



Annual Report 2020

KEJURUTERAAN ASASTERA BERHAD

[199701005009 (420505-H)]

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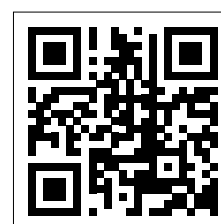
**KEJURUTERAAN
ASASTERA BERHAD**

VISION

To excel as a one-stop engineering & energy solutions provider.

MISSION

Continuously improve our engineering competences to new heights while reducing global carbon footprint by providing a cleaner and greener alternative which promotes a more efficient use of energy.



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Corporate Milestones

1997

Founded on 24th February 1997 as a private limited company

1999

- Registered with the CIDB as a Grade 'G7' license holder
- Secured first provision of electrical engineering services project for residential apartments at Ampang, Selangor

2010

- Secured first refurbishment project- UE3 Shopping Mall
- Diversified into the provision of mechanical engineering services

2014

Secured first contract for the provision of ELV services at UniKL Malaysia Institute of Aviation Technology Campus, Subang, KL

2017

Listed on the ACE Market of Bursa Malaysia Securities Berhad on 17th November 2017

2020

- Transferred from ACE Market to Main Market of Bursa Malaysia Securities Berhad on 28th August 2020
- Reached RM1.2 billion of total cumulative project awarded value
- Market cap hit RM1 billion during transfer listing to Main Market
- Making headway in sustainability agenda development

1998

Registered with Energy Commission Malaysia as a Class A electrical contractor

2008

Accredited with the BS EN ISO 9001:2008 certificate by NQA Certification Services (M) Sdn Bhd

2012

Secured first FTTH project at TTDI Adina at Shah Alam, Selangor

2016

Secured contract value at RM41.4 million EkoCheras, Cheras, KL

2018

- Secured RM46 million worth Metropolis Project
- Venture and expand into energy efficiency, solar power, cogeneration and waste heat recovery businesses

Corporate Information

Board of Directors

Datuk Dr Ong Peng Su

Male, Malaysian, Company Director
(Independent Non-Executive Chairman)

Dato' Lai Keng Onn

Male, Malaysian, Company Director
(Managing Director)

Choong Gaik Seng

Male, Malaysian, Company Director
(Executive Director)

Datin Alicia Chan Pey Kheng

Female, Malaysian,
Company Director
(Executive Director)

Goh Kok Boon

Male, Malaysian, Company Director
(Executive Director)

Lu Chee Leong

Male, Malaysian,
Chartered Accountant
(Independent Non-Executive Director)

Tong Siut Moi

Female, Malaysian,
Chartered Secretary
(Independent Non-Executive Director)

Audit Committee

Lu Chee Leong (Chairman)
Independent Non-Executive Director
Datuk Dr Ong Peng Su (Member)
Independent Non-Executive Chairman
Tong Siut Moi (Member)
Independent Non-Executive Director

Remuneration Committee

Tong Siut Moi (Chairman)
Independent Non-Executive Director
Lu Chee Leong (Member)
Independent Non-Executive Director

Nominating Committee

Tong Siut Moi (Chairman)
Independent Non-Executive Director
Lu Chee Leong (Member)
Independent Non-Executive Director

Risk Management Committee

Lu Chee Leong (Chairman)
Independent Non-Executive Director
Dato' Lai Keng Onn (Member)
Managing Director
Tong Siut Moi (Member)
Independent Non-Executive Director

Company Secretaries

Joanne Toh Joo Ann
SSM PC No. 202008001119
(LS0008574)
Sia Ee Chin
SSM PC No. 202008001676
(MAICSA7062413)

Registered Office

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

Tel No. : +603 2783 9191
Fax No. : +603 2783 9111

Head / Management Office

No. 18, Jalan Radin Bagus 9
Bandar Baru Seri Petaling
57000 Kuala Lumpur, Malaysia

Tel No. : +603 9055 3812
Fax No. : +603 9055 3912
Email : asastera@asastera.com
Website : www.asastera.com

Auditors

Kreston John & Gan (AF: 0113)
Unit B-10-8 Megan Avenue II
Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia

Tel No. : +603 2381 2828
Email : assurance@kreston.com.my

Principal Bankers

AmBank (M) Berhad
Level 36, Menara AmBank,
No.8, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia

