  <p>Improving our environment by utilising greener alternatives.</p>

# SUSTAINABILITY STATEMENT

## (cont'd)

### SUSTAINABILITY GOVERNANCE

Mestron views sustainability as an important aspect in our company. The Group has established a systematic and comprehensive governance structure to ensure successful attainment of all our sustainability targets and goals.



Mestron formed a two-tier governance structure whereby the Executive Director works together with the Managing Director and, reports directly to the Board of Directors. The Board of Directors leads the structure in determining the sustainability journey and overseeing the execution of sustainability within the Group.

We have also established a dedicated Sustainability Committee as part of the governance structure, with the key function of developing and implementing the Group's sustainability strategy.

# SUSTAINABILITY STATEMENT

## (cont'd)

### STAKEHOLDER ENGAGEMENT TABLE

As part of our commitment to build a sustainable business, we strive to build good relationships with our stakeholders as they offer valuable insights into the business, allowing us to identify areas and opportunities for improvement. Therefore, it is important for us to engage them on a regular basis in order to gather their feedback and address any concerns they may have.

We have identified our key stakeholder groups and seek to engage them through various methods and channels, which are summarised in the table below:

Stakeholder	Interest/Expectation	Engagement methods (Frequency)
Investor	<ul style="list-style-type: none"> <li>Group financial performance</li> <li>High financial return</li> <li>Global business strategy</li> <li>Sustainable and stable distribution</li> </ul>	<ul style="list-style-type: none"> <li>Annual general meetings (Annually)</li> <li>Annual reports (Annually)</li> <li>Quarterly interim financials (Quarterly)</li> </ul>
Consumers	<ul style="list-style-type: none"> <li>Efficient complaints resolution</li> <li>Customer-Company relationship management</li> <li>Safety and security</li> <li>Timely product delivery</li> </ul>	<ul style="list-style-type: none"> <li>Regular client meetings through sales team (regularly visit)</li> <li>Feedback channel through sales team (Face-to face meeting on monthly visit and feedback via semi-annual survey/ Participate in all regional electrical associations dinner/gatherings)</li> <li>Community and networking events (Annually, attend state association electrical and electronics annual dinners to build rapport)</li> <li>Direct access of the logistic team to our customers during the delivery process to ensure prompt delivery (daily, update of delivery details for outstation customers to sales personnel)</li> </ul>
Local Communities	<ul style="list-style-type: none"> <li>Social issues</li> <li>Impact of business operations</li> </ul>	<ul style="list-style-type: none"> <li>Community engagement (Annually)</li> <li>Corporate Social Responsibility programmes (Annually)</li> </ul>
Regulatory and Statutory Agencies	<ul style="list-style-type: none"> <li>Governance compliance</li> <li>Labour practices</li> <li>Occupational safety and health</li> <li>Environmental management and compliance</li> </ul>	<ul style="list-style-type: none"> <li>Inspection by local authority (Annually)</li> <li>Annual report (Annually)</li> <li>General meeting between management and regulators (Ad hoc when required)</li> <li>Direct meetings (Ad Hoc)</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Transparent procurement practices</li> <li>Payment schedule</li> <li>Pricing of services</li> <li>Timely delivery of materials/products</li> </ul>	<ul style="list-style-type: none"> <li>Contract negotiation (Ad hoc, when applicable)</li> <li>Vendor registration (Ad hoc, upon vendors' appointment)</li> <li>Timely delivery (Per delivery basis)</li> <li>Payment to supplier (Per delivery &amp; on agreed terms)</li> </ul>
Industry Peers	<ul style="list-style-type: none"> <li>Best practices in the industry</li> <li>Utilising current technology and systems</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration programs (Informal gatherings)</li> <li>Sharing of best practices (Participate &amp; participate with Electrical &amp; home fairs locally and overseas)</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Work-life balance</li> <li>Career development</li> </ul>	<ul style="list-style-type: none"> <li>Training (on going)</li> <li>Appraisal (Annually)</li> <li>Annual dinner (Annually)</li> <li>Safety Training (Annually, Ad hoc when required)</li> </ul>

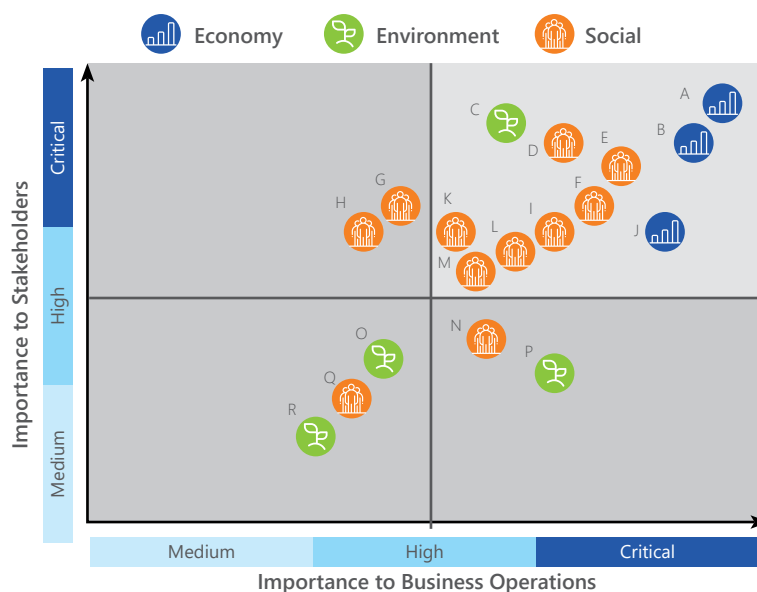
# SUSTAINABILITY STATEMENT

## (cont'd)

### MATERIALITY MATRIX

Materiality assessment helps us identify and prioritise our material sustainability matters that bring impact to our business operations and stakeholders. It is important for the Group to address the material sustainability matters with regards to the Economic, Environment and Social aspects that are embedded in our value chain creation.

The Group's sustainability has identified significant sustainability material matter based on their understanding of the Group's stakeholders' concerns as well as factors that impact the Group's business operation. The sustainability matters were then prioritised based on the weighted ranking method as listed in the table below:



Material Sustainability Matter	Relevant Stakeholders	Applicable GRI indicators
A - Regulatory Compliance	Shareholders and Investors, Regulatory Agencies, Suppliers, Employees and Customers	Compliance
B - Financial Performance	Shareholders and Investors, Regulatory Agencies , and Customers	GRI Standard disclosure
C - Manufacturing Materials	Regulatory Agencies and Local Communities	Materials
D - Product Quality Management	Supplier and Customers	Product Services and Labelling
E - Product Safety	Supplier and Customers	Product Services and Labelling
F - Employee Wellbeing	Employees	Diversity and Equal Opportunity
G - Protection Labour Right	Employees and Regulatory Agencies	Child Labour and Forced or Compulsory Labour
H - Training and Development	Employees	Training and Education
I - Talent Retention	Employees	Diversity and Equal Opportunity
J - Corporate Governance and Transparency	Shareholders and Investors, Regulatory Agencies, and Customers	GRI Standard Disclosure

## SUSTAINABILITY STATEMENT (cont'd)

### MATERIALITY MATRIX (cont'd)

Material Sustainability Matter	Relevant Stakeholders	Applicable GRI indicators
K - Customer Satisfaction	Customers	Product Service and Labelling
L - Occupational Health and Safety	Employees and Regulatory Agencies	Occupational Health and Safety
M - Contribution to Society	Local Communities	Local Communities
N - Investor Relations	Shareholders and Investors	GRI Standard Disclosure
O - Energy Consumption	Regulatory Agencies and Local Communities	Energy
P - Effluents and Waste	Regulatory Agencies and Local Communities	Waste and Effluence
Q - Supply Chain Management	Suppliers	GRI Standard Disclosure
R - Water Consumption	Regulatory Agencies and Local Communities	Water



**Governance** - Board engagement on strategy, internal control to enhance the sustainability initiative



At Mestron, the Governance of Risk Management & strategies would disclose information concerning sustainability, risk to public, improving the transparency of its management, and reducing risks through pre-emptive measures, the company gives its customers and other stakeholder as well as communities and the public as a whole – greater confidence in Mestron.

Please also refer to SUSTAINABILITY GOVERNANCE, STAKEHOLDER ENGAGEMENT TABLE & MATERIALITY MATRIX



# SUSTAINABILITY STATEMENT

## (cont'd)

**Marketplace** - Implementing sustainability through product innovation

As a Malaysia-based internationally recognised brand involved in the manufacturing of light pole such as Standard Street Light Pole, Decorative Street Light Pole, Telecommunication Monopole, High Mast Pole, Camera Pole, Traffic Pole, Mid-Hinge Collapsible Pole, Oil & Gas and Mining Light Poles. On the trading segment Mestron is the distributor of various outdoor lighting product. Mestron has contributed towards the growth of both local and global marketplace.

### PRODUCT SAFETY

To best define on the quality, Mestron focuses in Product Safety and enhance on User-friendly features.



### PRODUCT QUALITY MANAGEMENT

Each of Mestron's product are prepared in accordance to the highest standard of quality management. Our Product Quality is consistently well maintained. We ensure that work instructions and standard operating procedures are follow by our manufacturing workers from Mestron Engineering Sdn Bhd and Meslite Sdn Bhd in Puchong.



# SUSTAINABILITY STATEMENT

## (cont'd)

### Marketplace - Implementing sustainability through product innovation (cont'd)

Our subsidiaries that involve in production and assembly processes such as Mestron Engineering Sdn Bhd obtained quality certification for our products by comply ISO 9001:2015 or Sirim Certification.

#### Product Certificate:

Certificate	Award Body
Certificate of Approval License to use on public road	JKR
Product certificate license structural steel street light poles BS EN 40-5:2002	SIRIM QAS international
ISO 9001:2008 (first obtained Year 2010)	Lloyd's Register Quality Assurance
Product certificate license High Mast Steel Lighting AASHTO: 2013	SIRIM QAS international



### Workplace - Creating a safe and supportive working environment

#### Occupational Health and Safety ("OHS")

Here at Mestron, we place great emphasis on the health and safety accepts of our employees in the workplace and strive to maintain a comfortable and conducive work environment for all of our employees.

Thus, an occupational health and safety (OHS) policy is in place to protect all employees against possible occupational risks and prevent accidents from happening in the workplace. Information on the OHS policy is provided to all employees and new employees are informed of the policy during the Occupational Safety and Health (OHS) induction programme. For new employees at, the First-Day OHS induction programme provides an overview of the OHS policy implemented at Group.

During the year, we did not receive any staff complaint or dispute, and however there were no work-related injury reports, which we reacted proactively. Detailed investigation is be conducted for all work-related injury reports to assist us in continuously improve our safety precaution and standard operating procedure in order to eliminate the possibility of similar incident moving forward.

In view of the COVID-19 pandemic, Mestron has been implementing various preventive measure across our operations as our utmost priority and efforts to curb any potential spread of COVID-19 virus in our company and safeguard the well-being of our employees. Among the measure we have implemented includes:

- Distribution of facemask and hand sanitizer to all employees
- Routine sanitisation of all production, office and common area of workplaces
- Practising 1-metre social distancing at workplace
- Compulsory temperature check and hand sanitisation prior to entry to office premise

#### Employment

At Mestron, we are committed to providing our employees with a working environment free from unlawful discrimination, irrespective of race, colour, sex/gender, religion, national origin, age, disability, genetic information, marital status, or any other classification protected by law. We seek to support women, minorities, veterans and individuals with disabilities and strive to empower all our employees to reach their full potential. There was 173 employees at Mestron in 2021.

As part of our human capital management strategy to retain talent, we also offer competitive remuneration packages with performance-based bonuses. Apart from that, our employees also enjoy on-the-job benefits such as annual leaves, maternity leaves, group personal accident coverage for all employees including foreign workers, and car and phone allowance for selected employees, among others.

# SUSTAINABILITY STATEMENT

## (cont'd)

### Workplace - Creating a safe and supportive working environment (cont'd)

#### Diversity and Equal Opportunity

We strive to create a culture that promotes diversity and equality in the workplace. Having a diverse and inclusive workforce allows us to attract the best of the talent pool and, in turn, helps us improve our bottom line. Improving diversity and equality is also crucial to the achievement of social and economic development goals.

All our employees are employed based on skills and experience through fair selection processes. Each year, our employees receive feedback about their performance through performance reviews, which are conducted in a fair and transparent manner.

#### Training and Development

At Mestron, we believe our employees are our greatest asset. Thus, we promote a culture of continuous learning among our employees. We provide various learning opportunities throughout employees' careers to ensure that they develop the skills needed to perform their responsibilities. We believe that our people play an important role in ensuring that we achieve operational and safety excellence. Therefore, we continue to invest in our human capital and support employee development to meet changing business needs.

Our employees receive training both internal & external programmes which including mandatory & voluntary basis. So that they are equipped with relevant skills to perform their jobs. They are also encouraged to obtain certifications that allow them to perform specific tasks or to operate particular machines. In 2021, we continued to invest in our talent with their sponsored participation various training and workshops. The training and workshops that we offer to employees are to ensure that our employees are able to continuously perform at the highest level of excellence.



### Environment - Improving our environment by utilising greener alternatives

#### Energy Efficiency & CO<sub>2</sub> Emission

Diesel and electrify account for a large proportion of our total energy consumption, resulting in the production of greenhouse gas (GHG) emission such as carbon dioxide (CO<sub>2</sub>) which can have a detrimental impact on the environment. Therefore, we strive to reduce our energy consumption and carbon footprint by promoting the use of renewable energy and improving our energy efficiency.

The Group has five lorries and one van to contribute the GHG emissions. We take the initiative to monitor and reduce the CO<sub>2</sub> emissions. This is the second year we monitor this indicator. Total GHG emission are using the factor of 1 L of gasoline produces approximately 2.3 kg of CO<sub>2</sub>.

In Mestron, we are aware we consumes a significant amount of energy, mainly attributable to our steel pole manufacturing process. Steel sheet go through a series of machines cutting, bending and welding to form the final steel pole products. As part of our measure to mitigate the impact of our manufacturing operations to the surrounding environment, we endeavour to optimise our energy consumption and continuously encourage energy-saving efforts throughout the workplace. In December 2021, we installed one unit of 0.3MW roof top solar power generation facilities in our main manufacturing facility in order to improve our energy efficiency.

Energy utilisation within our operations is in the form of electricity powered by the national grid. Additionally, our machineries undergo scheduled maintenance to sustain efficiency and prevent or reduce downtime. At the Group's premises, we create awareness through communication and displaying energy-saving signages.

# SUSTAINABILITY STATEMENT (cont'd)

## Environment - Improving our environment by utilising greener alternatives (cont'd)

### Water

High level of water use put significant strains on water resources and result in wastewater pollution that could lead to the degradation of water quality. Poor water quality and water stress can compromise important ecosystem services and affect the quality of the life of local communities.

At Mestron, there is no significant of water usage. We are committed to reducing our total water consumption by promoting the water saving.

### Noise, Effluent and Waste

Improper disposal of effluents, which contain substantial quantities of chemical and nutrients (principally nitrogen, phosphorous or potassium) affects water quality and has significant impact on the ocean's biodiversity and aquatic ecosystems. Similarly, poor waste management can lead to air, water and soil pollution, which poses a threat to the environment and human health. The generation of excessive waste from manufacturing activities, put strains on our natural resources and ultimately leads to environmental degradation.

Noise pollution is generally defined as regular exposure to elevated sound levels that may lead to adverse effects in humans or other living organisms. Sound levels less than 70 dB are not damaging to living organisms, regardless of how long or consistent the exposure is. Exposure for more than 8 hours to constant noise beyond 85 dB may be hazardous. However, due to the nature of our production activities, our manufacturing process did generated the noise beyond 85 dB, therefore, the Warning signs will be placed at the high decibel areas, earplugs are distributed and enforced on all affected production personnel. The Group advocates reducing, reusing and recycling especially in our office and facilities towards efficient waste management practices

## Community - Contributing to local community development

### COMMUNITY ENGAGEMENT

We believe that as a responsible corporate citizen, it is our duty to continuous contribute to the well-being of the society. Therefore, we always strive to give back to the society and community via various initiative of various scales.

In 2021, we continued to reach out and contribute to the general society through various Corporate Social Responsibility ("CSR") initiatives.



*Program Bantuan Covid-19 to community around Pulau Meranti, Puchong*



## SUSTAINABILITY STATEMENT (cont'd)

### Community - Contributing to local community development (cont'd)



Program Donation of sanitizer and liquids to SJKC Sang Lee, Raub



Distribution of Hari Raya hampers to community around Pulau Meranti, Puchong



Program Bantuan Banjir to community in collaboration with Kementerian Belia & Sukan (KBS)

Moving forward, it is our intention to continue to contribute to the community through the participation of more CSR projects.

# SUSTAINABILITY STATEMENT

## (cont'd)

### Relationship with SDGs

SDGs	Main Activity	Detailed Information
No Poverty	-	-
Zero Hunger	-	-
 3 GOOD HEALTH AND WELL-BEING	Mestron provides safe working environment	- Governance Capital - Marketplace - Workplace
 4 QUALITY EDUCATION	Training and development for staff	- Workplace
 5 GENDER EQUALITY	Employment policy no discrimination	- Workplace
 6 CLEAN WATER AND SANITATION	Water saving promoting	- Marketplace
Affordable and Clean Energy	-	-
 8 DECENT WORK AND ECONOMIC GROWTH	Quality control and management	- Marketplace
 9 INDUSTRY INNOVATION AND INFRASTRUCTURE	Non-toxic Product innovation	- Marketplace
 10 REDUCED INEQUALITIES	Employment policy no discrimination	- Workplace
 11 SUSTAINABLE CITIES AND COMMUNITIES	Community relationship and engagement	- Community
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Promise to delivered of Quality, safety product	- Marketplace - Community
 13 CLIMATE ACTION	Reduce CO2 emission	- Governance - Environment
Life Below Water	-	-
Life On Land	-	-
Peace, Justice, and Strong Institutions	-	-
 17 PARTNERSHIPS FOR THE GOALS	Sustainability report initiative	- Governance - Environment



# **SUSTAINABILITY STATEMENT**

## **(cont'd)**

### **LOOKING FORWARD**

Sustainability Report provide alternative channel to communicate, disclose information to our stakeholder. We are committed to doing business in an ethical and transparent manner as a public listed company. We have a zero-tolerance policy towards fraud, bribery, corruption, money laundering and the financing of terrorism.

Mestron strives to continuously update and improve our sustainability initiative in order to accomplish our goal of becoming a sustainable corporate citizen.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Mestron Holdings Berhad ("Mestron" or "the Company") and its subsidiaries ("the Group") is committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles, practices and guidance set out in the Malaysian Code on Corporate Governance 2021 ("MCCG") issued by the Securities Commission Malaysia to enhance its accountability, transparency and sustainability in discharging its responsibilities with integrity and professionalism to protect and enhance the Group's business, shareholders' value and the financial position of the Group.

The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in the MCCG to the best interest of the shareholders of the Company.

The Board presents this statement to provide shareholders with an overview of the Corporate Governance ("CG") practices of the Group which were based on the principles and best practices as set out in the MCCG, the governance standards prescribed in the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the requirements under the Companies Act 2016 ("Act") and being applied under the leadership of the Board during the financial year ended 31 December 2021 ("FYE 2021").

The overview statement is to be read together with the Corporate Governance Report 2021 ("CG Report") of the Group which is available on the Group's website at [www.mestron.com.my](http://www.mestron.com.my). The detailed explanation on the application of the corporate governance practices are reported under the CG Report.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### PART I – BOARD RESPONSIBILITIES

#### 1. Board's Leadership on Objectives and Goals

##### Strategic Aims, Values and Standards

The Board is responsible in providing the overall governance, stewardship and oversight for the direction and management of the Group. The Board sets out the strategic directions and objectives, formulating the policies and executing the key strategic action plans of the Group. The Board regularly reviews the Group's business operations, management performance and also ensure the necessary resources are in place.

In the Group, the Board and the Senior Management work cohesively to formulate and to implement the Group's business strategy. The respective roles and responsibilities of the Board and management team are clearly set out and understood to ensure accountability and ownership by both parties. The Board will scrutinise the sustainability, effectiveness and implementation of the strategic plans for the financial year under review and provide guidance and input to the Senior Management.

The Board has a formal schedule of matters reserved to itself for the decision, which includes the overall Group strategy and direction, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are in place systems that effectively monitor and manage these risks with a view to the long term viability of the Group.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### PART I – BOARD RESPONSIBILITIES (cont'd)

#### 1. Board's Leadership on Objectives and Goals (cont'd)

##### Strategic Aims, Values and Standards (cont'd)

The principal roles and responsibility assumed by the Board are as follows:

- Review and Adopt Strategic Plans of the Group

The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long-term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitors budgetary exercise which support the Group's business plan and budget plan.

- Oversight of the Group's Business

The day-to-day management of the business operations of the Group is led by the Managing Director, Executive Director and assisted by the Senior Management personnel. Their performance under the leadership of the Managing Director and Executive Director are assessed by the Board based on the financial and management reports tabled during its quarterly meetings. The Board is also kept updated on the Group's strategic direction initiatives, significant operational and regulatory challenges faced by the Group during these meetings.

- Review of Internal Control and Integrity of Management Information

The Board is overall responsible for maintaining a proper internal control system. The Board is responsible for the Group's system of internal controls including reviewing financial condition of the business, operational, regulatory compliance as well as risk management matters.

- To Formulate and Put in Place an Appropriate Succession Plan

The Board is responsible to formulate and put in place an appropriate succession plan encompassing the appointment, training, and determination of compensation for the Directors and Senior Management of the Group, as well as assessing the performance of Directors and Committee members and, where appropriate, retiring and appointing new members of the Board and Executive Directors.

The Board has entrusted the Nomination Committee and Remuneration Committee with the duty to review candidates with required mix of skills and experience for the Board and to determine remuneration packages for these appointments, and to formulate nomination, selection and remuneration for the Group.

- Developing and Implementing an Investor Relations Program or Shareholder Communications Policy for the Group

The Board recognises that shareholders and other stakeholders are entitled to be informed on a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Therefore, the Company website is the primary medium in providing information to all shareholders and stakeholders.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### PART I – BOARD RESPONSIBILITIES (cont'd)

#### 1. Board's Leadership on Objectives and Goals (cont'd)

##### Strategic Aims, Values and Standards (cont'd)

In order to discharge its duties and functions effectively, the Board has set up and delegated specific tasks to three (3) Board Committees namely Audit and Risk Management Committee ("ARMC"), Nomination Committee ("NC"), and Remuneration Committee ("RC"). The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board's consideration and final decision. The Board retains full responsibility for the direction and control of the Group. All the Board Committees have its own terms of reference and have the authority to act on behalf of the Board within the authority as laid out in the terms of reference and report to the Board with the necessary recommendation.