Tel No. : +603-2167 3000

Al Rajhi Banking & Investment
Corporation (Malaysia) Berhad
Level 10B, Chulan Tower
No. 3, Jalan Conlay
50450 Kuala Lumpur, Malaysia

Tel No. : +603 2301 7000
Fax No. : +603 2332 6065

United Overseas Bank
(Malaysia) Berhad
Level 14, Menara UOB
Jalan Raja Laut
50350 Kuala Lumpur, Malaysia

Tel No. : +603 2772 6550
Fax No. : +603 2691 0692

Share Registrar

Tricor Investor & Issuing
House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

Tel No. : +603 2783 9299
Fax No. : +603 2783 9222

Stock Exchange

Main Market of Bursa Malaysia
Securities Berhad

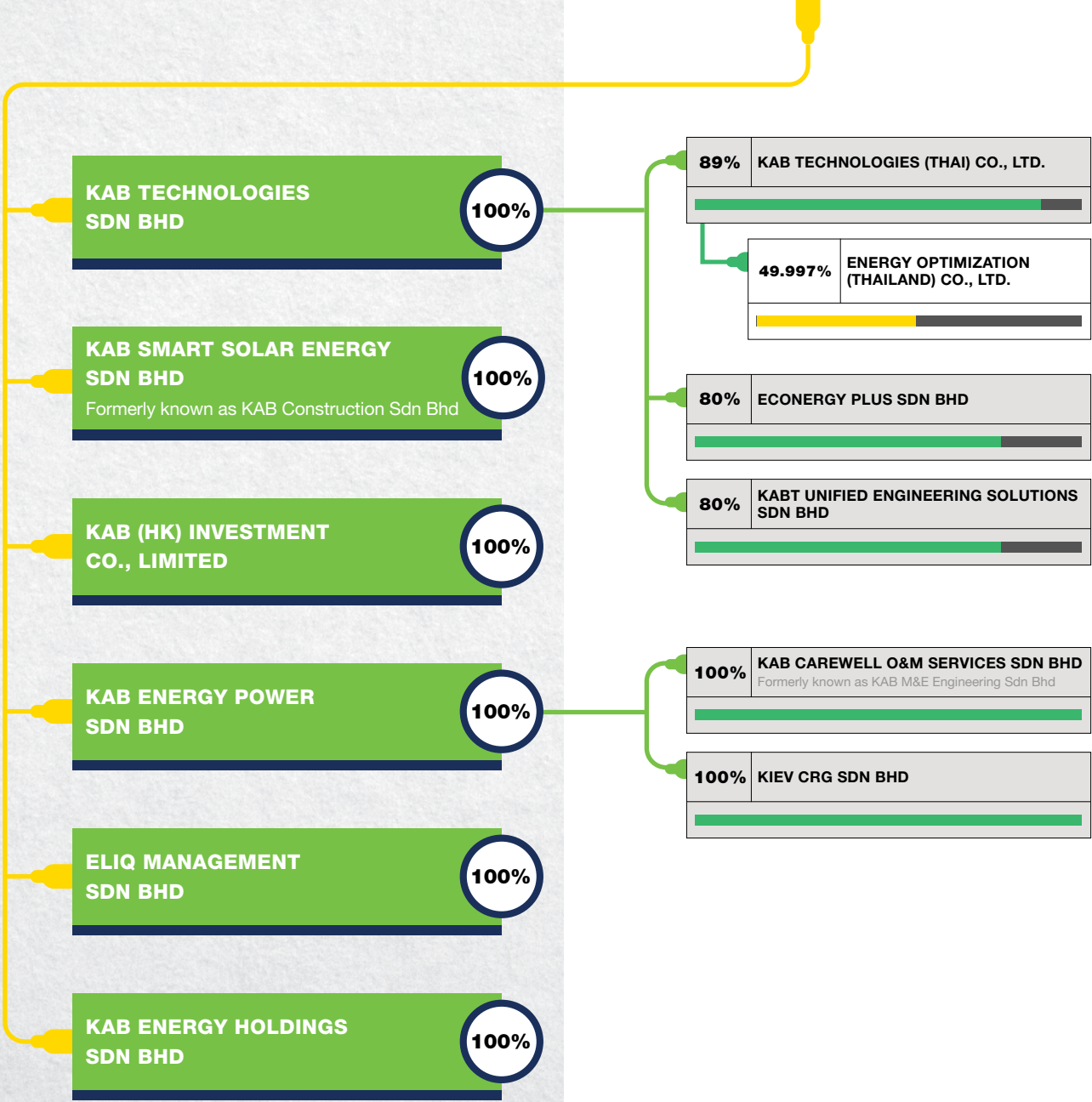
Stock Name : KAB
Stock Code : 0193

Corporate Structure

Corporate Structure
as at 12 April 2021



KEJURUTERAAN ASASTERA BERHAD



Profile of Directors

DATUK DR ONG PENG SU

Independent Non-Executive Chairman

Datuk Dr Ong Peng Su, Malaysian, male, aged 67, is our Independent Non-Executive Chairman and a member of the Audit Committee. He was appointed to the Board on 15 April 2021.

Datuk Dr Ong graduated with First Class Honours Bachelor of Science in Electrical and Electronic Engineering from the University of Strathclyde, Scotland in 1976. Subsequently, he was conferred the degree of Doctor of Philosophy (PHD) in 1982.

Datuk Dr Ong started his career in the energy industry at Tenaga Nasional Berhad (TNB) from 1974 to 1990. In 1990, he joined Tanjong PLC Group as a technical manager and was later seconded to Usaha Tegas Sdn Bhd Group as the Head of Corporate Planning and Investment from 1995 to 2001. Since 1993, Datuk Dr Ong was appointed to the Board of Powertek Berhad and served as an Executive Director from 2001 until 2009. In 2009, he assumed the role of Chief Executive Officer and Executive Director of Powertek Energy Sdn Bhd. He resigned as the Executive Director from Powertek Energy Sdn Bhd in 2012 but remained as the Chief Executive Officer until he retired in 2015.

Datuk Dr Ong sat on the board of several associated companies of Powertek Energy Group and held various non-executive directorships in companies in Powertek Energy Group within and outside of Malaysia.