The Board is also mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary and leadership functions including those reserved for the Board's approval and those which the Board may delegate to the Board Committees and the Management and committed to ethical values and standards. On this note, the Board has defined its Board of Charter, and Code of Conduct and Ethics setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed and its commitment of fair practices to its stakeholders, which is available on the Company's website at [www.mestron.com.my](http://www.mestron.com.my).

##### The Chairman

The Board is chaired by an Independent Non-Executive Director and one-third of the Board consists of Independent Non-Executive Directors. The Chairman being an Independent Non-Executive Director, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgement. The Chairman is responsible to provide leadership for the Board so that the Board can perform its responsibilities effectively. The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter, which is available on the Company's website at [www.mestron.com.my](http://www.mestron.com.my).

##### Separation of the positions of the Chairman and Managing Director

The positions of the Chairman and the Managing Director of the Group are held by two different individuals with clear separation of duties and responsibilities to ensure a balance of power and authority so that no one individual has unfettered powers of decision making.

The difference in the roles of the Chairman and Managing Director provides a clear segregation of responsibility and accountability. These are enshrined in the Board Charter, which is made available on the Company's website at [www.mestron.com.my](http://www.mestron.com.my).

The Chairman is not related to the Managing Director, and is responsible for leading the Board to oversee and supervise the Group's management; whilst the Managing Director is responsible for the day-to-day operations of the Group, making strategic business decisions and implement the Board's policies and decisions. There is clear separation of powers between the Chairman, who is an independent director and the Managing Director, and this further enhances the independence of the Board.

The Board therefore believes that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

##### Chairman of the Board should not be a member of the Board Committees

Following Practice 1.4 of the MCCG whereby the Chairman of the Board should not be a member of its Board Committees, the Board is in the midst of looking for suitable candidate to be appointed as the member of ARMC, NC and RC to replace the Chairman of the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### PART I – BOARD RESPONSIBILITIES (cont'd)

#### 1. Board's Leadership on Objectives and Goals (cont'd)

##### Qualified and Competent Company Secretaries

In compliance with MCCG, the Board is supported by qualified and competent Company Secretaries. The Company Secretaries of the Company are qualified to act as Company Secretaries under Section 235 of the Companies Act, 2016 ("the Act"). The Company Secretaries provides the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regard to the Company's Constitution, Board's policies and procedures as well as compliance with all regulatory requirements, MCCG, guidance and legislation.

The Board has ready and unrestricted access to the advice and services of the Company Secretaries, who are considered capable of carrying out the duties to which the post entails. The Directors may seek advice from the Company Secretaries directly on issues under their respective purview or request further explanation, information or updates on any aspect of the Company's concerns. The Company Secretaries are responsible for ensuring the Board meetings procedures are adhered to and that applicable rules and regulatory are complied with.

The Company Secretaries keep the Board abreast with the latest regulatory updates and also ensure that deliberations at Board and Board Committee meetings are well documented.

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharge of their functions.

The Company Secretaries are accountable to the Board on all matters connected with the proper functioning of the Board and responsibility includes:

- assisting the Chairman and the Chairmen of the Board Committees in developing the agendas for the meetings;
- administering, attending and preparing the minutes of meetings of the Board, Board Committees and shareholders and maintaining proper records of proceedings and resolutions passed;
- acting as liaison to ensure good information flow within the Board, between the Board and its Committees as well as between management and the Directors;
- advising on statutory and regulatory requirements and the resultant implication of any changes that have bearing on the Company and the Directors;
- advising on matters of corporate governance and ensuring Board policies and procedures are adhered to;
- monitoring compliance with the Act, Listing Requirements and the Constitution of the Company;
- facilitating orientation of new Director; and
- disseminating suitable training courses and arranging for Directors to attend such courses when requested.

##### Access to Information and Advice

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers will be forwarded to each Director no later than seven (7) days before the date of the meeting. This is to ensure that Board papers comprising due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board papers and seek for any clarification as and when they may need advices or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries and properly documented and maintained at the Registered Office of the Company.

The Board has access to all information within the Company to enable them to discharge their duties and responsibilities and is supplied on a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### PART I – BOARD RESPONSIBILITIES (cont'd)

#### 1. Board's Leadership on Objectives and Goals (cont'd)

##### Access to Information and Advice (cont'd)

External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. The senior management team from different business units will also be invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairmen of the Board Committees, namely, the ARMC, NC and RC briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committee meetings.

When necessary, Directors may, whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the Directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

#### 2. Demarcation of Responsibilities

##### Board Charter

The Board Charter has been formalised and adopted by the Board, serves as a primary reference which sets out the composition of the Board, appointments of Directors, re-election of Directors, roles and responsibilities of the Board, Board Committees, Chairman, Executive Directors and Independent Non-Executive Directors.

The roles and responsibilities of the Board Committees, as well as the issues and decisions which required the Board Committees' collective decision are also spelled out in the Terms of Reference of the respective Board Committees.

The Board will review the Board Charter from time to time to ensure that the Board Charter remains consistent with the Board's objectives, current law and practices. The Board Charter is available on the Company's website at [www.mestron.com.my](http://www.mestron.com.my).

#### 3. Good Business Conduct and Corporate Culture

##### Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct through its Code of Conduct and Ethics, which summarises what the Company must endeavour to do proactively to increase corporate value, and which describes the areas in daily activities that require caution to minimise any risks that may occur.

The Code of Conduct and Ethics provides guidance for Directors and every employee of the Group regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The Code of Conduct and Ethics is available at the Company's website at [www.mestron.com.my](http://www.mestron.com.my).



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### PART I – BOARD RESPONSIBILITIES (cont'd)

#### 3. Good Business Conduct and Corporate Culture (cont'd)

##### Whistle Blowing Policy and Procedures

The Board is committed in achieving and maintaining the highest standard of work ethics in the conduct of business to be in line with the Code of Conduct and Ethics and good corporate governance practices. The Group encourages its employees to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group.

The Board has in place a Whistle Blowing Policy and serves as an avenue and mechanism to all employees and stakeholders of the Group to report concerns about any suspected wrongdoing, inappropriate behaviour or misconduct relating to fraud corrupt practices, and/or abuse, for investigation and management's action.

The Whistle Blowing Policy sets out the protection to reporting individual who has made the disclosure or report in good faith, the confidentiality and safeguarding in dealing with such disclosure or report, the communication channel and the procedurals flow of making the disclosure or report.

The Board will review the Whistle Blowing Policy when necessary to ensure it remains relevant and appropriate. The Whistle-Blowing Policy is available at the Company's website at [www.mestron.com.my](http://www.mestron.com.my).

##### Anti-Bribery and Anti-Corruption Policy

The Board is committed to conduct its businesses in an ethical, responsible, transparent, and efficient manner. Hence, the Board inspires to reinforce good governance, preventive system and ensuring compliance with procedures, code of conduct and relevant laws in force by in place an Anti-Bribery and Anti-Corruption Policy to ensure employees of the Group discharge their duties in an ethical, responsible, transparent, and efficient manner and free from corruption. Also, to create a working environment that practices integrity work culture to enhance the trust and confidence of the Group's stakeholders.

The Board will review the Anti-Bribery and Anti-Corruption Policy at any time necessary so to do. The Anti-Bribery and Anti-Corruption Policy is available at the Company's website at [www.mestron.com.my](http://www.mestron.com.my).

#### 4. Governing Sustainability

The Board of the Company has taken steps to integrated sustainability issues as core of its strategic formulation. The Board is supported by the general managers, which enables the Board to assess and ensure that sustainability governance is structured and functioning through the various level of management.

The Board noted that the Company has adopted materiality assessment process, which is guided by Bursa Malaysia's Sustainability Reporting Guide and Toolkits and ensure that the stakeholder communication methods are regularly assessed, through information requests to ensure that the communication are transparent and effective.

The Group Risk Management Framework set out the approach to the identification, assessment, management, monitoring, and reporting of risks. The Board will then regularly review performance against the risk tolerance limits. The Board is brief by the ARMC on the risk highlighted and ensure that the Management has put in place actions to mitigate risks and controls to maintain the risk exposures within the acceptable levels as approved by Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### PART II – BOARD COMPOSITION

#### 5. Board's objectivity

##### **Board Composition and Balance**

The Board is committed in ensuring that its composition not only reflects the diversity as recommended by MCCG, as best as it can, but also the right mix of skills and balance to contribute to the achievement of the Group's goal and business objectives.

The Board consists of seven (7) members and comprising five (5) Independent Non-Executive Directors, one (1) Managing Director and one (1) Executive Director. Thus, the requirement under Rules 15.02 of the Listing Requirements of Bursa Securities that at least two (2) Directors or 1/3 of the Board, whichever is higher, must be Independent Directors, is fulfilled. This is also in line with Practice 5.2 of the MCCG where it requires at least half of the Board members comprises Independent Directors.

The current composition of the Board provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct. The combination of professionals with diverse and varied backgrounds, wealth of experience and expertise in finance and corporate affairs also enables the Board to discharge its responsibilities effectively and efficiently. Profile of the Directors are as set out in this Annual Report.

During the FYE 2021, our NC assisted our Board in its annual assessment of the effectiveness of our Board as a whole, our Board Committees as well as the contribution of each individual Directors and assessment on the independence of the Independent Directors.

##### **Tenure of Independent Directors**

As at the date of this CG Overview Statement, none of the Independent Non-Executive Directors have served for a cumulative term of more than nine (9) years on the Board as Independent Non-Executive Directors.

##### **Policy of Tenure of Independent Directors**

As at the date of this CG Overview Statement, the Board has yet to adopt a policy at limiting the tenure of Independent Directors. Nevertheless, the Company took note on the recommendation by MCCG, that the tenure of an Independent Director should not exceed a term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director. If the Board intends to retain such Director as an Independent Director beyond nine (9) years, the Board would justify the decision and seek shareholders' approval at a general meeting through a two-tier voting process.

##### **Diverse Board and Senior Management Team**

The appointments of our Board members and Senior Management are made based on merit, in the context of diversity in skills, experience, age, background, gender, ethnicity and other factors which is in the best interests of our Group. The Board recognises diversity in the boardroom as an essential component of a good corporate governance.

##### **Gender Diversity Policy**

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. The Company has formalised a Gender Diversity Policy which is published on the Company's website at [www.mestron.com.my](http://www.mestron.com.my). The Board believes that the evaluation of suitability of candidates should be based on the candidates' competency, character, time availability, integrity and experience in meeting the Company's needs. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre without any specific discrimination as to the age, ethnicity or gender of the candidates concerned.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### PART II – BOARD COMPOSITION

#### 5. Board's objectivity (cont'd)

##### New Candidates for Board Appointment

The proposed appointment of a new member to the Board will be deliberated on by the Board based upon the recommendation of the NC. Selection of new candidates to be considered for new appointment as Director is facilitated through recommendations either from the Board members, the Management, major shareholders and/or through independent sources, when necessary. Before any recommendation made to the Board, the NC will ensure that an appropriate review is undertaken to ensure the requirement and qualification of the candidate nominated based on a prescribed set of criteria comprising but not limited to the following:

- (a) Skills, knowledge, expertise and experience;
- (b) Professionalism and Integrity;
- (c) The outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties;
- (d) Existing number of directorships held;
- (e) Confirmation of not being an undischarged bankrupt or involved in any court proceedings in connection with the promotion, formation or management of a corporation or involving fraud or dishonesty punishable on conviction with imprisonment or subject to any investigation by any regulatory authority under any legislation; and
- (f) In the case of candidates being considered for the position of Independent Director, such potential candidates have the ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors. Amongst others, the potential candidates must fulfill the criteria used in the definition of "Independent Directors" prescribed by the Listing Requirements of Bursa Securities and being able to bring independent and objective judgement to the Board. Where required, the members of the Committee would meet up with potential candidates for the position of Director to assess the suitability.

The final decision as to who shall be appointed as Director remains the responsibility of the full Board, after considering the recommendation of the NC. As a whole, the Company maintains a very lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with the Constitution of the Company. The Company Secretaries are tasked to ensure all appointments are properly made and all necessary information is obtained from the Directors, for the Company's records and for the purposes of meeting statutory obligations as well as obligations arising from the Listing Requirements.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The NC will help assess and recommend to the Board, the candidature of Directors, the appointment of Directors to board committees, review of Board's succession plans and training programmes for the Board.

In general, the process for the appointment of a Director to the Board is as follows:

- (i) The NC reviews the Board's composition through Board assessment/evaluation;
- (ii) The NC determines skills matrix;
- (iii) The NC evaluates and matches the criteria of the candidates, and may consider diversity, including gender, where appropriate;
- (iv) The NC recommends to the Board for appointment; and
- (v) The Board approves the appointment of the candidates.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### PART II – BOARD COMPOSITION (cont'd)

#### 5. Board's objectivity (cont'd)

##### Nomination Committee

The Board has established a NC which comprised exclusively Independent Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by considering his skills and expertise for contribution to the Company on an ongoing basis.

The Terms of Reference of the NC can be viewed at the Company's website at [www.mestron.com.my](http://www.mestron.com.my).

The present members of the NC of the Company are:

Designation	Name	Directorship
<b>Chairman</b>	Tajul Arifin Bin Mohd Tahir	Independent Non-Executive Chairman
<b>Member</b>	Leong Peng Phooi	Independent Non-Executive Director
<b>Member</b>	Datuk Ir. Mohd Dom Bin Ahmad	Independent Non-Executive Director
<b>Member</b>	Ng Kim Cheong	Independent Non-Executive Director

The summary of activities undertaken by the NC during the FYE 2021 included the following:

- (i) Assessed the independence of the Independent Directors of the Company;
- (ii) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;
- (iii) Reviewed and recommended the appointment of Ng Kim Cheong and Dato' Low Chin Koon; and
- (iv) Reviewed and recommended the re-election of Directors at the forthcoming Annual General Meeting ("AGM") in accordance with the Company's Constitution.

#### 6. Overall Board Effectiveness

##### Annual Evaluation

The NC undertakes an annual assessment of the performance and effectiveness of the Board as a whole, Board Committees and individual Director's contribution to the effectiveness on the process of the Board. The assessment of the Board is based on specific criteria, including the mix of skills, experience, tenure and other core qualities possessed by Directors.

The criteria used by the NC in evaluating the performance of an individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. The independence of Independent Directors is assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the Listing Requirements of Bursa Securities.

The results of the assessment would form the basis of the NC recommendation to the Board for the re-election of Directors at the next AGM. The Board did not engaged any external party to undertake an independent assessment of the Directors.

All assessments and evaluations carried out will be documented and minuted by the Company Secretaries. The results of all assessment and comments by Directors are summarised and deliberated at the NC meeting and thereafter reported to the Board for deliberation.

Based on the annual assessment conducted for the financial year, the Board and the NC is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence demonstrated by all the Independent Non-Executive Directors, and that each of them continues to fulfill the definition of independence as set out in the Listing Requirements of Bursa Securities.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### PART II – BOARD COMPOSITION (cont'd)

#### 6. Overall Board Effectiveness (cont'd)

##### Re-election of Directors

The procedure on the re-election of Directors by rotation is set out in the Company's Constitution. An election of Directors shall take place each year at the AGM of the Company, where one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election. All Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. The Directors to retire shall be the Directors who have been serving in office for the longest duration since their appointment or last re-election.

Upon the recommendation of the NC and the Board, the following Directors who are standing for re-election at the forthcoming AGM of the Company are as stated in the Notice of AGM together with the justification to support the re-appointment of the Directors at the Explanatory Notes to Notice of AGM:-

1. Por Teong Eng
2. Loon Chin Seng
3. Dato' Low Chin Koon

##### Board Commitment and Directorship in Other Public Listed Companies

At the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of the time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointments in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in the Rules 15.06 of the Listing Requirements of Bursa Securities.

To facilitate the Directors' time planning, an annual meeting calendar which provides the schedule dates for meetings of the Board and Board Committees as well as the AGM is prepared and circulated to them before the beginning of every financial year. At the end of each Board and ARMC meetings, the date of the next meeting is to be re-confirmed. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. This is to ensure the Directors that they allocate sufficient time to discharge their duties effectively.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities.

The following is the record of attendance of each of the Directors of the Company at the Board meetings held during the FYE 2021: -

Name of Director	Total Meetings Attended
Tajul Arifin Bin Mohd Tahir	6/6
Por Teong Eng	6/6
Loon Chin Seng	6/6
Leong Peng Phooi	6/6
Datuk Ir Mohd Dom Bin Ahmad	6/6
Ng Kim Cheong (appointed w.e.f. 12 March 2021)	4/4
Dato' Low Chin Koon (appointed w.e.f. 18 November 2021)	N/A

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### PART II – BOARD COMPOSITION (cont'd)

#### 6. Overall Board Effectiveness (cont'd)

##### Board Commitment and Directorship in Other Public Listed Companies (cont'd)

All the Directors complied with the minimum 50% attendance in respect of Board Meetings held during the FYE 2021 as stipulated under Rule 15.05 of the Listing Requirements of Bursa Securities.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings will be convened by the Company Secretaries, after consultation with the Chairman. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

##### Continuing Professional Development

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes/seminars/conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

Details of seminars/conferences/training programmes attended by the Board members during the FYE 2021 as listed below:

Name of Directors	Seminars/Conferences/Training Programmes Attended
LEONG PENG PHOOI	<ul style="list-style-type: none"> <li>Recent Changes in MFRSs and the Common Pitfalls on the Application of MFRSs by Grant Thornton in Malaysia</li> <li>Manufacturing in ASEAN: Navigating supply chain disruptions through the pandemic by Grant Thornton in Malaysia</li> </ul>
DATUK IR. MOHD DOM BIN AHMAD	<ul style="list-style-type: none"> <li>2nd Symposium on Railway Infrastructure &amp; Engineering by Malaysian Rail Industry Corporation (MARIC) in Malaysia</li> <li>Malaysia International Water Convention 2021 by The Malaysian Water Association (MWA) in Malaysia</li> </ul>
NG KIM CHEONG	<ul style="list-style-type: none"> <li>Mandatory Accreditation Programme for Directors of Public Listed Companies by Asia School of Business</li> <li>National Tax Conference 2021 by Chartered Tax Institute of Malaysia (CTIM) in Malaysia</li> <li>Audit Sampling Procedures Incorporating ISA 300, 315, 450, 500, 530 and other relevant ISAs by Malaysian Institute of Accountants (MIA) in Malaysia</li> <li>ISA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements by Malaysian Institute of Accountants (MIA) in Malaysia</li> <li>2022 Budget Seminar by Chartered Tax Institute of Malaysia (CTIM) in Malaysia</li> </ul>
DATO' LOW CHIN KOON	<ul style="list-style-type: none"> <li>Mandatory Accreditation Programme for Directors of Public Listed Companies by Institute of Corporate Directors Malaysia</li> </ul>



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### PART II – BOARD COMPOSITION (cont'd)

#### 6. Overall Board Effectiveness (cont'd)

##### Continuing Professional Development (cont'd)

Saved as disclosed above, other Directors were not able to select any suitable training programme to attend during FYE2021 due to busy working schedule.

In addition, during the financial period under review, the Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal auditors and the Company Secretaries during the Committee and/or Board meetings and suitable training and education programmes were identified for their participation from time to time.

The Board will on continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

### PART III – REMUNERATION

#### 7. Level and Composition of Remuneration

##### Remuneration Policies

The Board believes that the Company have a fair remuneration policy to attract, retain and motivate Directors and Senior Management. The remuneration policy of the Board provides that all Executive Directors and Senior Management are remunerated based on the individual's performances and that of the Group, market conditions and their responsibilities, whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees, their attendance and/or special skills and expertise they bring to the Board.

It has established a RC to review and ensure that the remuneration of Directors and Senior Management fairly reflect their responsibilities, the expertise required by the Company and the complexity of its operations. The said remuneration should also be in line with the business strategy and long term objectives of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the AGM based on recommendations of the Board.

##### Remuneration Committee

The Board has set up a RC which comprises exclusively Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

The RC meets when required and is entrusted, among others, to establish a formal and transparent procedure for developing executive remuneration, fixing and examining the remuneration packages and other benefits of the Executive Director. The contribution, responsibilities and performance of each Executive Director is taken into account when determining their respective remuneration packages.

However, the ultimate responsibility to approve the remuneration of the Directors remains with the Board as a whole. The respective Director is not involved in any discussions and/or deliberations with regards to their own remuneration.

The Terms of Reference of the RC can be viewed at the Company's website at [www.mestron.com.my](http://www.mestron.com.my).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### PART III – REMUNERATION (cont'd)

#### 7. Level and Composition of Remuneration (cont'd)

##### Remuneration Committee (cont'd)

The present members of the RC are as follow:

Designation	Name	Directorship
Chairman	Tajul Arifin Bin Mohd Tahir	Independent Non-Executive Chairman
Member	Leong Peng Phooi	Independent Non-Executive Director
Member	Datuk Ir. Mohd Dom Bin Ahmad	Independent Non-Executive Director
Member	Ng Kim Cheong	Independent Non-Executive Director

The summary of activities undertaken by the RC during the FYE 2021 included the following:

- (i) Reviewed and recommended the payment of Directors' fees and other benefits payable to Independent Non-Executive Directors to the Board for approval.
- (ii) Reviewed and recommended the payment of 2021 bonus and salary increment for the Executive Directors for financial year 2022 to the Board for approval.

#### 8. Remuneration of Directors and Senior Management

The remuneration of the Executive Directors is determined fairly based on the performance and the profitability of the Group as a whole. The Directors' remuneration is at the discretion of the Board, taking into account the comparative market rates that commensurate with the level of contribution, experience and participation of each Director. The overriding principle adopted in setting the remuneration packages for the Executive Directors by the RC is to ensure that the Company attracts and retains the appropriate Directors of the calibre needed to run the Group successfully.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the AGM based on recommendations of the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### PART III – REMUNERATION (cont'd)

#### 8. Remuneration of Directors and Senior Management (cont'd)

##### Details of Directors' Remuneration

The respective Directors are abstained from discussing and deliberating on their own remuneration and Directors' fees and it has to be approved by shareholders at the AGM. The details of the remuneration of the Directors of the Company comprising remuneration received/receivable from the Company and subsidiary company during the FYE 2021 are as follows: -

Directors	Fees (RM)	Salaries and * other emoluments (RM)	Total (RM)
TAJUL ARIFIN BIN MOHD TAHIR	60,000.00	-	60,000.00
POR TEONG ENG	-	868,393.40	868,393.40
LOON CHIN SENG	-	919,593.40	919,593.40
LEONG PENG PHOOI	36,000.00	-	36,000.00
DATUK IR. MOHD DOM BIN AHMAD	60,000.00	-	60,000.00
PHANG SZE FUI (resigned w.e.f. 9 March 2021)	14,887.10	-	14,887.10
NG KIM CHEONG (appointed w.e.f. 12 March 2021)	48,225.81	-	48,225.81
DATO' LOW CHIN KOON (appointed w.e.f. 18 November 2021)	2,866.67	-	2,866.67

Note:

\* Other emoluments include the meeting allowance and other benefits and allowances for the Directors of the Company.