Datuk Dr Ong was the President of the Association of the Independent Power Producers. He was nominated for The Asia Business Leader Awards 2005 by CNBC. He served as a Commissioner with Energy Commission, Malaysia from 15 March 2016 to 31 August 2016 and 1 November 2018 to 6 May 2020. He is a Corporate Member of Institution of Engineers, Malaysia, and a registered professional engineer with the Board of Engineers, Malaysia.

In 2021, Datuk Dr Ong joins the corporate board of Kejuruteraan Asastera Berhad as the Independent Non-Executive Chairman with over 35 years of accumulated local and global experience and operational leadership.

Datuk Dr Ong does not hold any shares, direct or indirect in the Company and any directorships in other public listed companies.

DATO' LAI KENG ONN

Managing Director

Dato' Lai, Malaysian, male, aged 53, is our founder and Managing Director. Dato' Lai was appointed to the Board of Kejuruteraan Asastera Berhad on 24 February 1997. He is the member of Risk Management Committee.

Dato' Lai obtained a Bachelor of Science in Construction Management from Greenwich University, Australia in 2002. He started his career as a project manager at Wira Teknik Sdn Bhd from 1990 to 1997. On 24 February 1997, he founded Kejuruteraan Asastera Sdn Bhd.

Dato' Lai is a substantial shareholder of Kejuruteraan Asastera Berhad.

CHOONG GAIK SENG

Executive Director

Choong Gaik Seng, Malaysian, male, aged 61, is our Executive Director. He was appointed to the Board of Kejuruteraan Asastera Berhad on 01 March 2013.

Mr. Choong completed his secondary school education at Penang Free School, Malaysia, in 1976. He is a certified chargeman and wireman by profession, which is registered with the Energy Commission Malaysia. In 2002, he obtained a chargeman A0 qualification from Institut Latihan Perindustrian, Malaysia, and subsequently in 2003, he obtained a wireman PW4 qualification from Institut Kemahiran Belia Negara, Malaysia. In 2008, he obtained a chargeman A4 qualification from Pusat Latihan Teknologi Tinggi, Malaysia.

Mr. Choong began his career as a purchaser for Limamas Sawmill Sdn Bhd in 1981. He joined Eden Catering Sdn Bhd in 1985 prior moving to Eden Food Industry in 1989. In 1991, Mr. Choong joined Tan Choong Industrial Equipment Sdn Bhd as the sales representative. He then joined Ikhtiar Bersatu Letrik Sdn Bhd in 1992 as a site supervisor before joining Prinsip Serasi Sdn Bhd in 2004.