##### Remuneration of Top Five Senior Management

The remuneration paid to the top five senior management including salary, bonus, benefits in-kind and other emoluments during the FYE 2021 analysed into bands of RM50,000 are as follows: -

Name of Senior Management	Range of Remuneration
Neo Yeung Tat	RM50,000 to RM100,000
Tan Hock Choon	RM150,001 to RM200,000
Lee Chun Heng	RM200,001 to RM250,000
Ong Han Lin	RM150,001 to RM200,000

The Board ensures that the remuneration of the Senior Management commensurate with their individual performances and level of responsibility as well as the demands, complexities and performance of the Company, with due consideration to attract, retain and motivating the Senior Management.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### PART I – AUDIT AND RISK MANAGEMENT COMMITTEE

#### 9. Audit and Risk Management Committee (“ARMC”)

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

#### **Chairman of Audit and Risk Management Committee**

The current composition of ARMC comprises of four (4) members, all of whom are Independent Non-Executive Directors. The ARMC is chaired by an Independent Director who is distinct from the Chairman of the Board. All members of the ARMC are relatively financially literate and have relevant experience to carry out their duties. The Chairman of ARMC is a member of Malaysian Institute of Accountants.

The Terms of Reference of the ARMC can be viewed at the Company's website at [www.mestron.com.my](http://www.mestron.com.my).

#### **Former Audit Partner**

None of the Board member nor the ARMC were former audit partner of the External Auditors appointed by the Group. The Company will observe a cooling-off period of at least three years in the event any potential candidate to be appointed as a member of the ARMC was an audit partner of the external auditors of the Group.

#### **Assessment of Suitability and Independence of External Auditors**

The ARMC has established a transparent and appropriate relationship with the Company's External Auditors. The Auditors will highlight to the ARMC and the Board on matters that require the Board's attention.

The ARMC is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The ARMC has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the ARMC prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the ARMC.

To assess or determine the suitability and independence of the External Auditors, the ARMC has taken into consideration of the following:

- (i) the adequacy of the experience, competence and resources of the External Auditors;
- (ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- (iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and
- (iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the AGM on the recommendation of the Board. The External Auditors are being invited to attend the AGM of the Company to response and reply to the shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

### PART I – AUDIT AND RISK MANAGEMENT COMMITTEE (cont'd)

#### 9. Audit and Risk Management Committee (“ARMC”) (cont'd)

##### Assessment of Suitability and Independence of External Auditors (cont'd)

The ARMC will meet with the External Auditors without the presence of Executive Director and members of management at least once during the year regarding relevant audit and accounting issues and to ensure that the independence and objectivity of the External Auditors are not compromised.

In presenting the Audit Planning Memorandum to the ARMC, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by them. The External Auditors have also provided the required independence declaration to the ARMC and the Board for the FYE 2021.

The ARMC is satisfied with the competence and independence of the External Auditors for the FYE 2021. Having regard to this, the Board approved the ARMC's recommendation for the shareholders' approval to be sought at the AGM on the reappointment of Messrs Grant Thornton Malaysia PLT as the External Auditors of the Company for the financial year ending 31 December 2022.

##### Composition of the Audit and Risk Management Committee

The current composition of ARMC comprises of four (4) members, all of whom are Independent Non-Executive Directors, as follows:

Designation	Name	Directorship
Chairman	Ng Kim Cheong	Independent Non-Executive Director
Member	Tajul Arifin Bin Mohd Tahir	Independent Non-Executive Chairman
Member	Leong Peng Phooi	Independent Non-Executive Director
Member	Datuk Ir. Mohd Dom Bin Ahmad	Independent Non-Executive Director

The terms of reference and summary of activities of the ARMC are set out in the Audit and Risk Management Committee Report in this Annual Report.

### PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

#### 10. Effective Risk Management and Internal Control Framework

The Audit Committee was merged together with the Risk Management Committee to form the ARMC and the ARMC is comprised of entirely Independent Non-Executive Directors.

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal controls, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks and respond appropriately to the risks encountered.

As an effort to enhance the system of internal controls, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review the existing of risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the ARMC and the Board to strengthen and improve current management and operating style in pursuit of best practices.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

### PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (cont'd)

#### 10. Effective Risk Management and Internal Control Framework (cont'd)

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given to the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

The Statement on Risk Management and Internal Control is set out in the Annual Report which provides an overview of the management of risks and state of internal controls within the Group.

#### 11. Internal Audit Function

During the financial year under review, the Group outsourced its internal audit function to an independent professional firm, Sterling Business Alignment Consulting Sdn Bhd to provide an independent assessment and assurance over the system of internal control of the Group to the ARMC and the Board.

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

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

### PART 1 – COMMUNICATION WITH STAKEHOLDERS

#### 12. Continuous Communication Between Company and Stakeholders

The Board recognises that information is the lifeblood of capital market and effective communication between the Group and its stakeholders is imperative for informed decision-making. The Group also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders and other stakeholders. Whilst the Group endeavours to provide as much information as possible to its stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

The communication channels used in the Company's engagement with its stakeholders include:

- a) The Company's website;
- b) Announcements via Bursa Link;
- c) Annual Reports;
- d) General Meetings; and
- e) Investors, analyst and media briefings.

The practice of disclosure of information is not established just to comply with the requirement of the Listing Requirements of Bursa Securities, but also to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders.

The Company believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

The Directors have general responsibility for taking such steps to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

### PART II – CONDUCT OF GENERAL MEETINGS

#### 13. Shareholder Participation at General Meetings

The General Meeting serves as the principal avenue for shareholders to engage the Board and Senior Management in a constructive two-way dialogue. Shareholders are encouraged to actively participate during AGM and/or Extraordinary General Meeting ("EGM") by raising questions and providing feedbacks to the Board and Senior Management. During the FYE 2021, all Directors including the respective Chairmen of the Board Committees, were present during the Third (3rd) AGM to facilitate shareholder engagement and provide clear and meaningful responses to shareholders' concerns and queries. Feedbacks gathered during the AGM are evaluated and considered for further action by the Board and Senior Management.

The notice of the upcoming AGM, which is scheduled to be held on 16 June 2022, has been made available to shareholders more than twenty-eight (28) days prior to the meeting in order to accord shareholders with sufficient time to review the Group's financial and operational performance as well as the resolutions that are to be tabled during the AGM.

The Company has implemented poll voting for all the resolutions set out in the Notice of AGM to be voted to expedite verification and counting of votes. In addition, the Company appointed scrutineer to validate the votes cast at the general meetings.

### COMPLIANCE STATEMENT

The Board is of the view that the Group upholds adequate CG and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable and appropriate. This CG Overview Statement was approved by the Board on 25 April 2022.



# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit and Risk Management Committee ("ARMC") was established on 15 October 2018 with the primary objective to provide additional assurance to the Board of the Group by giving an objective and independent review of financial, operational and administrative controls and procedures, establish and maintain internal controls, reinforce the independence of the Group's External Auditors, evaluate the quality of the Internal Audit function and oversee compliance with laws and regulations together with observance of a proper code of conduct.

## COMPOSITION OF THE ARMC

The present members of the ARMC are as follows:

Designation	Name	Directorship
Chairman	Ng Kim Cheong	Independent Non-Executive Director
Member	Tajul Arifin Bin Mohd Tahir	Independent Non-Executive Chairman
Member	Leong Peng Phooi	Independent Non-Executive Director
Member	Datuk Ir. Mohd Dom Bin Ahmad	Independent Non-Executive Director

The ARMC comprises of all Independent Non-Executive Directors. The ARMC Chairman, Mr. Ng Kim Cheong, is a member of the Malaysian Institute of Accountants. The ARMC, therefore, meets the requirement of Rules 15.09 and 15.10 of the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and Practice 9.4 of the Malaysia Code on Corporate Governance 2021 ("MCCG").

The Company recognised the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. None of the members of the ARMC were former key audit partners of the External Auditors appointed by the Group. The Company will observe a cooling-off period of at least three (3) years in the event any potential candidate to be appointed as a member of the ARMC was a former audit partner of the external auditors of the Group.

## TERMS OF REFERENCE

The Terms of Reference of the ARMC which set out its duties and responsibilities are accessible via the Company's website at [www.mestron.com.my](http://www.mestron.com.my).

## FINANCIAL LITERACY OF THE MEMBERS OF ARMC

The members of the ARMC have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the ARMC. The qualification and experience of the individual ARMC members are disclosed in the Directors' Profile in the Annual Report.

All members of ARMC have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required to enable them to effectively discharge their duties.

## ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2021 ("FYE 2021"), the ARMC held five (5) meetings. Details of the attendance of ARMC members are as follow:

Members	Attendance
Ng Kim Cheong (appointed w.e.f. 12 March 2021)	4/4
Tajul Arifin Bin Mohd Tahir	5/5
Leong Peng Phooi	5/5
Datuk Ir. Mohd Dom Bin Ahmad	5/5

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (cont'd)

## ATTENDANCE OF MEETINGS (CONT'D)

The Group Chief Financial Officer was invited to all ARMC meetings to facilitate direct communications and to provide clarification on financial reports. Other Board members and designated members of Senior Management may also attend these meetings on the invitation of the ARMC. The internal auditors and external auditors are also invited to attend the ARMC meetings to present their audit plan and audit findings respectively, and for the external auditors to assist the ARMC in its review of the unaudited quarterly financial reports and year-end financial statements. Minutes of each meeting were recorded and tabled for confirmation at the next ARMC meeting and subsequently presented to the Board for notation.

## SUMMARY OF ACTIVITIES OF THE ARMC

The activities undertaken by the ARMC in the discharge of its functions and duties for the FYE 2021 is summarised as follows: -

### ***Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:***

- (a) Reviewed the financial positions, unaudited quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The review is to ensure that the Company's unaudited quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance are in compliance with the Malaysian Financial Reporting Standard 134 – Interim Financial Reporting Standards in Malaysia and International Accounting Standards 34 – Interim Financial Reporting as well as applicable disclosure provisions of the Listing Requirements of Bursa Securities;
- (b) Reviewed the annual audited financial statements and the external auditors' findings and recommendations for the FYE 2021. In the review of the audited financial statements, the ARMC had discussed with Management and the external auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit; and
- (c) Reviewed any changes in the implementation of major accounting policies and practices to the Group.

### ***Reviewing the Audit Findings of the External Auditors and Evaluate their Performance, Suitability and Independence of External Auditors:***

- (a) Reviewed the audit plan of the external auditors in terms of their scope of audit, methodology and timetable, audit materiality, areas of focus prior to the commencement of their annual audit;
- (b) Reviewed and discussed the external auditors' audit report and areas of concern highlighted in the management letter, including management's responses to the concerns raised by the external auditors, and evaluation of the system of internal controls;
- (c) Met up with the external auditors without the presence of executive board members and management personnel to further discuss matters arising from audit; and
- (d) Evaluated the performance of the external auditors and considered the re-appointment of external auditors and their audit fees, after taking into consideration of the independence and objectivity of the external auditors and the cost effectiveness of their audit, before recommending to the Board for approval.

### ***Overseeing the Governance Practices in the Group***

- (a) Reviewed the ARMC Report, Corporate Governance Overview Statement and Statement of Risk Management and Internal Control before recommending to the Board for approval, for inclusion in the Annual Report;
- (b) Reviewed the related party transactions that may arise within the Company or the Group to ensure that they were not detrimental to the interests of the minority shareholders; and
- (c) Reviewed the adequacy and effectiveness of the Group's internal control system and reported to the Board.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (cont'd)

## SUMMARY OF ACTIVITIES OF THE ARMC (CONT'D)

Reviewing the Audit Findings of the Internal Auditors and Assisting the Board in Reviewing the Effectiveness and Adequacy of Systems of Internal Control in the Key Operation Processes:

- (a) Reviewed and approved the internal auditors' plan;
- (b) Reviewed and discussed the internal auditors reports which outlined the recommendations towards correcting areas of weaknesses and ensured that management action plans were established for the implementation of the internal auditors' recommendations. Summary of internal auditors' reports presented to the ARMC provides status updates for management action plans to address the findings reported in the previous audit cycles; and
- (c) Reviewed the adequacy of the scope, functions and competency of the internal auditors' function, and the results of the internal auditors' process to ensure the appropriate actions are taken of the recommendations of the internal auditors' function.

## INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

During the financial year under review, the Internal Audit Function is outsourced to an independent professional Internal Audit Firm namely, Sterling Business Alignment Consulting Sdn. Bhd. ("Sterling"). Sterling is a corporate member of the Institute of Internal Auditors Malaysia (IIAM). Sterling has a sufficient number of audit staff deployed for the internal audit reviews during the financial year under review.

The Internal Audit firm appointed by the Company is free from any relationship or conflict of interest of activities related to business operations. The internal auditors use the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Internal Control Framework set by relevant professional bodies, namely the Institute of Internal Auditors, as a basis for evaluating the effectiveness of the internal control system.

The internal audit activities were reported directly to the ARMC based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover entities across all level of operations within the Group.

The principal role of the internal auditors is to independently review the internal control system established by the management, its adequacy and effectiveness with the objectives set and to make appropriate recommendations for further improvement. With the internal audit function being put in place, remedial actions can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units.

During the FYE 2021, the following activities were carried out by the internal auditors in discharge of its responsibilities:

- (a) Presented the Internal Audit Plan for the ARMC's approval;
- (b) Reviewed the Human Resources functions of Mestron Engineering Sdn Bhd;
- (c) Reviewed the Operation functions of Meslite Sdn Bhd and Max Lighting Solution Sdn Bhd;
- (d) Reviewed the key risks and implementation of risk control measures implemented by the Group; and
- (e) Followed up on implementation and disposition of audit findings and recommendations;

For the financial year under review, the total costs incurred by the Group for the internal audit functions were RM39,000.

The ARMC and the Board are satisfied with the performance of the outsourced internal auditors.

This ARMC Report has been reviewed by the ARMC and approved by the Board on 25 April 2022.

# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

## Introduction

Pursuant to Rule 15.26(b) and Guidance Note 11 of the Bursa Malaysia Securities Berhad's ACE Market Listing Requirements ("Listing Requirements"), the Board of Directors ("the Board") of Mestron Holdings Berhad ("Mestron" or "the Company") is pleased to present the statement on the state of the internal controls of the Group for the financial year ended 31 December 2021 ("FYE 2021"). The scope of this Statement includes the Company and its operating subsidiaries. This statement is guided by the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control with the support and endorsement of the Bursa Malaysia Securities Berhad and Malaysian Code on Corporate Governance 2021 ("MCCG").

## Board Responsibility

The Board recognises that it is ultimately responsible for Mestron's importance of good risk management practices and sound internal controls as a platform for good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and effectiveness to ensure shareholder's interests and the Group assets are safeguarded. In addition, the Board has also received assurance from the Managing Director ("MD"), Executive Director ("ED") and Senior Management that the Group's risk management and internal control not only covers the financial aspects of the Group but operational and compliance aspects of the Group system are operating adequately and effectively.

Due to inherent limitations in any risk management and internal control system, such a system is designed to manage the risk that may impede the achievement of the Group's business objectives rather than eliminate these risks. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against fraud, material misstatement, losses, or errors.

The Board through its Audit and Risk Management Committee ("ARMC") has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the ARMC on a periodic basis.

The effectiveness of internal controls was reviewed by the ARMC in relation to the audits conducted by internal auditors ("IA") during the financial year. Audit issues and actions taken by Management to address the issues tabled by IA were deliberated during the ARMC meetings. Minutes of the ARMC meetings which recorded these deliberations were presented to the Board.

## Risk Management

The Board recognises the importance of risk management to safeguard shareholders' investment and our Group's assets. As such, the Board has an established ongoing process for identifying, evaluating and managing the significant risks encountered by the Company in accordance with the Guidance for Directors of Public Listed Companies on Statement of Risk Management and Internal Control Risk Management as an integral part of the business operations and this process goes through a review process by the Board.

Management is entrusted to identify significant risks for onward reporting to the Audit and Risk Management Committee ("ARMC") so that remedial measures may be taken to mitigate the risks as appropriate. For each risk identified, the risk management process includes assessing the likelihood of its occurrence and the impact thereof. The significant risks faced by our Group, including action plans to mitigate risks within acceptable levels, shall be reported by ARMC to our Board at least once a year.

Further, these risks were also summarised and included in the Group's risk management report. There is an on-going risk management process to identify, evaluate, monitor and manage significant risks faced by the Group throughout the financial year under review and up to the date of approval of this statement for inclusion in the annual report by the Management. This is to ensure that all high risks are adequately addressed at various levels within the Group.

# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

## Risk Management (cont'd)

The roles and responsibilities of the ARMC, which is chaired by the Independent and Non-Executive Director, in relation to risk management are as follows:

1. Overseeing and recommend the Group's risk appetite and risk management policies to the Board;
2. Recommend and review the implementation of the Group's internal controls and risk management framework;
3. Review the processes and procedures for ensuring all materials business risks are properly identified with appropriate monitoring and control system;
4. Receive and review risk management reports and make recommendations for changes in policies and procedures as and when required;
5. Consider material risk factors, risk tolerance levels, review the actions taken in response, mitigation and prevention actions;
6. Consider the effect of any material findings on business risks, financial risks, compliance risks and operational risks that may impact the Group's performance; and
7. Consider the effect of risks of any findings highlighted by the internal auditors (if any) or any independent reviews carried out for the Group.

The Board recognises that risk management shall be an integral part of the Group's culture and embedded into the day-to-day management of operations, processes and structures. Thus, it should be extensively applied in all decision-making and strategic planning. The Management team is responsible for managing risks related to their functions or departments. The ARMC relies on the Senior Management team to support in terms of:

1. Managing the inherent risk of business processes under his/her control;
2. Identifying risks, evaluating and executing risk control measures;
3. Reporting significant risks to the ARMC and the Board at scheduled meetings in a proactive, responsible and accountable manner; and
4. Providing oversight on the establishment, implementation and review of the effectiveness of the risk management framework and internal control systems to the ARMC and the Board.

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the ARMC. The ARMC, supported by the IA, provides an independent assessment of the effectiveness of the Group's Risk Management framework and reports to the Board. This helps to reduce the uncertainties surrounding the Group's internal and external environment, thus allowing it to maximise opportunities and minimise adverse incidences that may arise. The major risks to which the Group is exposed which including strategic, operational, regulatory, financial, market, technological, products, reputational risks as well as corporate liabilities risks.

## Internal Audit

The Board is fully aware of the importance of the internal audit function. The Group and has engaged an independent professional consulting firm namely Sterling Business Alignment Consulting Sdn Bhd ("IA Firm") to provide independent assurance to the Board and ARMC in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

The IA Firm reports directly to the ARMC by providing insights and recommendations from their analyses, evaluations and assessment of data on the adequacy and effectiveness of the Group's system on the risk management and internal control on a quarterly basis. The IA firm is free from any relationships or conflicts of interest, which could impair its objectivity and independence of the internal audit function. The firm does not have any direct operational responsibility or authority over any of the activities audited. The ARMC is of the opinion that the internal audit functions are effective and able to function independently.

# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

## Internal Audit (cont'd)

Scheduled internal audits are carried out based on the annual audit plan approved by the ARMC. The internal auditors align their current internal audit practices with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal Controls – Integrated Framework. Using this framework, all internal control assessments performed by IA are based on the internal control elements, scope and coverage. On a quarterly basis, the IA Firm presents the ARMC with the internal audit reports. During the year under review, internal audit reviews were carried out by the internal audit team to address the related internal control weaknesses. Weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported accordingly.

The internal audit function assists the Board and Senior Management team in providing an independent assessment of the effectiveness and adequacy of the Group's system of internal controls. The assessment of the adequacy and effectiveness of internal controls established in mitigating risks is carried out through interviews and discussion with the Management team, review of relevant established policies and procedures and authority limits, and observing and testing of the internal controls on a sample basis. The internal audit reviews have resulted in an action plan to be taken by the Group to address the weaknesses noted. Identified enhancement opportunities are then reported to be taken by the Group to address the weaknesses noted. Identified enhancement opportunities are reported to the ARMC, who in turn reports these matters to the Board. Any highlighted issues will be followed up closely to determine the extent of the recommendation that has been implemented by the Senior Management.

For the FYE 2021, 2 internal audit reviews and 2 follow up reviews had been carried out and reported by IA:

Audit Period	Reporting Month	Name of Entity Audited	Audit Areas
January – March 2021	May 2021	Mestron Engineering Sdn Bhd	Human Resources
April – June 2021	August 2021	Mestron Engineering Sdn Bhd	Follow up review
July – September 2021	November 2021	Max Lighting Solution Sdn Bhd and Meslite Sdn Bhd	Sales & Marketing, Procurement, Production, Inventory Management and Safety & Health
October – December 2021	February 2022	Mestron Engineering Sdn Bhd, Max Lighting Solution Sdn Bhd and Meslite Sdn Bhd	Follow up review

All reports from the internal audit reviews carried out were submitted and presented to the ARMC with the feedback and agreed corrective actions to be undertaken by Management. Subsequently, the progress of these corrective actions was monitored and verified by IA on a regular basis and submitted to the ARMC. IA committed to equip the internal auditors with sufficient knowledge, skills and competencies to discharge their duties and responsibilities.

## Internal Control

The Board acknowledges that a sound system of internal control reduces, but cannot eliminate the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees, management overriding controls, and the occurrence of unforeseeable circumstances.

The Management receives and reviews regular reports on key financial data, performance indicators and regulatory matters. This is to ensure that matters requiring the Board's attention are highlighted for review, deliberation and decision making on a timely basis. The Board will approve the appropriate responses or amendments to the Group's policies.

The internal control matters are reviewed and the Board is updated on significant control gaps, if any, for the Board's attention and action. Issues relating to the business operations are also highlighted to the Board's attention during Board meetings and any significant fluctuation or exception noted will be and acted in a timely manner.

# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

## Internal Control (cont'd)

Other key elements of the Group's internal control systems are as follows:

- An organisational structure in the Group with formally defined lines of responsibility and delegation of authority;
- Clearly defined terms of reference, authorities and responsibilities of the various Board committees which include the ARMC, Nomination and Remuneration Committee;
- Well-defined organisational structure with clear lines of authority, accountability and responsibilities of the Management team;
- Clearly defined and formalised internal policies and procedures are in place to support the Group in achieving its business objectives. These policies and procedures provide a basis for ensuring compliance with applicable laws and regulations, and also internal controls with respect to the conduct of business;
- Quarterly review of financial results by the Board and the ARMC;
- Active participation and involvement by the MD and ED in the day-to-day running of the major businesses and regular discussions with the Senior Management of smaller business units on operational issues;
- Review of internal audit reports and findings by the ARMC; and
- Monthly review of Group management accounts by MD, ED and Management.

The Group will continue to foster a risk-awareness culture in all decision-making and manage all risks in a proactive and effective manner. This is to enable the Group to respond effectively to the changing business and competitive environment.