Mr. Choong joined our Company in 2007 as project coordinator and he subsequently became an Executive Director in 2013.

Profile of Directors

DATIN ALICIA CHAN PEY KHENG*Executive Director*

Datin Alicia, Malaysian, female, aged 49, is our Executive Director. She was appointed to the Board of Kejuruteraan Asastera Berhad on 01 March 2018.

Datin Alicia obtained her Sijil Pelajaran Malaysia in 1990. She began her career with Ritz Print Sdn Bhd in 1991 and her last position held in Ritz Print Sdn Bhd was the head of production department in 1995 prior to joining Kejuruteraan Asastera Berhad in August 1997.

Datin Alicia has more than 29 years of experience in overseeing the daily operations of the finance, administration and purchasing department.

GOH KOK BOON*Executive Director*

Goh Kok Boon, Malaysian, male, aged 47, is our Executive Director. He was appointed to the Board of Kejuruteraan Asastera Berhad on 01 September 2018.

Mr. Goh graduated with a Bachelor of Applied Science (Honours) in Electrical Engineering from the University of Windsor, Canada, in 1999. He began his career as project engineer with Selatan Johor Electrical Engineering Sdn Bhd in 2000 and subsequently joined Henikwon Corporation Sdn Bhd as a sales manager in 2001. In 2002, he joined Letrikon Engineering Sdn Bhd, which is also an electrical engineering contractor, as general manager and he was subsequently promoted to the position of executive director from 2004. Then, he joined Hoe Huat Electric Sdn Bhd in 2009 as executive director. In 2012, he set up Kitchen On Wheels Sdn Bhd which later became dormant in 2013.

Mr. Goh joined ConnectCounty Holdings Berhad as an executive director from August 2014 to August 2016 prior to joining Kejuruteraan Asastera Berhad in October 2016 as project director.

LU CHEE LEONG*Independent Non-Executive Director*

Lu Chee Leong, Malaysian, male, aged 57, is our Independent Non-Executive Director. He was appointed to the Board on 30 May 2017. He is the Chairman of the Audit Committee and Risk Management Committee. He is also a member of Nominating and Remuneration Committee.

Mr. Lu obtained his Association of Chartered Certified Accountants ("ACCA") qualification in 1989. He has been a fellow member of the ACCA since 1995. He is also a Chartered Accountant of the Malaysian Institute of Accountants since 1996.

In 1990, Mr. Lu joined Kassim Chan & Co., Kota Kinabalu (now known as Deloitte Malaysia) as an audit assistant. He left as an audit senior and subsequently joined Luyang Recreation Club Sdn Bhd as an accountant in 1995 and in 1997, he joined DiGi Telecommunications Sdn Bhd as an accountant. His last position in DiGi Telecommunications Sdn Bhd was the head of section (GTM), Sabah region, under the sales division of the company. Then he left DiGi Telecommunications Sdn Bhd at the end of 2014 and started his own corporate services firm named Johan Corporate Services in early 2015, where he provided bookkeeping and related services to customers.

Mr. Lu has been the Independent Non-Executive Director of Mikro MSC Berhad, a company listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), since 2008.

TONG SIUT MOI*Independent Non-Executive Director*

Tong Siut Moi, Malaysian, female, aged 52, is our Independent Non-Executive Director. She was appointed to the Board of Kejuruteraan Asastera Berhad on 30 May 2017. She is the Chairman of the Nomination Committee and Remuneration Committee, and also a member of the Audit Committee and Risk Management Committee.

Ms. Tong obtained her professional secretarial degree from the Institute of Chartered Secretaries and Administrators (United Kingdom) and was admitted as an Associate Member of the Malaysian Association of Institute of Chartered Secretaries and Administrators (MAICSA) in 1996. She has subsequently become a qualified Chartered Secretary since 1998. Ms. Tong has also completed the Advanced Women Directors' Programme in December 2015 and is now a member of the Institute of Corporate Directors Malaysia.

Ms. Tong has more than 28 years of working experience in the corporate secretarial advisory field and senior management level, gathered from both commercial and advisory environments. She is currently a Director and Associate Trainer of CKM Advisory Sdn Bhd, a company focusing on providing specialised training to the Board of Directors and senior management of public listed companies, investment bankers and company secretaries, in relation to Bursa Securities' Main and ACE Markets Listing Requirements.

Ms. Tong has been an Independent Non-Executive Director of Niche Capital Emas Holdings Berhad, a company listed on the Main Market of Bursa Securities, since 2016.

Other Information

A. FAMILY RELATIONSHIP

Save for Datin Alicia Chan Pey Kheng who is the spouse of Dato' Lai Keng Onn, none of the other Directors have any family relationship with any Director and/or major shareholder of Kejuruteraan Asastera Berhad ("KAB" or "the Company").

B. CONFLICT OF INTEREST

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

C. CONVICTION OF OFFENCES

Other than traffic offences, none of the Directors have been convicted for any offences within the past 5 years or had any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

D. DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS

Except for Mr. Lu Chee Leong and Ms. Tong Siut Moi, none of the other Directors hold any directorships in other public companies and listed issuers.

E. DIRECTORS' ATTENDANCE FOR BOARD MEETINGS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 ("FY2020")

The Directors' attendance for the Board Meetings for the FY2020 is presented on page 29 of the Annual Report.

F. DIRECTORS' SHAREHOLDINGS

Except for Dato' Lai Keng Onn, Datin Alicia Chan Pey Kheng, Mr. Choong Gaik Seng and Mr. Goh Kok Boon, none of the other Directors held any shares, direct or indirect in the Company. Dato' Lai Keng Onn, Datin Alicia Chan Pey Kheng, Mr. Choong Gaik Seng and Mr. Goh Kok Boon's shareholdings in the Company are disclosed in page 138 of the Annual Report.

Profile of Key Senior Management

HOON SIEW YEN

Chief Financial Officer (CFO)

Hoon Siew Yen, Malaysian, female, aged 52, was appointed as the Chief Financial Officer (CFO) of Kejuruteraan Asastera Berhad (KAB) on 24 March 2020.

Ms. Hoon is a certified professional Chartered Accountant from the Malaysian Institute of Accountants in 2001 with a degree qualification in Business Accounting obtained from the University of Southern Queensland, Australia in 1992.

Ms. Hoon started her career in 1992 as an auditor at Ong & Wong and BDO Binder. Thereafter she ventured into a consulting role at BDO Consulting Sdn Bhd in 1995. Since 1996, she has served in various senior finance and accounting positions in both private entities and public listed companies.

Ms. Hoon was a group accountant, a senior finance manager and a financial controller. Her scope of work and responsibilities included to maintain fiscal discipline, to implement best financial structure practices, to provide solid analytical insights, to manage and to oversee the administration and operation of the finance and accounts department. Her last position was a senior finance manager at Damansara Utama Realty Sdn Bhd before she left in August 2019.

With over 27 years of experiences, Ms. Hoon is highly experienced in audit, financial management, operational finance, corporate finance, treasury, and strategy and business planning.

Ms. Hoon does not hold any shares, direct or indirect in the Company and any directorships in other public listed companies. She has no conviction for any offences within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Managing Director's Statement



“In 2020, we testified to the resilience of the mechanical and electrical engineering industry with our strong business fundamentals. KAB continued to ramp up its M&E commissioning capabilities and established more partnerships in the recent expansion into the new markets of energy efficiency technologies. In the process, we also reinforced high levels of trust in the relationships with our wide network of stakeholder.”

Looking back, 2020 was another challenging battle for the world to conquer the Coronavirus Disease 2019 (“COVID-19”), the pandemic has reduced global economic growth, resulted in closed national borders, shut down industries and businesses, as well as caused significant socioeconomic harm at individual levels. However, I am proud that Kejuruteraan Asastera Berhad (“KAB” or “the Company”) and its subsidiary companies (“the Group”) have managed to overcome these significant headwinds and emerge relatively unscathed, with wins on a few fronts. Ultimately, KAB completed its transfer from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad on 28 August 2020. As a Group, we rejoiced at our achievement of this milestone. Simultaneously, we embarked on the deliberation of new initiatives and envisioned to achieve a multitude of clearly defined corporate core objectives.

The diligent Board's dedication and contribution, as well as workforce team agility, have thus far contributed to our accomplishment. With divergent thinkers on-board, KAB stays ahead with an oriented organisational structure and competitive strategies. KAB demonstrated a consistent feat of growth in its capacity, size, market share and financial performance despite the industry was being largely affected by slower economic activities and impact from the COVID-19 outbreak.