## Review of the Statement by External Auditors

As required under Rule 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control.

Their review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in 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.

Based on their review, nothing has come to the attention that causes them to believe that this statement is not prepared, in all aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines to be set out, nor is factually inaccurate.

## Management's Assurance

The Board regularly receives and reviews the report on the effectiveness of the risk management and internal control from the Management, and is of the view that is adequate to safeguard the shareholders' interest and the Group's assets. The role of the Management is to implement the Board's policies and guidelines on risks and controls, to identify and evaluate the risks faced and to operate a suitable system of internal controls to manage these risks.

The Board has obtained assurances from the MD, ED and Chief Financial Officer that the Group's system of Risk Management and Internal Control is operating adequately and effectively for the financial year under review and up to date as of this Statement.

## Conclusion

For the financial year under review, there were no significant internal control deficiencies the view that the existing Group's system of risk management and internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of risk management and internal control practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.

This Statement on Risk Management and Internal Control was approved by the Board on 25 April 2022.



## STATEMENT OF DIRECTORS' RESPONSIBILITY FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required pursuant to the Companies Act 2016 ("the Act") to prepare the financial statements for each financial year in accordance with the applicable approved accounting standards in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and of the results and cash flows of the Company and the Group for the financial year.

In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

- overseeing the overall conduct of the Group and the Company's business;
- appropriate accounting policies and practices have been adopted and applied consistently;
- the statements are supported by reasonable and prudent judgements and estimates;
- all applicable accounting standards have been followed, subject to any material departure and explained in the financial statements;
- reviewing the adequacy and integrity of internal control systems and management information system in the Company and within the Group; and
- a going-concern basis has been adopted unless it is inappropriate to presume that the Group will continue its business.

The Directors are also responsible for ensuring that the Group and the Company keep proper accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy at any time, thus enabling the financial statements to be complied with the requirements of the Act and have been made out in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Listing Requirements of Bursa Securities.

The Directors are also responsible for taking the necessary steps to ensure appropriate systems are in place to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group and the Company for the FYE 2021, then Group and the Company have used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

## OTHER DISCLOSURE REQUIREMENTS

### 1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

#### (a) PUBLIC ISSUE

On 26 May 2019, the Company issued its prospectus in relation to the public issue of 158,000,000 new ordinary shares ("Public Issue") at issue price of RM0.16 per ordinary share. The listing exercise of the Company's enlarged share capital of 790,000,000 shares on the ACE Market of Bursa Securities was completed on 18 June 2019.

The gross proceeds raised from the Public Issue amounting to RM25.28 million are intended to be utilised in the following manner:-

Purpose	Proposed Utilisation	Actual Utilised	Unutilised Amount	Estimated Timeframe for utilisation (from the date of Listing)
	RM'000	RM'000	RM'000	
i) Expansion of our Main Manufacturing Facility and acquisition of manufacturing machineries and equipment	10,500	4,339	6,161 <sup>(2)</sup>	Within 30 months <sup>(2)</sup>
ii) Working capital <sup>(1)</sup>	7,680	7,680	-	Within 12 months
iii) Repayment of bank borrowings	4,000	4,000	-	Within 6 months
iv) Estimated listing expenses	3,100	3,100	-	Within 1 months
	25,280	19,119	6,161	

Note:

<sup>(1)</sup> Utilisation of working capital includes purchase of raw materials mainly consisting of steel plates and pipes, outdoor lighting products and galvanising of work-in-progress steel products.

<sup>(2)</sup> The Group had on 19 May 2020 announced the variation on the utilisation of proceed raised from the initial public offering exercise. RM2.50 million of the proceeds earmarked for the expansion of the Group's main manufacturing facility and acquisition of manufacturing machineries and equipment has been reallocated for to finance the Group's working capital requirement such as fixed overhead cost and purchase of raw materials. The estimated timeframe for utilisation of proceeds allocated for expansion of the Group's main manufacturing facility and acquisition of manufacturing machineries and equipment has also been extended for an additional 6 months.

#### (b) PRIVATE PLACEMENT PROCEEDS

On 18 August 2020, the Company announced that it would undertake a private placement of up to 158,000,000 new ordinary shares ("Placement Shares") in Mestron Holdings Berhad, representing not more than 20% of the issued shares of the Company ("Proposed Private Placement").

The Proposed Private Placement was in accordance with the new general mandate pursuant to Sections 75 & 76 which was approved by the Company's shareholders at the 2<sup>nd</sup> AGM held on 18 August 2020.

## OTHER DISCLOSURE REQUIREMENTS (cont'd)

### 1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE (cont'd)

#### (b) PRIVATE PLACEMENT PROCEEDS (cont'd)

On 7 September 2020, Bursa Securities had vide its letter dated 7 September 2020, approved the listing and quotation for the 158,000,000 Placement Shares. As at the date of this Annual Report, the Placement Shares were issued in four (4) tranches as follows:-

- a) On 7 December 2020, Mestron issued 3,500,000 Placement Shares at an issue price of RM0.1520 each and raised total proceeds of RM532,000.00.
- b) On 8 January 2021, Mestron issued 89,000,000 Placement Shares at an issue price of RM0.1790 each and raised total proceeds of RM15,931,000.00.
- c) On 5 March 2021, Mestron issued 24,400,000 Placement Shares at an issue price of RM0.1950 each and raised total proceeds of RM4,758,000.00.
- d) On 8 September 2021, Mestron issued 23,550,000 Placement Shares at an issue price of RM0.3015 each and raised total proceeds of RM7,100,325.00.

On 30 September 2021, Mestron has resolved to withdraw the Extension of Time ("EOT") Application. As such, the Private Placement has lapsed on 30 September 2021.

The status of the utilisation of total gross proceeds from the four (4) tranches of private placement are as below:-

Purpose	Proposed Utilisation RM'000	Actual Utilised RM'000	Unutilised Amount RM'000	Estimated Timeframe for utilisation (from the date of Listing)
i) Future business projects/ investments	12,728	6,300	6,428	Within 24 months
ii) Repayment of bank borrowings	5,303	3,915	1,388	Within 12 months
iii) Working capital	9,866	9,292	574	Within 18 months
iv) Estimated expenses for the private placement	424	252	172	Within 1 month
	28,321	19,759	8,562	

Note: The utilisation of proceeds as disclosed above should be read in conjunction with the Announcement of the Company dated 18 August 2020.

### 2. AUDIT AND NON-AUDIT FEES PAID TO EXTERNAL AUDITORS

During FYE 2021, the amount of audit and non-audit fees paid or payable to the External Auditors by the Company and Group respectively as follows:

	Company RM'000	Group RM'000
Audit fees	24	102
Non-audit fees		
(a) Review of Statement on Risk Management and Internal Control	3	3

## OTHER DISCLOSURE REQUIREMENTS (cont'd)

### 3. MATERIAL CONTRACTS

During FYE 2021, there was no material contracts (including contracts not reduced into writing), entered into in the ordinary course of business which have been entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests.

### 4. MATERIAL CONTRACTS RELATING TO LOANS

During FYE 2021, there were no material contracts relating to loans entered into by the Company and its subsidiaries involving Directors', chief executive's and/or major shareholders' interests.

### 5. RELATED PARTIES TRANSACTIONS

During FYE 2021, there was no Related Party Transactions of a revenue or trading nature which requires shareholders' mandate.



# 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 2021.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of the Group's activities during the financial year.

### FINANCIAL RESULT

	Group RM	Company RM
Profit for the financial year	3,193,498	1,967,978
Attributable to:-		
Owners of the Company	3,211,021	1,967,978
Non-controlling interests	(17,523)	-
	3,193,498	1,967,978

### DIVIDENDS

	RM
An interim single tier dividend of RM0.0013 on 930,450,000 ordinary shares in respect of the financial year ended 31 December 2021 declared on 22 November 2021 and paid on 28 January 2022	1,209,585

The Directors do not recommend any final dividend payment for the financial year.

### RESERVES AND PROVISIONS

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

### 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:-

Tajul Arifin Bin Mohd Tahir

Leong Peng Phooi

Loon Chin Seng

Por Teong Eng

Datuk IR. Mohd Dom Bin Ahmad

Ng Kim Cheong

Dato' Low Chin Koon

(Appointed on 12 March 2021)

(Appointed on 18 November 2021)

## DIRECTORS' REPORT (cont'd)

### DIRECTORS (CONT'D)

#### Subsidiaries:

##### Name of Subsidiaries

Mestron Engineering Sdn Bhd

##### Name of Directors

Loon Chin Seng  
Por Teong Eng

Meslite Sdn Bhd

Loon Chin Seng  
Por Teong Eng  
Pee Kok Keong

Max Lighting Solution Sdn Bhd

Loon Chin Seng  
Lee Yong Kong

Poshflex Realty Sdn Bhd

Datuk Woo Thin Choy  
Lee Teik Aun  
Por Teong Eng  
Loon Chin Seng

Mestron Energy Sdn Bhd

Loon Chin Seng  
Por Teong Eng

Premier Radiant Builders Sdn Bhd

Datuk Woo Thin Choy  
Lee Teik Aun  
Por Teong Eng  
Loon Chin Seng

Liziz Biogas Sdn Bhd

Por Teong Eng  
Loon Chin Seng  
Lee Teik Aun

### DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, the interests in the ordinary shares of the Company and its related corporations, of those who were Directors as at the financial year end are as follows:-

	Number of ordinary shares			
	At 01.01.2021	Bought	Sold	At 31.12.2021
<b>The Company</b>				
<b>Direct interests:-</b>				
Tajul Arifin Bin Mohd Tahir	160,000	-	-	160,000
Leong Peng Phooi	130,000	-	-	130,000
Loon Chin Seng	237,347,600	-	-	237,347,600
Por Teong Eng	212,101,600	-	-	212,101,600
Datuk IR. Mohd Dom Bin Ahmad	7,701,000	-	(2,000,000)	5,701,000
Ng Kim Cheong				
(Appointed on 12 March 2021)	-	36,000	-	36,000
Dato' Low Chin Koon				
(Appointed on 18 November 2021)	5,328,000	-	-	5,328,000

By virtue of the direct interests of Loon Chin Seng and Por Teong Eng in the Company, they are also deemed to have interest in shares of all the subsidiaries to the extent that the Company has an interest under Section 8 of the Companies Act, 2016.



## DIRECTORS' REPORT (cont'd)

### DIRECTORS' REMUNERATION

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

	Incurring by the Company RM	Incurring by the Subsidiaries RM	Group RM
Directors' fees	221,980	-	221,980
Directors' remuneration	-	2,129,440	2,129,440
Other benefits	-	343,686	343,686

Benefits-in-kind (based on estimated monetary value) for the Group amounted to RM28,000.

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 the 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, other than the share options granted pursuant to the employee share option scheme.

### ISSUE OF SHARES AND DEBENTURES

On 8 January 2021, the Company issued 89,000,000 new ordinary shares at an issue price of RM0.179 per ordinary share for a total cash consideration of RM15,931,000 for working capital purposes.

On 5 March 2021, the Company issued 24,400,000 new ordinary shares at an issue price of RM0.195 per ordinary share for a total cash consideration of RM4,758,000 for working capital purposes.

On 8 September 2021, the Company issued 23,550,000 new ordinary shares at an issue price of RM0.3015 per ordinary share for a total cash consideration of RM7,100,325 for working capital purposes.

There were no debentures issued during the financial year.

### INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There is no indemnity coverage and insurance premium paid for Directors and Officers of the Company during the financial year.

### OTHER STATUTORY INFORMATION

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

- to ascertain that proper 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- 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.

## **DIRECTORS' REPORT (cont'd)**

### **OTHER STATUTORY INFORMATION (CONT'D)**

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

- (a) which would render the amounts written off for 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 statement misleading.

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

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

### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 36 to the financial statements.

### **EVENT AFTER THE REPORTING PERIOD**

The event after the reporting period is disclosed in Note 37 to the financial statements.

## DIRECTORS' REPORT (cont'd)

### AUDITORS

The total amount of fees paid to or receivable by the Auditors, Grant Thornton Malaysia PLT, as remuneration for their services as Auditors of the Company and of its subsidiaries for the financial year ended 31 December 2021 amounted to RM24,000 and RM78,000 respectively.

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 2021.

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

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

..... )	
LOON CHIN SENG )	
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..... )	
POR TEONG ENG )	

DIRECTORS

Kuala Lumpur  
25 April 2022

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 77 to 134 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 2021 and of their financial performances and cash flows for the financial year then ended.

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

.....  
 LOON CHIN SENG

.....  
 POR TEONG ENG

Kuala Lumpur  
 25 April 2022

## STATUTORY DECLARATION

I, Ong Han Lin, being the Officer primarily responsible for the financial management of Mestron Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 77 to 134 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
 the abovenamed at Kuala Lumpur in )  
 the Federal Territory this day of )  
 25 April 2022 )

.....  
 ONG HAN LIN  
 (MIA NO: 45735)  
 CHARTERED ACCOUNTANT

Before me:

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MESTRON HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

### REGISTRATION NO: 201801018716 (1280732 - K)

#### Report on the Audit of the Financial Statements

##### *Opinion*

We have audited the financial statements of Mestron Holdings Berhad, which comprise the statements of financial position as at 31 December 2021 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 77 to 134.

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 2021 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 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.

#### **Inventories valuation**

##### The risk

The Group holds significant amount of inventories amounting to RM15,764,533 as disclosed in Note 9 to the financial statements which are subject to a risk that the inventories might become slow-moving or obsolete and rendering them not saleable or can only be sold for selling prices that are less than the carrying value. Judgement is required to assess the appropriate level of provision for items which may be ultimately sold below cost.

##### Our responses

We have selected a sample of inventories items and reperformed the calculation of weighted average cost method and compared the unit cost to the purchase invoices. In addition, we obtained an understanding and reviewed the management's assessment of net realisable value ("NRV") of the inventories and on a sample basis, tested the subsequent selling prices of inventories. Also, we examined the conditions of inventories selected on a sample basis by attending physical stock counts at financial year end. We also considered the adequacy of the Group's disclosures in respect of inventories.

# INDEPENDENT AUDITORS' REPORT (cont'd)

## TO THE MEMBERS OF MESTRON HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

### REGISTRATION NO: 201801018716 (1280732 - K)

#### Report on the Audit of the Financial Statements (cont'd)

##### *Key Audit Matters (cont'd)*

##### **Allowance for expected credit loss on trade receivables**

###### The risk

The Group has a material amount of trade receivables amounting to RM8,396,841 as disclosed in Note 33.2(a)(i) to the financial statements whereby the amount is past due but not impaired. The key associate risk is recoverability of billed trade receivables as management judgement is required in assessing the adequacy of impairment losses by considering the expected recoverability of the outstanding trade receivables.

###### Our responses

We have challenged management's assumptions in providing impairment losses of trade receivables. Our procedures include reviewing the ageing of trade receivables, testing the integrity of ageing, reviewing by recalculating the due date for a number of invoices, assessed the recoverability of outstanding receivables through examination of subsequent cash receipts and reviewed the expected credit losses model developed by the Group. We have also tested the operating effectiveness of the relevant control procedures that management has in place.

##### **Revenue recognition**

###### The risk

Revenue recognition has been identified as a risk primarily relating to the completeness and accuracy of the revenue recognition, the timing of revenue recognition occurring on or around year end and judgement is required to determine when controls have transferred under contractual arrangements with third parties.

###### Our responses

We evaluated and tested the internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements. We also verified based on a sampling basis, the completeness of revenue captured by vouching to the customer's purchase orders, sales invoices, acknowledged delivery orders and bank and/or cash receipts. We understood and reviewed the appropriateness of revenue recognition policies.

##### **Impairment of goodwill on consolidation**

###### The risk

The aggregate carrying value of the Group's goodwill amounting to RM3,973,258 as at 31 December 2021. The Group performs an annual impairment assessment for its goodwill. This requires management to estimate the recoverable amount for the cash-generating unit and this involves significant assumptions which are inherently judgmental.

###### Our responses

We evaluated the model used in determining the value in use of the cash-generating unit as well as assessing the discount rate used and challenging the reasonableness of key assumptions based on our knowledge of the business and industry. We compared the impairment assessment performed by the Company with the requirements of the accounting standards. We challenged the recoverable amounts determined by the Company by evaluating the key assumptions made by the Company.

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

# **INDEPENDENT AUDITORS' REPORT (cont'd)**

## **TO THE MEMBERS OF MESTRON HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)**

### **REGISTRATION NO: 201801018716 (1280732 - K)**

#### **Report on the Audit of the Financial Statements (cont'd)**

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

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

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

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

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

##### *Responsibilities of the Directors for the Financial Statements*

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing of 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 and the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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



# **INDEPENDENT AUDITORS' REPORT (cont'd)**

## **TO THE MEMBERS OF MESTRON HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)**

### **REGISTRATION NO: 201801018716 (1280732 - K)**

#### **Report on the Audit of the Financial Statements (cont'd)**

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

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:- (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of 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 and 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 and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, we determined those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We described these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined 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 Matter*

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 & LLP0022494-LCA)  
 CHARTERED ACCOUNTANTS (AF 0737)

LIAN TIAN KWEE  
 (NO: 02943/05/2023 J)  
 CHARTERED ACCOUNTANT

Kuala Lumpur  
 25 April 2022

# STATEMENTS OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2021

	Note	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	35,645,825	16,394,652	-	-
Right-of-use assets	5	13,936,356	16,633,385	-	-
Land held for property development	6	3,521,644	-	-	-
Investment in subsidiaries	7	-	-	35,900,000	31,600,000
Goodwill on consolidation	8	3,973,258	-	-	-
Total non-current assets		57,077,083	33,028,037	35,900,000	31,600,000
<b>Current assets</b>					
Inventories	9	15,764,533	14,782,822	-	-
Trade receivables	10	19,123,251	20,629,555	-	-
Other receivables	11	3,547,898	1,348,503	49,711,534	25,597,214
Fixed deposit with a licensed bank	12	128,000	-	-	-
Cash and bank balances	13	30,292,404	18,492,978	1,759,371	2,054,429
Tax recoverable		1,644,155	559,664	-	-
Total current assets		70,500,241	55,813,522	51,470,905	27,651,643
<b>Total assets</b>		<b>127,577,324</b>	<b>88,841,559</b>	<b>87,370,905</b>	<b>59,251,643</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	14	83,552,933	55,957,568	83,552,933	55,957,568
Merger deficit	15	(29,100,000)	(29,100,000)	-	-
Retained earnings		40,899,110	38,897,674	2,447,415	1,689,022
Equity attributable to owners of the Company		95,352,043	65,755,242	86,000,348	57,646,590
Non-controlling interests		994,759	-	-	-
<b>Total equity</b>		<b>96,346,802</b>	<b>65,755,242</b>	<b>86,000,348</b>	<b>57,646,590</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	16	4,116,617	7,335,978	-	-
Lease liabilities	17	133,666	760,911	-	-
Deferred tax liabilities	18	1,299,000	714,000	-	-
Total non-current liabilities		5,549,283	8,810,889	-	-
<b>Current liabilities</b>					
Trade payables	19	14,837,585	9,433,168	-	-
Other payables	20	9,137,934	2,231,759	85,185	27,934
Amount due to Directors	21	126,628	19,500	20,000	19,500
Borrowings	16	232,883	435,736	-	-
Lease liabilities	17	136,624	831,515	-	-
Dividend payable		1,209,585	1,323,750	1,209,585	1,323,750
Tax payable		-	-	55,787	233,869
Total current liabilities		25,681,239	14,275,428	1,370,557	1,605,053
<b>Total liabilities</b>		<b>31,230,522</b>	<b>23,086,317</b>	<b>1,370,557</b>	<b>1,605,053</b>
<b>Total equity and liabilities</b>		<b>127,577,324</b>	<b>88,841,559</b>	<b>87,370,905</b>	<b>59,251,643</b>

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
Revenue	22	58,350,618	56,639,798	1,500,000	1,500,000
Cost of sale		(43,693,579)	(38,311,287)	-	-
Gross profit		14,657,039	18,328,511	1,500,000	1,500,000
Other income	23	863,097	425,220	-	-
Finance income	24	355,329	268,356	1,519,511	980,705
Selling and distribution expenses		(362,864)	(401,688)	-	-
Allowance for expected credit loss on financial assets		(7,778)	-	-	-
Administrative expenses		(10,703,849)	(9,617,558)	(793,646)	(418,338)
Other operating expenses		(24,600)	(5,738)	-	-
Finance costs	24	(98,076)	(341,347)	-	-
Profit before tax	25	4,678,298	8,655,756	2,225,865	2,062,367
Tax expense	26	(1,484,800)	(2,516,825)	(257,887)	(397,369)
Profit for the financial year		3,193,498	6,138,931	1,967,978	1,664,998
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial year		3,193,498	6,138,931	1,967,978	1,664,998
<b>Total comprehensive income/(loss) for the financial year attributable to:-</b>					
Owners of the Company		3,211,021	6,138,931	1,967,978	1,664,998
Non-controlling interests		(17,523)	-	-	-
		3,193,498	6,138,931	1,967,978	1,664,998
<b>Earnings per share</b>	27				
Basic earnings per share (sen)		0.35	0.78		
Diluted earnings per share (sen)		-	-		

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company					Non-controlling interests RM	Total equity RM
	Share capital RM	Merger deficit RM	Retained earnings RM	Total RM	Non-distributable RM		
<b>Group</b>							
Balance at 1 January 2020	55,496,089	(29,100,000)	34,082,493	60,478,582	-	-	60,478,582
Total comprehensive income for the financial year	-	-	6,138,931	6,138,931	-	-	6,138,931
Transactions with owners:-							
Issuance of ordinary shares	532,000	-	-	532,000	-	-	532,000
Share issuance expenses	(70,521)	-	-	(70,521)	-	-	(70,521)
Dividend	-	-	(1,323,750)	(1,323,750)	-	-	(1,323,750)
Total transaction with owners	461,479	-	(1,323,750)	(862,271)	-	-	(862,271)
Balance at 31 December 2020	55,957,568	(29,100,000)	38,897,674	65,755,242	-	-	65,755,242
Total comprehensive income for the financial year	-	-	3,211,021	3,211,021	(17,523)	(17,523)	3,193,498
Transactions with owners:-							
Issuance of ordinary shares	27,789,325	-	-	27,789,325	-	-	27,789,325
Share issuance expenses	(193,960)	-	-	(193,960)	-	-	(193,960)
Acquisition of subsidiaries	-	-	-	-	1,012,282	1,012,282	1,012,282
Dividend	-	-	(1,209,585)	(1,209,585)	-	-	(1,209,585)
Total transaction with owners	27,595,365	-	(1,209,585)	26,385,780	1,012,282	1,012,282	27,398,062
Balance at 31 December 2021	83,552,933	(29,100,000)	40,899,110	95,352,043	994,759	994,759	96,346,802

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# STATEMENTS OF CHANGES IN EQUITY (cont'd)