KAB's market cap breached the 1 billion Ringgit mark for the first time ever.



Managing Director's Statement

PRACTICE CORPORATE GOVERNANCE AT ITS BEST

KAB practices good corporate governance within the framework of the Malaysian Code on Corporate Governance (MCCG) with seven (7) members as the Board of Directors (“the Board”): three (3) independent non-executive directors, and four (4) executive directors. Our Board Committees are established with four (4) main committees: Nominating Committee, Remuneration Committee, Audit Committee, and Risk Management Committee, to ensure compliance and adherence to the environmental, social and governance framework.

The Board monitors the Company's business performance and financial wellbeing through comprehensive management reports. The Board is also committed to sound decision making processes and strives to ensure these decisions are aligned with our stakeholders' objectives and long-term values.

STABILITY OF GROWTH

In light of the strong Mechanical & Electrical engineering (“M&E”) services portfolio, which we have built over the years with highly maintained commitment to our esteemed clients, the Company continues to achieve and perform on firm ground with the undertaking of more development projects. In the current financial year, KAB has shown a better-than-expected results from the growth of our order book for the financial year ended 31 December 2020. The Group's revenue is affected but not significantly by the global crisis. We will continue to build our order book with new contracts which has increased by 27% as compared to the preceding year. With 7 projects completed in 2020 and clinched 6 new project opportunities in the first quarter of 2021, KAB expects a positive contribution to its revenue in the ensuing years.

With the initiatives and policies driven by our Government, we are confident in our direction to expand into renewable energy and energy efficiency solutions. As our green businesses are gaining momentum, the Group is expecting a positive outlook for the venture into the energy sector. Some of our proposed acquisitions are at the final stages of completion, we are expecting at least 20% contribution to the Group's EBITDA in 2021. We anticipate an exponential growth in the coming years as the Group is exploring the acquisition of brownfield projects across the region.

GROWTH INITIATIVES & VALUE CREATION

Initiated in 2018, the Company is now delighted to see the sprouts of this foray of business in just two years. By embracing the wealth of growth opportunities, we are steadfast in our focus on energy efficient and clean energy solutions to drive the green transition to ensure our growth will bring about a sustainable impact. The completion of our acquisition in Thailand that has contracts to optimize energy consumption of 12 Robinson outlets is one such example. As we see a growing demand for solutions to reduce operational cost, we are optimistic with the growth trajectory.

We are committed to ensuring that our customers can add real value to their business through us. We are also seizing this as a path forward for our business and anticipating a reassuring return on investment in this segment moving forward.

NEW CONTRACTS

27% increased

as compared to the preceding year

EBITDA

20% contribution

to the Group in 2021

Managing Director's Statement

POISED FOR FURTHER GROWTH IN THE NEW NORM

Workplace Digitalisation

KAB has taken adequate measures to continue its thriving in the new norm as the work culture is increasingly defined by the pandemic. With huge capacity for enhancement, the Group embraced the new norm with digitalisation as a step taken to remain competitive in productivity effectiveness of our core and new operations. As we are phasing into a software driven operation, I am pleased to witness how our workforce have pulled together once again as a team to adapt to this changing process and stood together on the decision with the management for a transition process into a more apt technology-enabled operation. While turning to a full-fledged and digitised operational system to streamline with the business process, we will continue to seek out improvements in the long run.



Enhanced Sustainability

The system of sustainable development is another long-term objective in conjunction with our broadened horizons in the energy sector. We cognise that this sustainability agenda will represent our accountability in carrying out business activities which balance economic growth, social and environmental needs. For all intents and purposes, we are on the qui vive to reinforce corporate social responsibility and sustainability in order to be on par with the guided corporate governance principles. KAB intends to anchor a holistic management to enable the Company to be transparent about the risks and opportunities with great consensus of understanding as sustainability matters came to prominence in the recent decades. KAB maneuvers this vision with reputable environmental advisory service consultants to carry through an integral part of this

development in connection with a worldwide recognised sustainability framework. Amid this buildout of agenda, the Company essays to



map out short-term priorities to meet our eventual goal - to make sustainability as part of our business.

Managing Director's Statement

SHAREHOLDERS' RETURN

Stemming from the Company's carefully planned growth trajectory, KAB as at 25 March 2021 is on the burgeoning market with a share price of RM1.81. Our market cap carried off at least RM1 billion in the time of ascending from the ACE Market to the Main Market, and this has reflected an appreciation in capital value which we could bring to our shareholders. We are optimistic about the strong earnings growth in the years to come.

Even with an adverse variance of profit performance affected by the pandemic in 2020, we are still confident of propelling forward with an increasing earnings per share for shareholders. KAB rewarded its shareholders with a cash dividend payout and share dividend with treasury shares distributed to shareholders on 14 April 2020, as well as with bonus warrants for our long-term shareholders as an incentive to be materialised in 2021.

TEAMWORK AS THE BACKBONE OF OUR SUCCESS

"Transparency in both directions" is the magic formula adopted in our Company's practice. As a team, we revere the importance of effective communications by encouraging members to discuss objectives, share ideas, assess opportunities, make decisions and most importantly, to work toward goals together. I recognise my employees' dedicated services that have attributed to the Company's flourishing accomplishments to date. Apart from external support, we are fortunate to have built a devoted staff body, led by an experienced management team. We have senior staff members who have been with us for over 10 years and their allegiance to the Company ensured our continuity in leadership and achievement.

Our business has been extensively growing with new responsibilities and initiatives. With increasing workload, we recruit new talents from time to time. This has made it imperative for us to develop a seamless procedure to settle in new staff members quickly. We continue to put in efforts to maintain a healthy and effective communication and provide appropriate trainings for staff to enhance knowledge and skillsets.

VOTE OF THANKS

On behalf of the Board, I would like to thank everyone for the unwavering support of our stakeholders. Additionally, I would like to personally extend my gratitude to our Board members, Committees, advisors and consultants for their valuable contributions to the Group.

The Company's growth prospects has surpassed my expectations over the past few years and I am confident that the best is yet to come. My sincere thanks to all the staff members who have worked hard in the past years in strengthening our business agility and tackling stumbling blocks all along. As always, we value the continued trust and confidence you place in us.

Thank you.

DATO' LAI KENG ONN

Group Managing Director

Management Discussion & Analysis

CORPORATE OVERVIEW

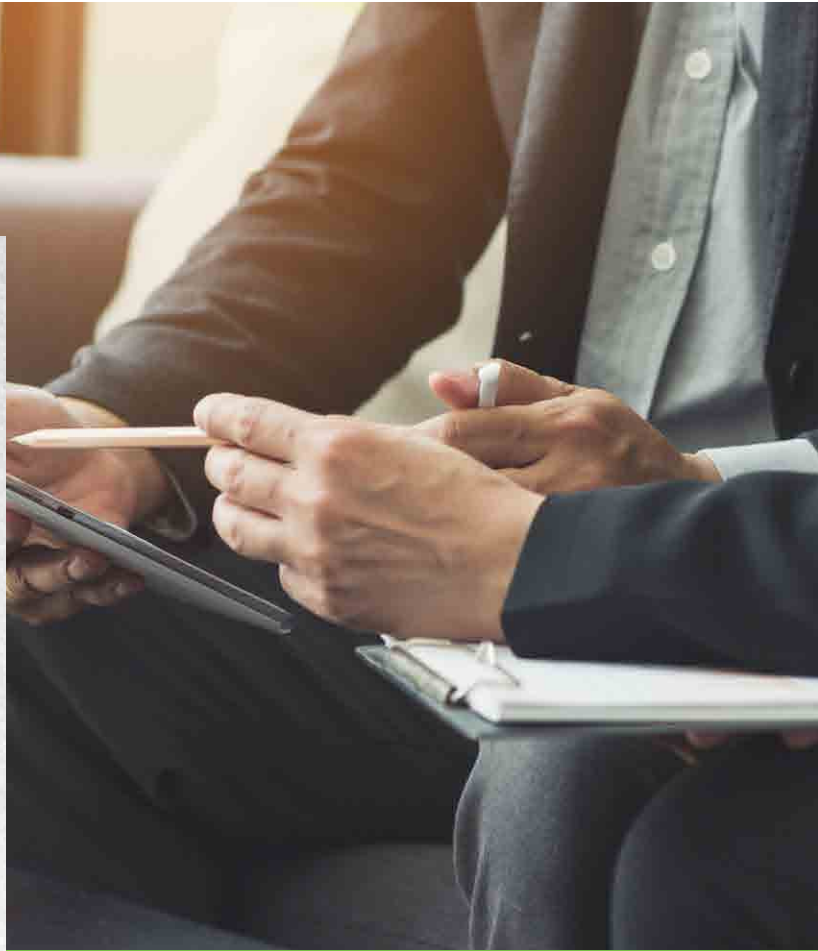
Kejuruteraan Asastera Berhad (“KAB” or “the Company”) is a Malaysia-based electrical and mechanical engineering company listed on the Main Market of Bursa Malaysia Securities Berhad.