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Share capital RM	Merger deficit RM	Retained earnings RM	Total RM
<b>Company</b>					
At 1 January 2020		55,496,089	-	1,347,774	56,843,863
Total comprehensive income for the financial year		-	-	1,664,998	1,664,998
<i>Transactions with owners:-</i>					
Issuance of ordinary shares		532,000	-	-	532,000
Share issuance expenses		(70,521)	-	-	(70,521)
Dividend	30	-	-	(1,323,750)	(1,323,750)
Total transaction with owners		461,479	-	(1,323,750)	(862,271)
Balance at 31 December 2020		55,957,568	-	1,689,022	57,646,590
Total comprehensive income for the financial year		-	-	1,967,978	1,967,978
<i>Transactions with owners:-</i>					
Issuance of ordinary shares		27,789,325	-	-	27,789,325
Share issuance expenses		(193,960)	-	-	(193,960)
Dividend	30	-	-	(1,209,585)	(1,209,585)
Total transaction with owners		27,595,365	-	(1,209,585)	26,385,780
Balance at 31 December 2021		83,552,933	-	2,447,415	86,000,348

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Note	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
<b>OPERATING ACTIVITIES</b>				
Profit before tax	4,678,298	8,655,756	2,225,865	2,062,367
<b>Adjustments for:-</b>				
Property, plant and equipment written off	5,759	-	-	-
Bad debts written off	5,526	-	-	-
Depreciation of property, plant and equipment	1,361,137	957,105	-	-
Depreciation of right-of-use assets	1,219,932	1,256,235	-	-
Interest expense	98,076	341,347	-	-
Interest income	(355,329)	(268,356)	(1,519,511)	(980,705)
Gain on disposal of property, plant and equipment	(9,999)	(1,999)	-	-
Allowance for expected credit losses on trade receivables	38,651	-	-	-
Reversal of allowance for expected credit losses on trade receivables	(30,873)	-	-	-
Operating profit before capital changes	7,011,178	10,940,088	706,354	1,081,662
Changes in working capital:-				
Inventories	(981,711)	(4,289,116)	-	-
Receivables	5,587,435	(1,800,737)	4,321	131,030
Payables	(322,395)	426,714	57,251	586
Cash generated from operations	11,294,507	5,276,949	767,926	1,213,278
Interest received	355,329	268,356	1,096	-
Tax paid	(1,984,291)	(1,956,667)	(435,969)	(163,500)
Net cash from operating activities	9,665,545	3,588,638	333,053	1,049,778
<b>INVESTING ACTIVITIES</b>				
Acquisition of subsidiaries, net of cash 7.2	(6,249,557)	-	(3,300,000)	-
Subscription of new subsidiary	-	-	(1,000,000)	-
Advance to subsidiaries	-	-	(22,600,226)	(989,065)
Proceeds from disposal of property, plant and equipment	10,000	2,000	-	-
Placement of fixed deposit	(128,000)	-	-	-
Purchase of property, plant and equipment	(12,775,991)	(3,707,395)	-	-
Purchase of right-of-use assets A	-	(177,900)	-	-
Purchase of land held for property development	(41,173)	-	-	-
Interest received	-	-	-	980,705
Net cash used in investing activities	(19,184,721)	(3,883,295)	(26,900,226)	(8,360)

# STATEMENTS OF CASH FLOWS (cont'd)

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
<b>FINANCING ACTIVITIES</b>					
(Repayment to)/Advances from Directors		(613)	5,000	500	5,000
Proceeds from issuance of share capital		27,595,365	461,479	27,595,365	461,479
Repayment of lease liabilities		(1,432,110)	(1,075,112)	-	-
Repayment of borrowings		(3,422,214)	(1,005,320)	-	-
Interest paid		(98,076)	(341,347)	-	-
Dividend paid		(1,323,750)	(1,580,000)	(1,323,750)	(1,580,000)
Net cash from/(used in) financing activities		21,318,602	(3,535,300)	26,272,115	(1,113,521)
<b>CASH AND CASH EQUIVALENTS</b>					
Net changes		11,799,426	(3,829,957)	(295,058)	(72,103)
At the beginning of the financial year		18,492,978	22,322,935	2,054,429	2,126,532
At the end of the financial year	B	30,292,404	18,492,978	1,759,371	2,054,429

### NOTES TO THE STATEMENTS OF CASH FLOWS

#### (A) Purchase of Right-of-use Assets

The Group acquired right-of-use assets with an aggregate cost of RM180,039 (2020: RM910,377) of which RM180,039 (2020: RM732,477) was acquired by means of lease arrangement. Cash payment of RMNIL (2020: RM177,900) was made to purchase of right-of-use assets.

#### (B) Cash and Cash Equivalents

Cash and cash equivalents included in the Statements of Cash Flows comprise the following:

	Note	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
Cash and bank balances		30,292,404	18,492,978	1,759,371	2,054,429
Fixed deposit with a licensed bank		128,000	-	-	-
		30,420,404	18,492,978	1,759,371	2,054,429
Less: Fixed deposit pledged to bank	12	(128,000)	-	-	-
Cash and cash equivalents		30,292,404	18,492,978	1,759,371	2,054,429

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

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2021

### 1. GENERAL INFORMATION

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

The registered office of the Company is located at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan. The principal place of business of the Company is located at PT 50102, Jalan MU 1/9, Seksyen 10, Taman Perindustrian Meranti Utama, 47120 Puchong, Selangor Darul Ehsan.

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

There have been no significant changes in the nature of the Group's activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors passed on 25 April 2022.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of 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, unless otherwise indicated in the summary of significant accounting policies.

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.

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.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 2.2 Basis of Measurement (cont'd)

All assets and liabilities for which fair value is 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 determines 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.

The Group has established control framework in respect to the measurement of fair values of financial instruments. The Executive Committee has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors. The Executive Committee regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group has 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 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 2021.

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 2.5 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, if applicable, when they become effective in the respective financial period.

##### Effective for financial period beginning on or after 1 April 2021

- Amendments to MFRS 16 *Leases* - Covid-19-Related Rent Concessions beyond 30 June 2021

##### Effective for financial period beginning on or after 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 Contract-Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018-2020

##### Effective for financial period beginning on or after 1 January 2023

- MFRS 17 *Insurance Contracts*\*
- Amendments to MFRS 4 *Insurance Contracts* - Extension of the Temporary Exemption from Applying MFRS 9\*
- Amendments to MFRS 17 *Insurance Contracts*\*
- Amendments to MFRS 17 - Initial Application of MFRS 17 and MFRS 9-Comparative Information
- 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
- Amendments to MFRS 123 *Income Taxes* - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

##### Deferred to a date to be determined by the MASB

- Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *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's and the Company's operations.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group and of the Company in future periods.

#### 2.6 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 2.6 Significant Accounting Estimates and Judgements (cont'd)

##### 2.6.1 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 depreciation assets

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment and right-of-use assets to be within 2 to 99 years and reviews the useful lives of depreciable assets at the end of each reporting period. At 31 December 2021, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which may result in the adjustment to the Group's assets.

The carrying amount of the Group's property, plant and equipment and right-of-use assets at the end of the reporting period is disclosed in Note 4 and 5 to the financial statements.

##### Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made. The Group's core business is subject to economical and technology changes which may cause selling prices to change rapidly, and the Group's profit to change.

The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 9 to the financial statements.

##### Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group and the Company are not yet committed to or significant future investments that will enhance the performance of the assets of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group and the Company.

##### Provision for expected credit losses ("ECLs") of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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 are expected to increase over the next year which can lead to an increased number of defaults, 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 2.6 Significant Accounting Estimates and Judgements (cont'd)

##### 2.6.1 Estimation Uncertainty (cont'd)

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 (cont'd).

##### Provision for expected credit losses ("ECLs") of trade receivables (cont'd)

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. The information about the ECLs on the Group's trade receivables is disclosed in Note 33.2(a)(i).

##### Income taxes and deferred tax liabilities

Estimation is involved in determining the Group's and the Company's 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 recognise 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 year in which such determination is made.

##### Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

##### Impairment of goodwill

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

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 8 to the financial statements.

##### 2.6.2 Significant Management Judgement

There are no significant judgements applied by the management in 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 (cont'd)

## 31 DECEMBER 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company have applied 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 Company. Control exists when the Group 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 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 amount 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 subsidiary, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of the subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiary are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group 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 3.20 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.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 3.1 Consolidation (cont'd)

##### 3.1.3 Business Combinations 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 the acquirer's previously held 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 MFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

##### 3.1.4 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 3.1 Consolidation (cont'd)

##### 3.1.5 Non-controlling Interest

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

#### 3.2 Foreign Currency Translation and Balances

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

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 with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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).

#### 3.3 Property, Plant and Equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. 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.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. 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 life.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 3.3 Property, Plant and Equipment (cont'd)

Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Freehold building	2%
Leasehold building	2%
Office equipment	20%
Computer and software	20% - 33%
Office renovation	10%
Tools and machineries	14% - 20%
Furniture and fittings	10% - 20%
Motor vehicles	20%
Telecommunication network site equipment	10%

Capital work-in-progress consists of buildings and plant and machinery under construction/ installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction/installation until the property, plant and equipment are ready for their intended use. Assets under construction are not depreciated until it is completed and 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. Gain or loss 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.

##### 3.4.1 Group 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.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 3.4 Leases (cont'd)

##### 3.4.1 Group as a Lessee (cont'd)

###### 3.4.1.1 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 basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold land 67 to 99 years
- Tools and machinery 5 to 7 years
- Motor vehicles 5 years
- Premises 2 years

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 Impairment of non-financial assets.

###### 3.4.1.2 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 (cont'd)

## 31 DECEMBER 2021

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

#### 3.4 Leases (cont'd)

##### 3.4.1 Group as a Lessee (cont'd)

##### 3.4.1.3 Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 Group 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 statement of 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 Land Held for Property Development

Land held for property development consists of land where no development activity has been carried out or where development activities are not expected to be completed within the normal operating cycle.

Land held for property development is classified as non-current assets and is stated at cost less impairment losses. Cost consists of land and development expenditure which include borrowing costs relating to the financing of the development and costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9.

Land held for property development is transferred to property development cost when the development activities have commenced.

#### 3.6 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.

##### 3.6.1 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 3.6 Financial Instruments (cont'd)

##### 3.6.1 Financial Assets (cont'd)

###### Initial recognition and measurement (cont'd)

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.

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)
- Financial assets at fair value through profit or loss

###### 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 deposit with a licensed bank.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 3.6 Financial Instruments (cont'd)

##### 3.6.1 Financial Assets (cont'd)

###### 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 (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group and the Company have transferred its 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.

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has 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 ("ECL") on financial assets measured at amortised cost. ECLs are a probability-weighted estimate of credit losses.

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

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 3.6 Financial Instruments (cont'd)

##### 3.6.1 Financial Assets (cont'd)

###### Impairment (cont'd)

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

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

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

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

##### 3.6.2 Financial Liability

###### 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.

The Group's and the Company's financial liabilities include trade and other payables, borrowings, amount due to Directors and dividend payable.

###### Subsequent measurement

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

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

###### Financial liabilities at amortised cost

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and 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 statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 3.6 Financial Instruments (cont'd)

##### 3.6.2 Financial Liability (cont'd)

###### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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 statement of profit or loss.

##### 3.6.3 Offsetting of Financial Instruments

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

#### 3.7 Inventories

Inventories comprise raw material, work-in-progress and finished goods.

Inventories are valued at the lower of cost and net realisable value, after adequate allowance has been made for deterioration, damage and obsolescence. Cost is determined based on the weighted average basis.

Cost of inventories comprises aggregate cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to be incurred in marketing, selling and distribution.

#### 3.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and bank balances which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the 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.

#### 3.9 Non-financial Assets - Impairment

The Group assesses 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 estimates 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 3.9 Non-financial Assets - Impairment (cont'd)

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

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 estimates 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 unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

#### 3.10 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.

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior years retained earnings.

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings.

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

#### 3.11 Provisions

Provisions are recognised when the Group has 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 expects 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 statement of 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 3.12 Revenue

The Group is in the business of manufacturing and trading in steel, lighting and solar products. Revenue is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

##### 3.12.1 Sale of Goods

Revenue relating to sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. Transaction price of the sales of goods will be net of sales returns and discount.

##### 3.12.2 Rental Income

Rental income is accounted for on a straight-line basis over the lease terms.

##### 3.12.3 Interest Income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

##### 3.12.4 Dividend Income

Dividend income is recognised when the Company's right to receive such payment is established, which is generally when it approves the dividend in its subsidiary.

#### 3.13 Borrowing Cost

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.

#### 3.14 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.

##### 3.14.1 Current Tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the financial period, 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.

##### 3.14.2 Deferred Tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction 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 by the end of the reporting period.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 3.14 Tax Expense (cont'd)

##### 3.14.2 Deferred Tax (cont'd)

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

#### 3.15 Employee Benefits

##### 3.15.1 Short-term Employee Benefits

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

##### 3.15.2 Defined Contribution Plans

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

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employee Provident Fund ("EPF").

#### 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.

##### 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

#### 3.18 Joint Arrangements

Joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

##### 3.18.1 Joint Operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in Note 35 to the financial statements.

#### 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 by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

#### 3.20 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 Company and its related party, regardless of whether a price is charged.

- (i) A person or a close member of that person's family is related to the Group and the Company if that person:-
  - (a) has control or joint control over the Group;
  - (b) has significant influence over the Group; or
  - (c) is a member of the key management personnel of the Group, or the Company.
- (ii) An entity is related to the Group and the Company if any of the following conditions applies:-
  - (a) the entity and the Group are members of the same group.
  - (b) one entity is an associate or joint venture of the other entity.
  - (c) both entities are joint ventures of the same third party.
  - (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (e) the entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
  - (f) the entity is controlled or jointly-controlled by a person identified in (i) above.
  - (g) a person identified in (i)(a) above has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).
  - (h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land and Building RM	Leasehold Building RM	Office Equipments RM	Computer and Software RM	Office Renovation RM	Tools and Machinery RM	Furniture and Fittings RM	Motor Vehicles RM	Construction Work-In-Progress RM	Telecommunication Network Site Equipment RM	Total RM
<b>Cost</b>											
At 1 January 2020	2,830,000	6,238,777	255,857	442,513	1,423,740	4,658,576	260,410	994,909	1,466,418	-	18,571,200
Additions	-	139,632	58,625	103,329	414,748	1,778,705	17,750	5,000	1,189,606	-	3,707,395
Disposals	-	-	-	-	-	(120,000)	-	-	-	-	(120,000)
At 31 December 2020	2,830,000	6,378,409	314,482	545,842	1,838,488	6,317,281	278,160	999,909	2,656,024	-	22,158,595
Additions	-	100,825	54,495	135,876	1,344,934	2,379,479	8,394	473,359	8,278,629	-	12,775,991
Additions through acquisition of subsidiaries	-	-	-	-	-	-	-	-	6,255,008	-	6,255,008
Disposals	-	-	-	-	-	-	-	(45,000)	-	-	(45,000)
Written off	-	-	(7,178)	-	-	-	-	-	-	-	(7,178)
Transfer from right-of-use assets	-	-	-	-	-	1,538,830	-	3,679,321	-	-	5,218,151
Reclassification	-	-	-	-	-	-	-	-	(1,448,010)	1,448,010	-
At 31 December 2021	2,830,000	6,479,234	361,799	681,718	3,183,422	10,235,590	286,554	5,107,589	15,741,651	1,448,010	46,355,567

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

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

Group (cont'd)	Freehold Land and Building RM	Leasehold Building RM	Office Equipments RM	Computer and Software RM	Office Renovation RM	Tools and Machinery RM	Furniture and Fittings RM	Motor Vehicles RM	Construction Work-In-Progress RM	Telecommunication Network Site Equipment RM	Total RM
<b>Accumulated Depreciation</b>											
At 1 January 2020	118,860	509,708	117,288	244,651	116,399	2,746,398	134,559	938,974	-	-	4,926,837
Depreciation for the financial year	33,960	126,348	41,883	98,014	152,315	463,321	23,099	18,165	-	-	957,105
Disposals	-	-	-	-	-	(119,999)	-	-	-	-	(119,999)
At 31 December 2020	152,820	636,056	159,171	342,665	268,714	3,089,720	157,658	957,139	-	-	5,763,943
Depreciation for the financial year	33,960	128,450	44,889	133,292	232,646	614,981	24,527	47,554	-	100,838	1,361,137
Disposals	-	-	-	-	-	-	-	(44,999)	-	-	(44,999)
Written off	-	-	(1,419)	-	-	-	-	-	-	-	(1,419)
Transfer from right-of-use assets	-	-	-	-	-	1,266,577	-	2,364,503	-	-	3,631,080
At 31 December 2021	186,780	764,506	202,641	475,957	501,360	4,971,278	182,185	3,324,197	-	100,838	10,709,742
<b>Net Carrying Amount</b>											
At 31 December 2021	2,643,220	5,714,728	159,158	205,761	2,682,062	5,264,312	104,369	1,783,392	15,741,651	1,347,172	35,645,825
At 31 December 2020	2,677,180	5,742,353	155,311	203,177	1,569,774	3,227,561	120,502	42,770	2,656,024	-	16,394,652

Assets pledged as securities to financial institutions

Leasehold building of the Group with net carrying amount of RM5,714,728 (2020: RM5,742,353) are pledged to secured banking facilities granted to the Group.

The Directors are of the opinion that unreasonable expenses would be incurred in segregating the costs of the freehold land and building separately.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 5. RIGHT-OF-USE ASSETS

Group	Tools and machineries RM	Motor vehicles RM	Leasehold land RM	Premises RM	Total RM
<b>Cost</b>					
At 1 January 2020	1,538,830	3,205,586	14,603,720	-	19,348,136
Additions	-	760,900	-	149,477	910,377
At 31 December 2020	1,538,830	3,966,486	14,603,720	149,477	20,258,513
Additions	-	-	-	180,039	180,039
Lease termination	-	-	-	(149,477)	(149,477)
Transfer to property, plant and equipment	(1,538,830)	(3,679,321)	-	-	(5,218,151)
At 31 December 2021	-	287,165	14,603,720	180,039	15,070,924
<b>Accumulated Depreciation</b>					
At 1 January 2020	835,705	1,038,974	494,214	-	2,368,893
Depreciation for the financial year	215,436	778,431	224,947	37,421	1,256,235
At 31 December 2020	1,051,141	1,817,405	719,161	37,421	3,625,128
Depreciation for the financial year	215,436	705,039	224,947	74,510	1,219,932
Lease termination	-	-	-	(79,412)	(79,412)
Transfer to property, plant and equipment	(1,266,577)	(2,364,503)	-	-	(3,631,080)
At 31 December 2021	-	157,941	944,108	32,519	1,134,568
<b>Net Carrying Amount</b>					
At 31 December 2021	-	129,224	13,659,612	147,520	13,936,356
At 31 December 2020	487,689	2,149,081	13,884,559	112,056	16,633,385

#### Assets pledged as securities to financial institutions

Leasehold land of the Group with net carrying amount of RM13,659,612 (2020: RM13,884,559) are pledged to secured banking facilities granted to the Group.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 6. LAND HELD FOR PROPERTY DEVELOPMENT

Group	Freehold land RM	Development costs RM	Total RM
<b>Cost</b>			
At 1 January 2020/2021	-	-	-
Additions through acquisition of subsidiaries	3,380,000	100,471	3,480,471
Additions	-	41,173	41,173
At 31 December 2021	3,380,000	141,644	3,521,644

### 7. INVESTMENT IN SUBSIDIARIES

	Company 2021 RM	2020 RM
At cost		
Unquoted shares:		
At beginning of the financial year	31,600,000	31,600,000
Additions	4,300,000	-
At end of the financial year	35,900,000	31,600,000

Details of the subsidiaries are as follows:-

Companies	Principal place of business	Effective interest rate		Principal activities
		2021	2020	
Mestron Engineering Sdn Bhd ("MESB") #	Malaysia	100%	100%	Manufacturing and trading in steel and lighting products.
Subsidiaries of MESB				
- Max Lighting Solution Sdn Bhd	Malaysia	100%	100%	Trading of outdoor lighting products.
- Meslite Sdn Bhd	Malaysia	100%	100%	Manufacturing of steel poles comprising decorative light poles.
Mestron Energy Sdn Bhd ("Energy")	Malaysia	100%	-	Operation of generation facilities that produce electric energy.
Subsidiaries of Energy				
- Liziz Biogas Sdn Bhd	Malaysia	100%	-	Generating, supplying, distributing, transmitting of electricity using waste gas from palm oil mill.
Premier Radiant Builders Sdn Bhd	Malaysia	70%	-	Property development.
Poshflex Realty Sdn Bhd	Malaysia	70%	-	Builders, contractors and general merchants.

# The consolidated financial statements have been prepared using the merger method to account for the acquisition of the subsidiaries. Merger reserve or deficit are determined as the difference between the cost of merger and net asset value of the subsidiaries acquired and recognised in the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 7. INVESTMENT IN SUBSIDIARIES (CONT'D)

#### 7.1 Non-controlling Interests in Subsidiaries

The subsidiaries of the Group that have non-controlling interest ("NCI") are as follow:-

	Premier Radiant Builders Sdn Bhd RM	2021 Poshflex Realty Sdn Bhd RM	Total RM
Percentage of ownership interest and voting interest (%)	30%	30%	
Carrying amount of NCI	1,031,786	(37,027)	994,759
Loss allocated to NCI	(12,076)	(5,447)	(17,523)
Total comprehensive loss allocated to NCI	(12,076)	(5,447)	(17,523)

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interests is as below:

	2021 Premier Radiant Builders Sdn Bhd RM	Poshflex Realty Sdn Bhd RM
<b>Financial position as at 31 December</b>		
Non-current assets	3,521,644	-
Current assets	177,076	314,014
Non-current liabilities	-	-
Current liabilities	(259,433)	(437,436)
Net assets/(liabilities)	3,439,287	(123,422)
<b>Summary of financial performance for the financial year ended 31 December</b>		
Loss for the financial year	(40,253)	(18,156)
Other comprehensive loss	-	-
Total comprehensive loss	(40,253)	(18,156)
<b>Summary of cash flows for the financial year ended 31 December</b>		
Net cash inflow from operating activities	1,037,882	9,976
Net cash outflow from investing activities	(41,173)	-
Net cash (outflow)/inflow from financing activities	(374,032)	1,000

#### 7.2 Acquisition of Subsidiaries

On 4 March 2021, the Company incorporated a new subsidiary, Mestron Energy Sdn Bhd with paid-up capital of RM2,000 comprising 2,000 ordinary shares.

On 24 March 2021, the Company subscribed 998,000 new ordinary shares in Mestron Energy Sdn Bhd for a cash consideration of RM998,000.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 7. INVESTMENT IN SUBSIDIARIES (CONT'D)

#### 7.2 Acquisition of Subsidiaries (cont'd)

On 16 April 2021, the Company entered into a share purchase agreement for the purchase of 3,311,000 ordinary shares of Premier Radiant Builders Sdn Bhd ("PRB"), representing 70% of the issued and paid-up share capital of PRB for a consideration of RM2,800,000.

On 3 September 2021, Mestron Energy Sdn Bhd had entered into a share purchase agreement for the purchase of 1,000,000 ordinary shares of Liziz Biogas Sdn Bhd ("LBSB"), representing 100% of the issued and paid-up share capital of LBSB for a consideration of RM3,000,000.

On 8 September 2021, the Company entered into a share purchase agreement for the purchase of 701 ordinary shares of Poshflex Realty Sdn Bhd ("PRSB"), representing 70% of the issued and paid-up share capital of PRSB for a consideration of RM500,000.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

#### Fair value of consideration transferred

	Acquisition of PRB and PRSB RM	2021 Acquisition of LBSB RM	Total RM
<b>Fair value of consideration</b>			
Cash consideration	3,300,000	3,000,000	6,300,000
<b>Fair value of identifiable assets acquired and liabilities assumed</b>			
Property, plant and equipment	-	6,255,008	6,255,008
Land held for property development	3,480,471	-	3,480,471
Other receivables	-	384,000	384,000
Cash and bank balances	50,435	8	50,443
Other payables	(48,891)	(6,674,266)	(6,723,157)
Amount due to Directors	(107,741)	-	(107,741)
Total identifiable assets/(liabilities)	3,374,274	(35,250)	3,339,024
<b>Net cash outflow arising from acquisition of subsidiaries</b>			
Purchase consideration settled in cash	(3,300,000)	(3,000,000)	(6,300,000)
Cash and cash equivalent acquired	50,435	8	50,443
Net cash outflow arising on acquisition	(3,249,565)	(2,999,992)	(6,249,557)
<b>Goodwill arising from business combination</b>			
Goodwill was recognised as a results of the acquisition as follows:-			
Fair value of consideration	(3,300,000)	(3,000,000)	(6,300,000)
Fair value of identifiable assets acquired and liabilities assumed	3,374,274	(35,250)	3,339,024
Non-controlling interest, based on their proportionate interest recognised amount of the assets and liabilities of the acquiree	(1,012,282)	-	(1,012,282)
Goodwill on consolidation	(938,008)	(3,035,250)	(3,973,258)



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 7. INVESTMENT IN SUBSIDIARIES (CONT'D)

#### 7.2 Acquisition of Subsidiaries (cont'd)

##### Impact of the acquisition on the Consolidated Statement of Profit or Loss and Other Comprehensive Income

From the date of acquisition, acquired subsidiaries had contributed RMNIL and RM79,002 to the Group's revenue and loss for the year respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and loss for the financial year would have been RMNIL and RM134,141 respectively.

### 8. GOODWILL ON CONSOLIDATION

	Group 2021 RM	2020 RM
At the beginning of the financial year	-	-
Acquisition of subsidiaries during the financial year	3,973,258	-
At the end of the financial year	3,973,258	-

The goodwill on consolidation arose upon the acquisition of subsidiaries principally engaged in the following business segments:

	Group 2021 RM	2020 RM
Property	938,008	-
Renewable energy	3,035,250	-
	3,973,258	-

The recoverable amount of the cash generating unit of goodwill is determined based on value-in-use calculation using cash flows projections based on financial budgets approved by the management covering a five-years period.

Key assumptions made in determining the value-in-use are as follows:

- Cash flows were projected based on actual operating results and a 5-years business plan;
- Revenue from property and renewable energy segment was projected at anticipated annual revenue growth of approximately 0% to 1% (2020: NIL%) per annum; and
- The discount rate applied to the cash flows projections of 5% to 8.25% (2020: NIL%) are derived from the weighted average cost of capital of the Group.

The key assumptions represent management's assessment of future trends for property and renewable energy based on both external sources and internal sources (historical data).

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 9. INVENTORIES

	Group 2021 RM	2020 RM
Finished goods	5,458,143	3,070,696
Raw material	8,429,398	9,384,400
Work-in-progress	1,876,992	2,327,726
	<u>15,764,533</u>	<u>14,782,822</u>
<b>Recognised in profit or loss</b>		
Recognised as cost of sales	<u>42,064,666</u>	<u>37,752,905</u>

### 10. TRADE RECEIVABLES

	Group 2021 RM	2020 RM
Trade receivables	19,206,203	20,704,729
Less: Allowance for expected credit losses	(82,952)	(75,174)
	<u>19,123,251</u>	<u>20,629,555</u>

Set out below is the movement in the allowance for expected credit losses of trade receivables:-

	Group 2021 RM	2020 RM
At 1 January	75,174	75,174
Allowance for expected credit losses	38,651	-
Reversal	(30,873)	-
At 31 December	<u>82,952</u>	<u>75,174</u>

Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represents their fair values on initial recognition.

The credit terms granted by the Group to the trade receivables range from 30 to 90 (2020: 30 to 90) days.

The allowance for expected credit losses on trade receivables were reversed during the financial year as a result of subsequent receipts of the amount.

### 11. OTHER RECEIVABLES

	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
Other receivables	2,934,428	1,099,911	-	5,321
Deposits	663,870	283,846	1,000	-
Prepayments	-	15,146	-	-
Amount due from subsidiaries	-	-	49,710,534	25,591,893
	<u>3,598,298</u>	<u>1,398,903</u>	<u>49,711,534</u>	<u>25,597,214</u>
Less: Allowance for expected credit loss	(50,400)	(50,400)	-	-
	<u>3,547,898</u>	<u>1,348,503</u>	<u>49,711,534</u>	<u>25,597,214</u>

Included in other receivables consist of contract assets amounting to RM2,362,362 (2020: RM858,812).

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 11. OTHER RECEIVABLES (CONT'D)

The movement of allowance for expected credit losses during the financial year are as follows:-

	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
Brought/Carried forward	50,400	50,400	-	-

Amount due from subsidiaries are non-trade in nature, unsecured, bear an interest rate ranging from 3.40% to 3.49% (2020: 3.51% to 4.64%) and receivable on demand.

### 12. FIXED DEPOSIT WITH A LICENSED BANK

Fixed deposit with a licensed bank is pledged to bank for credit facilities granted to a subsidiary. The interest rate of fixed deposit with licensed bank is 1.5% per annum.

### 13. CASH AND BANK BALANCES

Included in cash at banks is an amount of RM17,123,436 (2020: RM11,361,539) held under the Money Market Fund for the investment of the Company's funds as a short-term investment. There are no restrictions on the Company's funds.

### 14. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares 2021 Unit	2020 Unit	Amount 2021 RM	2020 RM
<b>Issued and fully paid with no par value:-</b>				
At beginning of financial year	793,500,000	790,000,000	55,957,568	55,496,089
Issued during the financial year	136,950,000	3,500,000	27,789,325	532,000
Share issuance expenses	-	-	(193,960)	(70,521)
At end of financial year	930,450,000	793,500,000	83,552,933	55,957,568

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

### 15. MERGER DEFICIT

The merger deficit arises as and when the combination takes place, where the net asset value exceeds the cost of merger of the share capital of subsidiaries acquired.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 16. BORROWINGS

	Group 2021 RM	2020 RM
<b>Secured:-</b>		
<u>Non-current</u>		
Term loans	4,116,617	7,335,978
<u>Current</u>		
Term loans	232,883	435,736
Total borrowings	4,349,500	7,771,714
<u>Term loans</u>		
<b>Secured:-</b>		
Term loan 1	572,786	658,418
Term loan 2	1,310,958	1,461,682
Term loan 3	302,912	349,064
Term loan 4	-	2,959,148
Term loan 5	2,162,844	2,343,402
	4,349,500	7,771,714
<b>The term loans are repayable as follows:-</b>		
- within 1 year	232,883	435,736
- within 1 to 2 years	251,550	454,213
- more than 2 years	3,865,067	6,881,765
Non-current portion	4,116,617	7,335,978
	4,349,500	7,771,714

The term loans 1 to 5 bear interest at rate of 3.42% - 4.37% (2020: 1.62% - 2.20%) below Base Lending Rate ("BLR"). The term loan 1 to 5 are secured against the following:-

- Guaranteed by certain Directors of the Group jointly and severally; and
- Property, plant and equipment and right-of-use assets of the Group as disclosed in Notes 4 and 5 to the financial statements.

Term loan 1 is repayable over 240 monthly installments of RM7,146 each commencing after one month from the date of full disbursement.

Term loan 2 is repayable over 240 monthly installments of RM12,761 each commencing after one month from the date of full disbursement.

Term loan 3 is repayable over 180 monthly installments of RM3,856 each commencing after one month from the date of full disbursement.

Term loan 4 is repayable over 180 monthly installments of RM28,587 each commencing after one month from the date of full disbursement. The term loan has been fully settled during the financial year.

Term loan 5 is repayable over 240 monthly installments of RM16,360 each commencing after one month from the date of full disbursement.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 17. LEASE LIABILITIES

	Group 2021 RM	2020 RM
<b>Minimum lease payment:-</b>		
- within 1 year	145,128	889,128
- within 1 to 2 years	111,328	524,032
- between 2 to 5 years	25,724	276,340
	282,180	1,689,500
Less: Future finance charges	(11,890)	(97,074)
	270,290	1,592,426
<b>Present value of lease liabilities:-</b>		
- within 1 year	136,624	831,515
- within 1 to 2 years	108,258	423,860
- between 2 to 5 years	25,408	337,051
Non-current portion	133,666	760,911
	270,290	1,592,426

Set out below is the movements of the lease liabilities during the financial year:-

	Group 2021 RM	2020 RM
At 1 January	1,592,426	1,935,061
Additions	180,039	732,477
Lease termination	(70,065)	-
Accretion of interest	47,769	89,021
Payments of principal and interests	(1,479,879)	(1,164,133)
At 31 December	270,290	1,592,426

The following are the amount relating to lease liabilities recognised in profit or loss:-

	Group 2021 RM	2020 RM
Interest expense on lease liabilities	47,769	89,021
Depreciation expense of right-of-use assets	1,219,932	1,256,235
Expenses relating to short-term lease	26,312	80,012

The effective interest rates are ranging from 2.10% to 3.70% (2020: 2.39% to 3.66%) per annum.

The Group had total cash outflows for lease of RM1,506,191 (2020: RM1,244,145). The Group also had non-cash additions to right-of-use assets and lease liabilities of RM180,039 (2020: RM732,477).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 31 DECEMBER 2021

#### 18. DEFERRED TAX LIABILITIES

	Group 2021 RM	2020 RM
At beginning of financial year	714,000	533,000
Recognised in profit or loss (Note 26)	440,000	113,000
Underprovision in prior year (Note 26)	145,000	68,000
At end of financial year	1,299,000	714,000

The deferred tax liabilities are made up of temporary differences arising from:-

	Group 2021 RM	2020 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	1,343,000	742,000
Unutilised capital allowances	(44,000)	(28,000)

#### 19. TRADE PAYABLES

Trade payables are non-interest bearing and generally on 30 to 90 (2020: 30 to 90) days term.

#### 20. OTHER PAYABLES

	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
Other payables	7,435,090	577,748	61,185	934
Accruals	1,702,844	1,654,011	24,000	27,000
	9,137,934	2,231,759	85,185	27,934

#### 21. AMOUNT DUE TO DIRECTORS

The amount due to Directors is non-trade in nature, unsecured, interest free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 22. REVENUE

#### 22.1 Disaggregated Revenue Information

	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
<b>Types of revenue</b>				
Sales of goods	58,350,618	56,639,798	-	-
Dividend income from a subsidiary	-	-	1,500,000	1,500,000
	58,350,618	56,639,798	1,500,000	1,500,000

	Group 2021 RM	2020 RM
<b>Types of good</b>		
Standard Pole	12,590,544	10,502,970
Specialty Pole	20,180,192	7,112,856
Decorative Pole	5,192,466	9,011,882
Accessories	9,947,230	8,117,080
Lantern	9,268,272	21,895,010
Solar	1,171,914	-
	58,350,618	56,639,798

<b>Geographical markets</b>		
Malaysia	54,567,223	53,427,908
Republic of Korea	112,033	-
Australia	2,308,872	2,232,091
Singapore	991,566	864,789
Philippines	62,652	-
Maldives	142,720	-
Sri Lanka	165,552	115,010
	58,350,618	56,639,798

Revenue of the Group is recognised when the goods transferred at a point in time.

Dividend income received from a subsidiary is recognised at a point in time.

#### 22.2 Performance Obligation

The performance obligation represents sales of steel, lighting and solar products and is satisfied upon delivery of goods to the customers.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 31 DECEMBER 2021

#### 23. OTHER INCOME

	Group 2021 RM	2020 RM
Gain on disposal of property, plant and equipment	9,999	1,999
Gain on realised foreign exchange	1,797	-
Sales of scrap	306,378	110,840
Miscellaneous income	7,110	-
Sponsorship	46,500	54,781
Wages subsidy	232,650	257,600
Joint venture revenue	242,413	-
Deposit refunded	16,250	-
	<hr/> 863,097	<hr/> 425,220

#### 24. FINANCE INCOME AND FINANCE COSTS

Finance income for the reporting periods consists of the following:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Interest income from a bank	355,329	268,356	1,096	-
Interest income from subsidiaries	-	-	1,518,415	980,705
	<hr/> 355,329	<hr/> 268,356	<hr/> 1,519,511	<hr/> 980,705

Finance costs for the reporting periods consist of the following:

	Group 2021 RM	2020 RM
Term loans	46,926	249,263
Lease liabilities	47,769	89,021
Bankers' acceptance	3,381	3,063
	<hr/> 98,076	<hr/> 341,347



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 25. PROFIT BEFORE TAX

Profit before tax has been determined after charging, amongst others, the following items:-

	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
Audit fee	102,000	89,000	24,000	24,000
Bad debts written off	5,526	-	-	-
Depreciation of property, plant and equipment	1,361,137	957,105	-	-
Depreciation of right-of-use assets	1,219,932	1,256,235	-	-
Expense related to short-term lease:-				
Rental of house	3,900	16,800	-	-
Rental of crane	-	2,550	-	-
Rental of hostel	21,212	40,462	-	-
Rental of forklift	1,200	20,200	-	-

### 26. TAX EXPENSE

	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
<b>Current tax expense:-</b>				
- Current year provision	1,289,982	2,361,782	279,982	235,369
- (Over)/Under provision in prior year	(390,182)	(25,957)	(22,095)	162,000
	899,800	2,335,825	257,887	397,369
<b>Deferred tax:-</b>				
Transferred to deferred tax (Note 18)	440,000	113,000	-	-
Under provision in prior year	145,000	68,000	-	-
	1,484,800	2,516,825	257,887	397,369

Malaysia income tax is calculated at the statutory rate of 24% of the estimated assessable profits for the current year.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 31 DECEMBER 2021

#### 26. TAX EXPENSE (CONT'D)

A reconciliation of income tax expenses applicable to profit of tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and the Company are as follows:-

	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
Profit before tax	4,678,298	8,655,756	2,225,865	2,062,367
Tax at Malaysia statutory tax rate of 24%	1,122,792	2,077,381	534,208	494,968
Tax effect in respect of:-				
Non-allowable expenses	554,434	397,401	105,774	100,401
Income not subject to tax	(92,244)	-	(360,000)	(360,000)
Deferred tax asset not recognised	145,000	-	-	-
Under provision of deferred tax in prior year	145,000	68,000	-	-
(Over)/Under provision of tax in prior year	(390,182)	(25,957)	(22,095)	162,000
Tax expense for the financial year	1,484,800	2,516,825	257,887	397,369

Deferred tax assets have not been recognised in respect of the following items due to uncertainty of its recoverability:

	Group 2021 RM	2020 RM
Carrying amount of qualifying property, plant and equipment in excess of its tax base	(25,000)	-
Unabsorbed tax losses	599,000	-
Unutilised capital allowances	31,000	-
	605,000	-

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have a recent history of losses.

Pursuant to the Malaysia's Budget 2022, the time frame does carry forward current year business losses for year of assessment 2019 and subsequent years of assessment be extended from 7 to 10 consecutive years of assessment. Unabsorbed tax losses accumulated up to year of assessment 2018 can now be carried forward for 10 consecutive years of assessment until year of assessment 2028.

As such, the unrecognised tax losses carry-forward of RM599,000 (2020: RMNil) will expire in 2031 under the tax legislation of Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 27. EARNINGS PER SHARE

#### 27.1 Basic

The basic earnings per share ("EPS") has been calculated by dividing the Group's net profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year:-

	Group 2021 RM	2020 RM
Net profit attributable to ordinary equity holders of the Company	3,211,021	6,138,931
Weighted average number of ordinary shares in issue	908,026,301	790,230,137
Basic earnings per share (sen)	0.35	0.78

#### 27.2 Dilute

Diluted earnings per share is not applicable as the Group does not have any potential dilutive equity instruments that would give a diluted effect to the basic earnings per share.

### 28. EMPLOYEE BENEFITS EXPENSES

	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
Salaries and other emoluments	8,970,710	7,836,908	221,980	181,333
Defined contribution plan	912,977	806,758	-	-
Social security contributions	86,275	76,255	-	-
Other benefits	1,581,479	1,421,089	-	-
	11,551,441	10,141,010	221,980	181,333

Benefits-in-kind (based on estimated monetary value) for the Group amounted to RM28,000 (2020: RM28,000).

Included in the employee benefits expenses is the Directors' remuneration as below:-

	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
<b>Executive Directors:-</b>				
Salaries and other emoluments	2,129,440	1,920,295	-	-
Defined contribution plan	339,160	294,220	-	-
Social security contributions	4,526	3,600	-	-
	2,473,126	2,218,115	-	-
<b>Non-executive Directors:-</b>				
Directors' fee	221,980	181,333	221,980	181,333
	2,695,106	2,399,448	221,980	181,333

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 31 DECEMBER 2021

#### 29. RELATED PARTY DISCLOSURES

- (a) The related party transactions have been entered into the normal course of business under normal trade form. The significant related party transactions during the year are as follows:-

	2021 RM	2020 RM
Dividend income received from a subsidiary	1,500,000	1,500,000
Interest income received from subsidiaries	1,518,415	980,705

- (b) The outstanding balances arising from the related party transactions as at the reporting date are disclosed in Note 11 to the financial statements.

- (c) Compensation of key management personnel

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

The Group and the Company have no other key management personnel apart from the Directors. The Directors' remuneration is disclosed in Note 28 to the financial statements.

#### 30. DIVIDENDS

	Group and Company	
	2021 RM	2020 RM
<u>In respect of financial year ended 31 December 2020:-</u>		
An interim single tier dividend of RM0.0015 on 882,500,000 ordinary shares (consist of 793,500,000 ordinary shares as at 31 December 2020 and 89,000,000 new ordinary shares issued on 8 January 2021) in respect of the financial year ended 31 December 2020 declared on 31 December 2020 and paid on 29 January 2021	-	1,323,750
<u>In respect of financial year ended 31 December 2021:-</u>		
An interim single tier dividend of RM0.0013 on 930,450,000 ordinary shares in respect of the financial year ended 31 December 2021 declared on 22 November 2021 and paid on 28 January 2022	1,209,585	-
	1,209,585	1,323,750

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 31. CAPITAL COMMITMENTS

	Group 2021 RM	2020 RM
Authorised and contracted for:-		
- Purchase of property, plant and equipment	-	1,201,560

### 32. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on its nature of business and has five reportable segments, as follows:-

Investment holding	-	Investment in subsidiaries.
Manufacturing	-	Manufacturing of steel poles comprising standard street lighting poles, decorative light poles and specialty poles.
Trading	-	Trading of outdoor lighting products and solar.
Renewable energy	-	Operation of generation facilities to produce renewable energy.
Property	-	Property development.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation. Transfer prices between business segments are established on terms and conditions that are mutually agreed upon.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 32. OPERATING SEGMENTS (CONT'D)

#### 32.1 Business Segments

	Note	Investment holding RM	Manufacturing RM	Trading RM	Renewable energy RM	Property RM	Elimination RM	Combined RM
<b>2021</b>								
<b>Revenue:-</b>								
External customers		-	47,910,432	9,268,272	1,171,914	-	-	58,350,618
Inter-segment		1,500,000	1,847,657	825,295	-	-	(4,172,952)	-
<b>Results:-</b>								
Interest income		1,519,511	372,670	61,853	18,461	-	(1,617,166)	355,329
Interest expenses		-	(1,375,642)	(217,044)	(116,112)	(7,417)	1,618,139	(98,076)
Depreciation of property, plant and equipment		-	(1,170,545)	(186,085)	(4,507)	-	-	(1,361,137)
Depreciation of right-of-use assets		-	(1,053,735)	(183,397)	-	-	17,200	(1,219,932)
Tax expense		(257,887)	(1,061,171)	(165,742)	-	-	-	(1,484,800)
Other non-cash expense	(i)	-	(9,064)	-	-	-	-	(9,064)
Segment profit		1,967,978	3,148,677	220,415	(585,336)	(58,409)	(1,499,827)	3,193,498
<b>Assets:-</b>								
Segment assets		87,370,905	83,326,262	15,995,289	13,076,032	3,033,553	(93,839,333)	108,962,708
Additions to non-current assets:-								
Property, plant and equipment		-	8,295,922	11,098	4,468,971	-	-	12,775,991
Right-of-use assets		-	180,039	-	-	-	-	180,039
Land held for property development		-	-	-	-	41,173	-	41,173
Goodwill on consolidation		-	-	-	3,035,250	938,008	-	3,973,258
Addition to current assets:-								
Tax recoverable		-	1,208,440	491,502	-	-	(55,787)	1,644,155
		87,370,905	93,010,663	16,497,889	20,580,253	4,012,734	(93,895,120)	127,577,324
<b>Liabilities:-</b>								
Segment liabilities		1,314,770	56,076,296	9,622,689	20,200,839	696,869	(57,979,941)	29,931,522
Deferred tax liabilities		-	1,124,003	174,997	-	-	-	1,299,000
Tax payables		55,787	-	-	-	-	(55,787)	-
		1,370,557	57,200,299	9,797,686	20,200,839	696,869	(58,035,728)	31,230,522

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 32. OPERATING SEGMENTS (CONT'D)

#### 32.1 Business Segments (cont'd)

	Note	Investment holding RM	Manufacturing RM	Trading RM	Elimination RM	Combined RM
<b>2020</b>						
<b>Revenue:-</b>						
External customers		-	34,744,788	21,895,010	-	56,639,798
Inter-segment		1,500,000	2,920,806	845,395	(5,266,201)	-
<b>Results:-</b>						
Interest income		980,705	183,853	84,503	(980,705)	268,356
Interest expenses		-	(926,753)	(396,236)	981,642	(341,347)
Depreciation of property, plant and equipment		-	(683,465)	(273,640)	-	(957,105)
Depreciation of right-of-use assets		-	(875,360)	(392,342)	11,467	(1,256,235)
Tax expense		(397,369)	(1,306,341)	(813,115)	-	(2,516,825)
Other non-cash income	(i)	-	1,999	-	-	1,999
Segment profit		1,664,998	3,657,351	2,316,178	(1,499,596)	6,138,931
<b>Assets:-</b>						
Segment assets		59,251,643	55,498,960	27,468,983	(58,555,463)	83,664,123
Additions to non-current assets:-						
Property, plant and equipment		-	2,536,309	1,171,086	-	3,707,395
Right-of-use assets		-	623,708	286,669	-	910,377
Addition to current assets:-						
Tax recoverable		-	519,190	274,343	(233,869)	559,664
		59,251,643	59,178,167	29,201,081	(58,789,332)	88,841,559
<b>Liabilities:-</b>						
Segment liabilities		1,371,184	31,249,645	15,774,128	(26,022,640)	22,372,317
Deferred tax liabilities		-	514,927	199,073	-	714,000
Tax payables		233,869	-	-	(233,869)	-
		1,605,053	31,764,572	15,973,201	(26,256,509)	23,086,317

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 32. OPERATING SEGMENTS (CONT'D)

#### 32.1 Business Segments (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the Combined Financial Information:-

(i) Other material non-cash income/(expenses) consist of the following items:-

	2021 RM	2020 RM
Gain on disposal of property, plant and equipment	9,999	1,999
Allowance for expected credit loss on trade receivables	(38,651)	-
Reversal of allowance for expected credit loss on trade receivables	30,873	-
Property, plant and equipment written off	(5,759)	-
Bad debts written off	(5,526)	-
	<u>(9,064)</u>	<u>1,999</u>

#### 32.2 Geographical Information

The Group operates in Malaysia. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following table provides an analysis of the Group's revenue by geographical segment:-

	2021 RM	2020 RM
<b>Geographical markets</b>		
Malaysia	54,567,223	53,427,908
Republic of Korea	112,033	-
Australia	2,308,872	2,232,091
Singapore	991,566	864,789
Philippines	62,652	-
Maldives	142,720	-
Sri Lanka	165,552	115,010
	<u>58,350,618</u>	<u>56,639,798</u>

The non-current assets of the Group all located in Malaysia.

#### 32.3 Information About A Major Customer

There are no major customers with revenue equal or more than 10% of the Group's revenue for the financial years ended 31 December 2021 and 2020.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 33. FINANCIAL INSTRUMENTS

#### 33.1 Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities which are measured at amortised cost ("AC").

Group	Carrying amount RM	AC RM
<b>2021</b>		
<b>Financial assets</b>		
Trade receivables	19,123,251	19,123,251
Other receivables	1,185,536	1,185,536
Fixed deposit with a licensed bank	128,000	128,000
Cash and bank balances	30,292,404	30,292,404
	<b>50,729,191</b>	<b>50,729,191</b>
<b>Financial liabilities</b>		
Trade payables	14,837,585	14,837,585
Other payables	9,137,934	9,137,934
Amount due to Directors	126,628	126,628
Borrowings	4,349,500	4,349,500
Dividend payable	1,209,585	1,209,585
	<b>29,661,232</b>	<b>29,661,232</b>
<b>2020</b>		
<b>Financial assets</b>		
Trade receivables	20,629,555	20,629,555
Other receivables	474,545	474,545
Cash and bank balances	18,492,978	18,492,978
	<b>39,597,078</b>	<b>39,597,078</b>
<b>Financial liabilities</b>		
Trade payables	9,433,168	9,433,168
Other payables	2,231,759	2,231,759
Amount due to Directors	19,500	19,500
Borrowings	7,771,714	7,771,714
Dividend payable	1,323,750	1,323,750
	<b>20,779,891</b>	<b>20,779,891</b>
<b>Company</b>		
<b>2021</b>		
<b>Financial assets</b>		
Other receivables	49,711,534	49,711,534
Cash and bank balance	1,759,371	1,759,371
	<b>51,470,905</b>	<b>51,470,905</b>
<b>Financial liabilities</b>		
Other payables	85,185	85,185
Amount due to Directors	20,000	20,000
Dividend payable	1,209,585	1,209,585
	<b>1,314,770</b>	<b>1,314,770</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 33. FINANCIAL INSTRUMENTS (CONT'D)

#### 33.1 Categories of Financial Instruments (cont'd)

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities which are measured at amortised cost ("AC") (cont'd).

Company (cont'd)	Carrying amount RM	AC RM
<b>2020</b>		
<b>Financial assets</b>		
Other receivables	25,597,214	25,597,214
Cash and bank balances	2,054,429	2,054,429
	<hr/>	<hr/>
	27,651,643	27,651,643
<b>Financial liabilities</b>		
Other payables	27,934	27,934
Amount due to Directors	19,500	19,500
Dividend payable	1,323,750	1,323,750
	<hr/>	<hr/>
	1,371,184	1,371,184

#### 33.2 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, foreign currency risk and interest rate 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.

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

##### (a) 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 its contractual obligations. It is the Group's and the Company'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 its 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 of the Group's and the Company's total credit exposure. The Group's and the Company's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and 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 management.

The Group's and the Company's maximum exposure credit risk is represented by the carrying amount of trade and other receivables in the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 33. FINANCIAL INSTRUMENTS (CONT'D)

#### 33.2 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 activities are set out as follows (cont'd):-

##### (a) Credit Risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk:-

##### (i) Receivables

The Group's and the Company's exposure to credit risk are influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's and the Company's standard payment and delivery terms and conditions are offered. The Group's and the Company's review includes external rating, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the risk management committee.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables in the statement of financial position. The Group and the Company do not hold collateral as security.

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

##### Group

	Gross carrying amount RM	Loss allowance RM	Net balance RM
<b>2021</b>			
Not past due	10,726,410	-	10,726,410
1 to 30 days	2,700,130	-	2,700,130
31 to 60 days	2,091,153	-	2,091,153
61 to 90 days	1,011,348	-	1,011,348
<b>Credit impaired:-</b>			
More than 90 days	2,677,162	(82,952)	2,594,210
	19,206,203	(82,952)	19,123,251

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 33. FINANCIAL INSTRUMENTS (CONT'D)

#### 33.2 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 activities are set out as follows (cont'd):-

##### (a) Credit Risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

##### (i) Receivables (cont'd)

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

##### Group (cont'd)

	Gross carrying amount RM	Loss allowance RM	Net balance RM
<b>2020</b>			
Not past due	9,267,025	-	9,267,025
1 to 30 days	3,860,011	-	3,860,011
31 to 60 days	3,889,739	-	3,889,739
61 to 90 days	1,287,737	-	1,287,737
<b>Credit impaired:-</b>			
More than 90 days	2,400,217	(75,174)	2,325,043
	<b>20,704,729</b>	<b>(75,174)</b>	<b>20,629,555</b>

##### (ii) Cash and bank balance

The credit risk for cash and cash equivalents and short-term placements is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

##### (iii) Intercompany loans and advances

The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The Company provides advances to subsidiaries and monitors the results of the subsidiaries regularly.

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 33. FINANCIAL INSTRUMENTS (CONT'D)

#### 33.2 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 activities are set out as follows (cont'd):-

##### (b) Liquidity Risk

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

In managing its exposures to liquidity risk, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

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

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:-

	<div style="text-align: center;"> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: left;">←</div> <div style="text-align: center;">Maturity</div> <div style="text-align: right;">→</div> </div> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: left;">←</div> <div style="text-align: center;">Non-Current</div> <div style="text-align: right;">→</div> </div> </div>				Total contractual cash flows RM	Carrying amount RM
	On demand/ less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM		
<b>Group</b>						
<b>2021</b>						
Trade payables	14,837,585	-	-	-	14,837,585	14,837,585
Other payables	9,137,934	-	-	-	9,137,934	9,137,934
Amount due to Directors	126,628	-	-	-	126,628	126,628
Lease liabilities	145,128	111,328	25,724	-	282,180	270,290
Borrowings	481,476	481,476	3,432,611	1,703,795	6,099,358	4,349,500
Dividend payable	1,209,585	-	-	-	1,209,585	1,209,585
<b>Total undiscounted financial liabilities</b>	<b>25,938,336</b>	<b>592,804</b>	<b>3,458,335</b>	<b>1,703,795</b>	<b>31,693,270</b>	<b>29,931,522</b>
<b>2020</b>						
Trade payables	9,433,168	-	-	-	9,433,168	9,433,168
Other payables	2,231,759	-	-	-	2,231,759	2,231,759
Amount due to Directors	19,500	-	-	-	19,500	19,500
Lease liabilities	889,128	524,032	276,340	-	1,689,500	1,592,426
Borrowings	884,550	884,550	8,158,136	2,318,882	12,246,118	7,771,714
Dividend payable	1,323,750	-	-	-	1,323,750	1,323,750
<b>Total undiscounted financial liabilities</b>	<b>14,781,855</b>	<b>1,408,582</b>	<b>8,434,476</b>	<b>2,318,882</b>	<b>26,943,795</b>	<b>22,372,317</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 33. FINANCIAL INSTRUMENTS (CONT'D)

#### 33.2 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 activities are set out as follows (cont'd):-

#### (b) Liquidity Risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):-

	Maturity				Total contractual cash flows RM	Carrying amount RM		
	On demand/ less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM				
<b>Company</b>								
<b>2021</b>								
Other payables	85,185	-	-	-	85,185	85,185		
Amount due to Directors	20,000	-	-	-	20,000	20,000		
Dividend payable	1,209,585	-	-	-	1,209,585	1,209,585		
<hr/>								
Total undiscounted financial liabilities	1,314,770	-	-	-	1,314,770	1,314,770		
<hr/>								
<b>2020</b>								
Other payables	27,934	-	-	-	27,934	27,934		
Amount due to Directors	19,500	-	-	-	19,500	19,500		
Dividend payable	1,323,750	-	-	-	1,323,750	1,323,750		
<hr/>								
Total undiscounted financial liabilities	1,371,184	-	-	-	1,371,184	1,371,184		

#### (c) 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 exposure to foreign currency risk, the Group is exposed to foreign currency risk on sales and purchases, that are denominated in another currency. The currency giving rise to this risk is primarily Singapore Dollar ("SGD"), United States Dollar ("USD") and Australia Dollar ("AUD").

The Group's exposures to foreign currency risk, based on carrying amounts as at the end of the reporting period was:-

#### Group

	SGD RM	Denominated in USD RM	AUD RM
<b>2021</b>			
Trade receivables	317,493	112,033	983,633
<b>2020</b>			
Trade receivables	52,515	6,968	149,717

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 33. FINANCIAL INSTRUMENTS (CONT'D)

#### 33.2 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 activities are set out as follows (cont'd):-

##### (c) Foreign Currency Risk (cont'd)

The following table demonstrates the sensitivity of the Group's profit for the financial year to a reasonably possible change in the SGD, USD and AUD exchange rates against the respective functional currencies of the Group entities with all other variables held constant.

	Group			
	Profit/(Loss) for the financial year		Equity	
	2021 RM	2020 RM	2021 RM	2020 RM
SGD/RM – strengthened by 0.13%/NIL%	413	-	413	-
– weakened by 0.13%/NIL%	(413)	-	(413)	-
USD/RM – strengthened by 0.31%/0.15%	347	10	347	10
– weakened by 0.31%/0.15%	(347)	(10)	(347)	(10)
AUD/RM – strengthened by 0.17%/0.69%	1,672	1,033	1,672	1,033
– weakened by 0.17%/0.69%	(1,672)	(1,033)	(1,672)	(1,033)

Exposure to foreign exchange rates vary during the financial year depending on the volume of overseas transactions.

##### (d) Interest Rate Risk

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

The Group's investments in fixed rate financial instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate financial instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's interest-bearing financial instruments based on carrying amounts as at end of the reporting period same as follows:-

	Group	
	2021 RM	2020 RM
<b>Fixed rate instrument</b>		
Fixed deposit with a licensed bank	128,000	-
Lease liabilities	270,290	1,592,426
<b>Floating rate instrument</b>		
Term loans	4,349,500	7,771,714

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does 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 period would not affect profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 33. FINANCIAL INSTRUMENTS (CONT'D)

#### 33.2 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 activities are set out as follows (cont'd):-

##### (d) Interest Rate Risk (cont'd)

A change in 100 (2020: 100) basis point (bp) in interest rates at the end of the reporting period would have increase/(decrease) the Group's profit and equity by the amounts shown below. This analysis assumes that all other variables are held constant.

Group	Profit for the year		Equity	
	+100bp/ +100bp RM	-100bp/ -100bp RM	+100bp/ +100bp RM	-100bp/ -100bp RM
2021	(43,495)	43,495	(43,495)	43,495
2020	(77,717)	77,717	(77,717)	77,717

#### 33.3 Fair Value of Financial Instruments

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

The table below analysis the financial instruments not carried at fair value for which fair value is disclosed, together with their values and carrying amounts shown in the statements of financial position.

Group	Fair value of financial instruments not carried at fair value Level 2 RM	Carrying amount RM
<b>2021</b>		
Lease liabilities	282,180	270,290
Borrowings	6,099,358	4,349,500
<b>2020</b>		
Lease liabilities	1,689,500	1,592,426
Borrowings	12,246,118	7,771,714

##### Level 2 Fair Value

Level 2 fair value estimated using inputs included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 33. FINANCIAL INSTRUMENTS (CONT'D)

#### 33.4 Reconciliation of Assets and Liabilities Arising from Financing Activities

##### Group

	1 January 2021 RM	Cash flows RM	Others RM	31 December 2021 RM
Amount due to Directors	19,500	(613)	107,741 <sup>(i)</sup>	126,628
Proceeds from issuance of share capital	-	27,595,365	(27,595,365) <sup>(ii)</sup>	-
Borrowings	7,771,714	(3,422,214)	-	4,349,500
Lease liabilities	1,592,426	(1,432,110)	109,974 <sup>(iii)</sup>	270,290
Interest paid	-	(98,076)	98,076 <sup>(iv)</sup>	-
Dividend	1,323,750	(1,323,750)	1,209,585 <sup>(v)</sup>	1,209,585
	10,707,390	21,318,602	(26,069,989)	5,956,003

	1 January 2020 RM	Cash flows RM	Others RM	31 December 2020 RM
Amount due to Directors	14,500	5,000	-	19,500
Proceeds from issuance of share capital	-	461,479	(461,479) <sup>(ii)</sup>	-
Borrowings	8,777,034	(1,005,320)	-	7,771,714
Lease liabilities	1,935,061	(1,075,112)	732,477 <sup>(iii)</sup>	1,592,426
Interest paid	-	(341,347)	341,347 <sup>(iv)</sup>	-
Dividend	1,580,000	(1,580,000)	1,323,750 <sup>(v)</sup>	1,323,750
	12,306,595	(3,535,300)	1,936,095	10,707,390

##### Company

	1 January 2021 RM	Cash flows RM	Others RM	31 December 2021 RM
Amount due to Directors	19,500	500	-	20,000
Proceeds from issuance of share capital	-	27,595,365	(27,595,365) <sup>(ii)</sup>	-
Dividend	1,323,750	(1,323,750)	1,209,585 <sup>(v)</sup>	1,209,585
	1,343,250	26,272,115	(26,385,780)	1,229,585

	1 January 2020 RM	Cash flows RM	Others RM	31 December 2020 RM
Amount due to Directors	14,500	5,000	-	19,500
Proceeds from issuance of share capital	-	461,479	(461,479) <sup>(ii)</sup>	-
Dividend	1,580,000	(1,580,000)	1,323,750 <sup>(v)</sup>	1,323,750
	1,594,500	(1,113,521)	862,271	1,343,250

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 31 DECEMBER 2021

#### 33. FINANCIAL INSTRUMENTS (CONT'D)

##### 33.4 Reconciliation of Assets and Liabilities Arising from Financing Activities (cont'd)

- (i) Being addition of amount due to Directors through acquisition of subsidiaries during the financial year.
- (ii) Being proceeds from issuance of share capital during the financial year.
- (iii) Being purchase of right-of-use assets under lease liabilities for the Group amounting to RM109,974 (2020: RM732,477).
- (iv) Being interest paid during the financial year.
- (v) Being dividend declared during the financial year.

#### 34. CAPITAL MANAGEMENT

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

The Group and the Company set the amount of capital in proportion to their overall financing structure, that are equity and financial liabilities. The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends pay to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

#### 35. INTEREST IN JOINT OPERATION

A wholly-owned subsidiary of the Company has a 50% interest in a joint operation, Samdo Smart Solar (M) Sdn Bhd ("SAMDO") with Mestron Engineering Sdn Bhd. The joint operation provides services of engineering, procurement, construction and commissioning of solar power systems for the telecommunication towers.

#### 36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

##### Coronavirus ("COVID-19") pandemic

The Government of Malaysia has again imposed the Movement Control Order ("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.

The restrictions imposed have not, however, negatively impacted the Company's financial performance as the Company's operation was 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.

As at the date of authorisation of the financial statements, the COVID-19 pandemic situation is still evolving and uncertain. The Group and the Company will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic.

##### Proposed private placement

On 8 January 2021, the Company issued 89,000,000 new ordinary shares at an issue price of RM0.179 per ordinary share for a total cash consideration of RM15,931,000 for working capital purposes.

On 5 March 2021, the Company issued 24,400,000 new ordinary shares at an issue price of RM0.195 per ordinary share for a total cash consideration of RM4,758,000 for working capital purposes.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 31 DECEMBER 2021

### 36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

#### Proposed private placement (cont'd)

On 3 March 2021, Bursa Malaysia Securities Berhad ("Bursa Securities") had granted the Company an extension of time of 6 months from 7 March 2021 until 7 September 2021 to complete the implementation of the Proposed Private Placement.

On 8 September 2021, the Company issued 23,550,000 new ordinary shares at an issue price of RM0.3015 per ordinary share for a total cash consideration of RM7,100,325 for working capital purposes.

On 30 September 2021, the Company has resolved to withdraw the Extension of Time ("EOT") Application. As such, the Private Placement has lapsed on 30 September 2021.

#### Incorporation of new subsidiary

On 4 March 2021, the Company incorporated a new subsidiary, Mestron Energy Sdn Bhd with paid-up capital of RM2,000 comprising 2,000 ordinary shares.

On 24 March 2021, the Company subscribed 998,000 new ordinary shares in Mestron Energy Sdn Bhd for a cash consideration of RM998,000.

#### Proposed bonus issue of warrants

On 6 April 2021, the Company proposed to undertake the proposed bonus issue of free warrants ("Warrants") on the basis of 1 Warrant for every 2 existing ordinary shares in the Company held by the entitled shareholders on an entitlement date to be determined later.

On 25 May 2021, Bursa Securities approved the admission to the official list and listing and quotation for up to 474,000,000 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants.

On 23 July 2021, the Company fixed the exercise price for the Warrants at RM0.285 per Warrant.

On 20 August 2021, bonus issue of Warrants has been completed the listing and quotation for 453,450,000 Warrants on the ACE Market of Bursa Securities.

#### Acquisition of new subsidiaries - share purchase agreement

On 16 April 2021, the Company entered into a share purchase agreement for the purchase of 3,311,000 ordinary shares of Premier Radiant Builders Sdn Bhd ("PRB"), representing 70% of the issued and paid-up share capital of PRB for a consideration of RM2,800,000. PRB is principally involved in property development.

On 3 September 2021, Mestron Energy Sdn Bhd had entered into a share purchase agreement for the purchase of 1,000,000 ordinary shares of Liziz Biogas Sdn Bhd ("LBSB"), representing 100% of the issued and paid-up share capital of LBSB for a consideration of RM3,000,000.

On 8 September 2021, the Company entered into a share purchase agreement for the purchase of 701 ordinary shares of Poshflex Realty Sdn Bhd ("PRSB"), representing 70% of the issued and paid-up share capital of PRSB for a consideration of RM500,000.

### 37. EVENT AFTER REPORTING PERIOD

On 11 February 2022, the Company entered into a share purchase agreement for the purchase of 806,000 ordinary shares of Winstar Aluminium Manufacturing Sdn Bhd ("WAMSB"), representing 10% of the issued and paid-up share capital of WAMSB for a consideration of RM6,000,000. WAMSB is principally involved in manufacturing, fabricating, processing and selling of aluminium, metal and alloy.

## LIST OF PROPERTIES

No.	Title Details/ Postal Address	Description of property / Existing use	Land area / Built-up area (sq ft)	Approximate age of building (Years)	Tenure/ Date of expiry of lease (RM'000)	Audited Net Book Value as at 31.12.2021 (RM'000)
1.	Individual title held under PT60600 Mukim Dengkil Daerah Sepang Negeri Selangor held under Pajakan Mukim 11252  PT 50102, Jalan Meranti MU 1/9, Seksyen 10, Taman Perindustrian Meranti Permai, 47120 Puchong, Selangor Darul Ehsan.	Main Manufacturing Facility comprising a single storey factory and adjoining office building.	206,599/ 61,518 sq ft	7	99 years lease expiring on 4 March 2085	14,112
2.	Individual title held under Lot 16393 Mukim Dengkil Daerah Sepang Negeri Selangor held under Pajakan Mukim 7561	1 storey warehouse with extended zinc roofing opposite to the Main Manufacturing Facility currently being used as close shed for storage of work-in-progress and finished goods.	59,438 sq ft	1	99 years lease expiring on 19 March 2080	5,262
3.	Individual title held under Lot 108962 Mukim Dengkil Daerah Sepang Negeri Selangor held under Geran 335760  No. 15, Jalan IMP 1, Taman Industri Meranti Perdana, 47120 Puchong, Selangor Darul Ehsan.	1 1/2 storey factory with extended zinc roofing for manufacturing of decorative compound light poles.	5,008/ 10,563 sq ft	9	Freehold	2,643
4.	Seventeen titles held under Mukim Kapar, District of Klang, Negeri Selangor	Seventeen (17) parcels of vacant industrial land	64,669 sq ft	-	Freehold	3,522

# STATISTICS OF SHAREHOLDINGS AS AT 29 MARCH 2022

## SHARE CAPITAL

Total Number of Issued Shares	:	930,450,000
Issued and Paid-up Capital	:	RM 83,590,565.000
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

## DISTRIBUTION OF SHAREHOLDINGS AS AT 29 MARCH 2022

Size of Holding	No. of shareholders	No. of shares	Percentage of Shares (%)
1 – 99	4	200	0.000
100 – 1,000	448	247,500	0.027
1,001 – 10,000	1,789	11,181,200	1.202
10,001 – 100,000	1,733	67,294,400	7.232
100,001 – 46,522,499*	551	587,129,100	63.102
46,522,500 AND ABOVE **	3	264,597,600	28.437
<b>Total</b>	<b>4,528</b>	<b>930,450,000</b>	<b>100.000</b>

Remark :

\* - Less than 5% of Issued Shares

\*\* - 5% and above of Issued Shares

## SUBSTANTIAL SHAREHOLDERS AS AT 29 MARCH 2022

No.	Name of Substantial Shareholders	No. of Shares held		No. of Shares held	
		Direct	Percentage (%)	Indirect	Percentage (%)
1	POR TEONG ENG	212,101,600	22.796	-	-
2	LOON CHIN SENG	237,347,600	25.509	-	-

## DIRECTORS' INTERESTS IN SHARES AS AT 29 MARCH 2022

No.	Name of Directors	No. of Shares held		No. of Shares held	
		Direct	Percentage (%)	Indirect	Percentage (%)
1	TAJUL ARIFIN BIN MOHD TAHIR	160,000	0.017	-	-
2	POR TEONG ENG	212,101,600	22.796	-	-
3	LOON CHIN SENG	237,347,600	25.509	-	-
4	LEONG PENG PHOOI	130,000	0.014	-	-
5	DATUK IR. MOHD DOM BIN AHMAD	5,701,000	0.613	-	-
6	NG KIM CHEONG	36,000	0.004	-	-
7	DATO' LOW CHIN KOON	5,328,000	0.573	-	-

# STATISTICS OF SHAREHOLDINGS

## AS AT 29 MARCH 2022

### (cont'd)

#### LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MARCH 2022)

No.	Name of Shareholders	No. of Shares	Percentage (%)
1	LOON CHIN SENG	146,097,600	15.702
2	LOON CHIN SENG	59,250,000	6.368
3	POR TEONG ENG	59,250,000	6.368
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POR TEONG ENG	31,438,700	3.379
5	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POR TEONG ENG	30,000,000	3.224
6	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POR TEONG ENG	28,000,000	3.009
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DESIRAN REALITI SDN BHD	21,400,000	2.300
8	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOON CHIN SENG	20,000,000	2.149
9	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR POR TEONG ENG (SMART)	20,000,000	2.149
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POR TEONG ENG (7008531)	17,662,900	1.898
11	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POR TEONG ENG	15,750,000	1.693
12	LMSI SDN BHD	15,223,000	1.636
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YI-LAI INDUSTRY BERHAD	14,752,100	1.585
14	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOON CHIN SENG (7004957)	12,000,000	1.290
15	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE TEIK AUN (7008952)	11,170,000	1.200
16	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POR TEONG ENG	10,000,000	1.075
17	JLLION CAPITAL SDN BHD	9,892,600	1.063
18	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SING GEE	8,159,000	0.877
19	SHAZIMAN BIN ABU MANSOR	7,302,300	0.785
20	LIEW KHEK KONG	7,000,000	0.752
21	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE TEIK AUN	6,300,000	0.677
22	LOON MUI LENG	6,000,000	0.645
23	PHAN FON CHOON	5,714,286	0.614
24	CHEOK SIAO WEI	5,524,000	0.594
25	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW CHIN KOON (MY4469)	5,178,000	0.557
26	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OKBB SDN BHD	5,000,000	0.537
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AU YEE BOON	4,485,714	0.482
28	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH KHENG YONG	4,439,900	0.477
29	NG CHET LUK	4,400,000	0.473
30	AMSEC NOMINEES (TEMPATAN) SDN BHD (102918T) PLEDGED SECURITIES ACCOUNT FOR PEE KOK KEONG	4,338,000	0.466
		<b>595,728,100</b>	<b>64.024</b>

## STATISTICS OF SHAREHOLDINGS (WARRANT A) AS AT 29 MARCH 2022

Class of Shares : Warrant A  
Total Number of Warrant A : 453,450,000

### DISTRIBUTION OF SHAREHOLDINGS AS AT 29 MARCH 2022

Size of Holding	No. of shareholders	No. of shares	Percentage of Shares (%)
1 – 99	358	17,727	0.004
100 – 1,000	483	289,773	0.064
1,001 – 10,000	1,408	6,907,200	1.523
10,001 – 100,000	870	33,863,050	7.468
100,001 – 22,672,499*	354	245,867,000	54.221
22,672,500 AND ABOVE **	4	166,505,250	36.720
<b>Total</b>	<b>3,477</b>	<b>453,450,000</b>	<b>100.000</b>

Remark :

\* - Less than 5% of Issued Shares

\*\* - 5% and above of Issued Shares

### DIRECTORS' INTERESTS IN WARRANT A AS AT 29 MARCH 2022

No.	Name of Directors	No. of Shares held		No. of Shares held	
		Direct	Percentage (%)	Indirect	Percentage (%)
1	TAJUL ARIFIN BIN MOHD TAHIR	80,000	0.018	-	-
2	POR TEONG ENG	106,050,800	23.388	-	-
3	LOON CHIN SENG	118,673,800	26.171	-	-
4	LEONG PENG PHOOI	65,000	0.014	-	-
5	DATUK IR. MOHD DOM BIN AHMAD	2,850,500	0.629	-	-
6	NG KIM CHEONG	18,000	0.004	-	-
7	DATO' LOW CHIN KOON	-	-	-	-

# STATISTICS OF SHAREHOLDINGS (WARRANT A)

## AS AT 29 MARCH 2022

### (cont'd)

#### LIST OF TOP 30 WARRANT A HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MARCH 2022)

No.	Name of Shareholders	No. of Shares	Percentage (%)
1	LOON CHIN SENG	79,048,800	17.433
2	LOON CHIN SENG	29,625,000	6.533
3	POR TEONG ENG	29,625,000	6.533
4	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POR TEONG ENG	28,206,450	6.220
5	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POR TEONG ENG	15,719,350	3.467
6	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POR TEONG ENG	15,000,000	3.308
7	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOON CHIN SENG	10,000,000	2.205
8	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR POR TEONG ENG (SMART)	10,000,000	2.205
9	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POR TEONG ENG	7,500,000	1.654
10	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE TEIK AUN	7,000,000	1.544
11	JLLION CAPITAL SDN BHD	6,114,100	1.348
12	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIAU BENG TEIK (MY2975)	4,500,000	0.992
13	YAP LI EEI	4,000,000	0.882
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHOON HEE (E-TCS)	3,949,200	0.871
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI CHEN SENG	3,750,000	0.827
16	LMSI SDN. BHD.	3,402,500	0.750
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIAU HAW CHOON	3,382,000	0.746
18	LIEW KHEK KONG	3,000,000	0.662
19	TAN VICTOR	3,000,000	0.662
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG SIEW SING (E-BPJ)	2,917,900	0.643
21	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR OOI KOK KHIM	2,796,400	0.617
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOR KAI FU	2,750,000	0.606
23	MU SING KEONG	2,600,000	0.573
24	LOON MUI LENG	2,500,000	0.551
25	LOI SOW WAH	2,163,100	0.477
26	GOH SIEW WERN	2,078,700	0.458
27	SIA CHUN PERN	1,800,000	0.397
28	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD DOM BIN AHMAD	1,600,500	0.353
29	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SING GEE	1,600,000	0.353
30	WONG SIEW WAH	1,600,000	0.353
		<b>291,229,000</b>	<b>64.223</b>



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Fourth Annual General Meeting ("4<sup>th</sup> AGM") of Mestron Holdings Berhad ("Mestron" or the "Company") will be held at The Heron, Level 2, Four Points by Sheraton Puchong, 1201, Tower 3, Puchong Financial Corporate Centre (PFCC), Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan on Thursday, 16 June 2022 at 3.00 p.m. or any adjournment thereof for the purpose of transacting the following businesses:

## AGENDA

### As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Notes 1)**
2. To approve the payment of Directors' fees of up to RM240,000.00 and other benefits payable of up to RM20,000.00 payable to Non-Executive Directors of the Company for the period commencing from the conclusion of the 4<sup>th</sup> AGM up to the conclusion of the 5<sup>th</sup> AGM of the Company; **Ordinary Resolution 1**
3. To re-elect the following Directors who retire in accordance with Clause 105(1) of the Company's Constitution and who being eligible, have offered themselves for re-election: -
  - (i) Por Teong Eng **Ordinary Resolution 2**
  - (ii) Loon Chin Seng **Ordinary Resolution 3**
4. To re-elect the following Director who retires in accordance with Clause 114 of the Company's Constitution and who being eligible, has offered himself for re-election: -
  - (i) Dato' Low Chin Koon **Ordinary Resolution 4**
5. To re-appoint Messrs. Grant Thornton Malaysia PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

### As Special Business:

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

6. **Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016** **Ordinary Resolution 6**

"THAT subject to Sections 75 and 76 of the Companies Act 2016 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons 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 to be issued does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next AGM of the Company."
7. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 2016.

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

By order of the Board,

**TAN TONG LANG** (MAICSA 7045482) (SSM PC No. 202208000250)  
**THIEN LEE MEE** (LS0009760) (SSM PC No. 201908002254)  
Company Secretaries

Selangor  
29 April 2022

Notes:

1. A member of the Company is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy may but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the meeting, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
2. Where a member of the Company is an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint one (1) or more proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee defined under the SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. Where the authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
6. The Form of Proxy must be deposited at the Company's Share Registrar, Aldpro Corporate Services Sdn Bhd's office at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
7. For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at **7 June 2022**. Only members whose name appears on the Record of Depositors shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote and vote on his/her stead.
8. Pursuant to Rule 8.31A of the Listing Requirements of Bursa Securities, all resolutions set out in this Notice of the 4th AGM will be put to vote by way of poll.
9. In view of the COVID-19 pandemic, the Company has in place precautionary measures for the AGM in order to safeguard the health of attendees at the AGM. The Company has the right to impose any other precautionary measures as guided by the guidelines issued by the Government from time to time. Kindly refer to the Administrative Guide of the 4th AGM at the Company website at <https://www.mestron.com.my/investor-centre>.

## EXPLANATORY NOTES:-

### 1. Audited Financial Statements for the Financial Year Ended 31 December 2021

The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 provide that the audited financial statements are to be laid in the general meeting and does not require a formal approval of the shareholders. Therefore, this Agenda item is not put forward for voting.

# NOTICE OF ANNUAL GENERAL MEETING

## (cont'd)

### 2. Ordinary Resolution 1: To Approve the Payment of Directors' Fees and Other Benefits Payable

Section 230(1) of the Act provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors of public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The Company pays Directors' fees and benefits to the Independent Non-Executive Directors ("INEDs"). The Board wishes to seek shareholders' approval for the payment of a maximum aggregate amount of RM240,000 for Directors' fees and a maximum aggregate amount of RM20,000 for the payment of other benefits to the INEDs of the Company for the period commencing from the conclusion of the 4<sup>th</sup> AGM up to the conclusion of the 5<sup>th</sup> AGM of the Company.

Directors' benefits include allowances and other claimable benefits which calculated based on the current Board size and the number of schedule meetings for the period commencing from the conclusion of the 4<sup>th</sup> AGM up to the conclusion of the 5<sup>th</sup> AGM of the Company.

In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

### 3. Ordinary Resolutions 2 - 4: Re-election of Directors who retire in accordance with Clause 105(1) and 114 of the Company's Constitution

Clause 105(1) of the Company's Constitution provides that an election of Directors shall take place each year at the AGM of the Company, where one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election, PROVIDED ALWAYS that Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

Whereby Clause 114 of the Company's Constitution provides that the Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but the total number of Directors shall not at any time exceed the maximum number fixed in accordance with this Constitution. Any Director so appointed shall hold office only until the next following AGM, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Pursuant to Clause 105(1) of the Company's Constitution, Mr. Poh Teong Eng and Mr. Loon Chin Seng shall retire at the forthcoming AGM of the Company.

Dato' Low Chin Koon who was appointed as an Independent Non-Executive Director of the Company on 18 November 2021 is required to submit himself for re-election at the 4<sup>th</sup> AGM of the Company pursuant to the Clause 114 of the Company's Constitution.

The performance of the Directors who are recommended for re-election has been assessed through the Board annual evaluation. The Nomination Committee and the Board are satisfied with the performance and effectiveness of Mr. Poh Teong Eng, Mr. Loon Chin Seng and Dato' Low Chin Koon who are due for retirement as Directors, and being eligible, have offered themselves for re-election at the 4<sup>th</sup> AGM of the Company.

### 4. Ordinary Resolution 6: Authority to Issue Shares Pursuant to Sections 75 and 76 of the Act

The Ordinary Resolution 6, if passed, is a renewal of General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next AGM.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions at any time without convening a general meeting as it would be both costs and time consuming to organise a general meeting.

There was no ordinary share issued pursuant to the general mandate granted to the Directors at the 3<sup>rd</sup> AGM held on 18 June 2021 and which will lapse at the conclusion of the 4<sup>th</sup> AGM.

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Securities:-

1. Details of individual who are standing for election as Directors (excluding Directors for re-election)  
No individual is seeking election as a Director at the 4<sup>th</sup> AGM of the Company.
2. General mandate for issue of securities in accordance with Rule 6.04 of the Listing Requirements of Bursa Securities.

The details of the proposed authority for Directors of the Company to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out under Explanatory Note.

# ADMINISTRATIVE GUIDE FOR THE FOURTH ANNUAL GENERAL MEETING ("4<sup>TH</sup> AGM")

Day & Date : Thursday, 16 June 2022  
Time : 3.00 p.m.  
Venue : The Heron, Level 2, Four Points by Sheraton Puchong,  
1201, Tower 3, Puchong Financial Corporate Centre (PFCC),  
Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan.

As the COVID-19 situation continues to evolve, Mestron Holdings Berhad ("Mestron" or the "Company") will closely monitor the situation and reserves the rights to take further measures as appropriate up to the day of the 4<sup>th</sup> AGM of the Company, in accordance with the guidelines and/or standing operating procedure issued by the Malaysian Government and other relevant authorities in order to minimise any risk to shareholders and others attending the AGM.

The Company would like to thank all participants for their patience and co-operation in enabling us to hold our AGM with the optimum safe distancing measures amidst the COVID-19 pandemic.

The Company may make necessary changes to the arrangements of the 4<sup>th</sup> AGM at short notice.

Do refer to the Company's website at <https://www.mestron.com.my/investor-centre> and Bursa Malaysia Securities Berhad's website at [https://www.bursamalaysia.com/market\\_information/announcements](https://www.bursamalaysia.com/market_information/announcements) for the latest updates on the status of the 4<sup>th</sup> AGM from time to time.

## MEASURES TO MINIMISE RISKS OF COVID-19 INFECTION

In view of the COVID-19 pandemic, your safety remains our utmost priority. The following steps will be taken for participants who will be attending the AGM in order to minimise the risk of spreading the COVID-19 virus:

## TEMPERATURE CHECK, HEALTH DECLARATION FORM, FACE MASK, SOCIAL DISTANCING AND SEATING ARRANGEMENT

- 1) **Only fully vaccinated Attendees** (referring, in a collective sense, to members / proxies / corporate representatives / attorneys / management personnel / invited guests) **ARE ALLOWED** to attend the 4<sup>th</sup> AGM.
- 2) The Attendees are required to show their fully vaccinated status through their MySejahtera app and undergo a temperature screening.
- 3) All Attendees attending the 4<sup>th</sup> AGM will be required to conduct a COVID-19 test using a self-testing kit or alternatively, PT-PCR or RTK swab test at any health facility within 48 hours before the date of the AGM at their own cost. The negative results must be presented at the registration counter.
- 4) Any person with a body temperature of more than 37.5°C and/or exhibit flu-like symptoms will not be allowed to attend the 4<sup>th</sup> AGM. Participants who are feeling unwell are strongly advised not to attend the 4<sup>th</sup> AGM.
- 5) Attendees are advised to arrive early at the meeting venue given that the above measures may cause delay in the registration process.
- 6) All Attendees must practice proper hygiene including the use of hand sanitisers provided by the Company and are required to wear a face mask at all time.
- 7) To enhance social distancing measures, the seats allocated for Attendees at the 4<sup>th</sup> AGM venue will be maintained at a certain distance from one another as per the guidelines and/or standing operations procedure provided by the Malaysian Government and/or relevant authorities from time to time.

# ADMINISTRATIVE GUIDE FOR THE FOURTH ANNUAL GENERAL MEETING (“4<sup>TH</sup> AGM”) (cont’d)

## REGISTRATION ON THE DAY OF 4<sup>TH</sup> AGM

- 1) Registration will commence at 2.00 p.m. and shall remain open until the conclusion of the 4<sup>th</sup> AGM or such other time as may be determined by Chairman of the meeting. Please read the signage to ascertain the registration area and proceed for registration.
- 2) Please present your original National Registration Identity Card (NRIC) or Passport (for foreign member) to the registration staff for verification. Please ensure your NRIC or Passport is returned to you after registration.
- 3) Upon verification and registration:
  - o please sign on the attendance list and an identification wristband will be provided at the registration counter;
  - o if you are attending the 4<sup>th</sup> AGM as a member as well as a proxy, you will be registered once and will only be given one identification wristband; and
  - o no person will be allowed to enter the meeting hall without wearing the identification wristband. There will be no replacement in the event that you lose/misplace the identification wristband.
  - o a polling form will be given to you thereafter. There will be no replacement should you lose or misplace the polling form;
  - o you may proceed to the meeting venue thereafter.
- 4) Registration must be done in person. Please also note that you will not be allowed to register on behalf of another person even with the original NRIC or Passport of that other person.

## PROXY

- 1) A member entitled to attend and vote in the meeting is allowed to appoint proxy. Please submit your Form of Proxy in accordance with the notes and instructions printed therein.
- 2) The Form of Proxy is not required if you are attending the meeting.
- 3) If you have submitted your Form of Proxy prior to the meeting and subsequently decided to attend the meeting in person, please proceed to the Registration Counter to revoke the appointment of your proxy.
- 4) Please ensure that the original Form of Proxy is deposited at the Company's Share Registrar's office at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor not less than forty-eight (48) hours before the meeting time. No proof of dispatch of Form of Proxy will be entertained.

## NO REFRESHMENT NOR DOOR GIFT

There will be no refreshment nor door gift provided at the 4<sup>th</sup> AGM.

## GENERAL MEETING RECORD OF DEPOSITORS

For the purpose of determining who shall be entitled to attend the 4<sup>th</sup> AGM, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at **7 June 2022** and only a depositor whose name appears on such Record of Depositors shall be eligible to attend the 4<sup>th</sup> AGM.

## NO RECORDING OR PHOTOGRAPHY

No recording or photography of the 4<sup>th</sup> AGM proceedings is allowed without the prior written permission of the Company.

The Company and its subsidiaries, their officers and employees shall have no liability whatsoever to any and all shareholders, their proxies, corporate representatives, attorneys or any other party arising out of or in connection with any of them being infected with COVID-19 and/or suffering any losses arising out of or in connection with attendance at the 4<sup>th</sup> AGM and/or measures undertaken by the Company in the Company's sole discretion in response to the COVID-19 pandemic.

# ADMINISTRATIVE GUIDE FOR THE FOURTH ANNUAL GENERAL MEETING (“4<sup>TH</sup> AGM”) (cont’d)

## ENQUIRY

If you have any enquiries on the above, please contact the Share Registrar during office hours on Mondays to Fridays from 9:00 a.m. to 5:30 p.m. (except on public holidays): -

**SHARE REGISTRAR – Aldpro Corporate Services Sdn. Bhd.**

Telephone No.: +603 7890 0638

Fax No.: +603 7890 1032

Email Address: [admin@aldpro.com.my](mailto:admin@aldpro.com.my)



**MESTRON HOLDINGS BERHAD**  
Registration No. 201801018716 (1280732-K)  
(Incorporated in Malaysia)

**FORM OF PROXY**

(Before completing this form please refer to the notes below)

No. of shares held	:	
CDS Account No.	:	

I/We \_\_\_\_\_ \*NRIC No./Company No.  
(Full Name in Capital Letter)

\_\_\_\_\_ of \_\_\_\_\_  
(Full Address)

being a member(s) of **MESTRON HOLDINGS BERHAD ("Mestron" or the "Company")** hereby appoint (Proxy 1)

\_\_\_\_\_ \*NRIC No./Passport No.  
(Full Name in Capital Letter)

\_\_\_\_\_ of \_\_\_\_\_  
(Full Address)

and failing \*him/her (Proxy 2) \_\_\_\_\_ \*NRIC No / Passport No.  
(Full Name in Capital Letter)

\_\_\_\_\_ of \_\_\_\_\_  
(Full Address)

or failing him/her\*, the Chairman of the Meeting as \*my/our proxy to vote for \*me/us and on \*my/our behalf at the Fourth Annual General Meeting ("4<sup>th</sup> AGM") of the Company to be held at The Heron, Level 2, Four Points by Sheraton Puchong, 1201, Tower 3, Puchong Financial Corporate Centre (PFCC), Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan on Thursday, 16 June 2022 at 3.00 p.m. and at any adjournment thereof to vote as indicated below:-

Resolution	Agenda	FOR	AGAINST
1	To approve the payment of Directors' fees up to RM240,000.00 and other benefits payable of up to RM20,000.00		
2	To re-elect Por Teong Eng as Director		
3	To re-elect Loon Chin Seng as Director		
4	To re-elect Dato' Low Chin Koon as Director		
5	To re-appoint Messrs. Grant Thornton Malaysia PLT as Auditors of the Company		
6	Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act, 2016		

(Please indicate with an "X" in the space provided on how you wish your vote to be cast. In the absence of specific direction, the proxy may vote or abstain from voting on the resolutions as he/she may think fit)

Signed on this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

Signature of Shareholder(s) or Common Seal

\*strike out whichever is inapplicable

The proportions of my/our holdings to be represented by our proxy(ies) are as follows.

**Proxy 1**

No. of Shares : \_\_\_\_\_

Percentage : \_\_\_\_\_%

**Proxy 2**

No. of Shares : \_\_\_\_\_

Percentage : \_\_\_\_\_%

**Notes:**

- A member of the Company is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy may but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the meeting, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
- Where a member of the Company is an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint one (1) or more proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee defined under the SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- Where the authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
- The Form of Proxy must be deposited at the Company's Share Registrar, Aldpro Corporate Services Sdn Bhd's office at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 7 June 2022. Only members whose name appears on the Record of Depositors shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote and vote on his/her stead.
- Pursuant to Rule 8.31A of the Listing Requirements of Bursa Securities, all resolutions set out in this Notice of the 4<sup>th</sup> AGM will be put to vote by way of poll.
- In view of the COVID-19 pandemic, the Company has in place precautionary measures for the AGM in order to safeguard the health of attendees at the AGM. The Company has the right to impose any other precautionary measures as guided by the guidelines issued by the Government from time to time. Kindly refer to the Administrative Guide of the 4<sup>th</sup> AGM at the Company website at <https://www.mestron.com.my/investor-centre>.



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Place  
Stamp Here

The Share Registrar of  
**MESTRON HOLDINGS BERHAD [Registration No. 201801018716 (1280732-K)]**  
Aldpro Corporate Services Sdn Bhd  
Level 5, Block B, Dataran PHB, Saujana Resort,  
Section U2, 40150 Shah Alam, Selangor.

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**MESTRON HOLDINGS BERHAD**

[Registration No. 201801018716 (1280732-K)]

PT 50102, Jalan Meranti 1/9, Seksyen 10  
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W : [www.mestron.com.my](http://www.mestron.com.my)