Since its establishment in 1997, KAB has focused on an integral yet niche area within the electrical engineering services sector. Having distinguished itself with notable accreditations and certifications issued by the relevant authorities, KAB has built a reputation widely acknowledged for its quality and timely delivery.

KAB aspires to become a leading and comprehensive service provider to meet the growing demand from the building and property industry. Backed by extensive experience and track records gained over more than 2 decades of engineering works, KAB expands its service offering to energy generation and efficiency, while electrical engineering services remain as its core earnings base.

KAB has entered into the energy saving business via chiller optimisation based on an energy performance contract to provide an energy efficient solution to a prominent departmental store based in Thailand, which is undertaken by a newly acquired subsidiary. This new business is expected to contribute positively to KAB’s earnings. This is KAB’s inception as part of KAB and its subsidiary companies’ (“the Group”) strategic expansion to the neighbouring ASEAN countries.

With the acquisition of KIEV CRG Sdn Bhd, KAB embarks into the clean energy generation business under the “build, operate and transfer” concept. A captive combined heat and power plant (“Cogen Plant”) with a capacity of 1.5 megawatt (“MW”) will be built and is expected to commence operation in the third quarter of 2021. This Cogen Plant will be generating electricity and heat to be sold at an agreed rate throughout the concession period. Our business model is primarily premised on offering an alternative solution to lower the cost of production for our customers, as well as to reduce carbon footprint by being more energy efficient.



KAB aspires to become a leading and comprehensive service provider to meet the growing demand from the building and property industry.



Management Discussion & Analysis



REVENUE



RM150.8 million

compared to the **RM159.6 million** revenue for financial year 2019

PROFIT BEFORE TAX



RM8.6 million

was mainly caused by the temporary suspension of the construction activities during the Movement Control Orders ("MCO")

GROUP'S TOTAL ASSETS



RM164.7 million

increased by **RM26.9 million** as at 31 December 2020

GROUP'S GEARING RATIO



0.36 times

with the support of an increase in shareholders equity from **RM71.4 million** to **RM80.0 million**.

KAB is also acquiring a 2.0 MW cogeneration facility and a waste heat recovery facility, which offers a capacity of 2.2 MW. The proposed acquisitions are anticipated to be completed by the end of April 2021. Upon completion of these acquisitions and construction of the Cogen Plant, KAB will own 3 plants with a total capacity of 5.7 MW. These three plants are expected to contribute to KAB's earnings in 2021.

As part of KAB's growth strategy into renewable energy, KAB entered into a joint venture with a prominent local partner to expand its service offering to include solar energy generation. This is a step forward as part of KAB's vision of going green with a one stop model.

ANALYSIS OF FINANCIAL RESULTS

The Group posted a revenue of RM150.8 million for the financial year ended 31 December 2020 ("FY2020") as compared to the RM159.6 million revenue for financial year 2019. Profit before tax decreased by 40% to RM8.6 million. The adverse variance was mainly caused by the temporary suspension of the construction activities during the Movement Control Orders ("MCO") implemented by the Government of Malaysia to contain the unprecedented global Coronavirus Disease 2019 ("COVID-19") pandemic.

The lower profit margin was mainly caused by the loss incurred by subsidiaries and the adjustments of cost for the final account of some projects with increase staff cost, as well as the non-recurring expenses for corporate exercises.

The basic earnings per share for FY2020 dropped from 3.05 sen to 0.63 sen. The lower earnings per share is aggravated by the enlarged share capital, arising from the shares split exercise which was completed in February 2020.

The Group's total assets increased by RM26.9 million to RM164.7 million as at 31 December 2020. The total liabilities increased by RM18.4 million from RM66.4 million as at 31 December 2019 to RM84.8 million. As a result, the net assets rose to RM80.0 million in contrast to RM71.4 million a year ago.

Despite the increase in total borrowings of RM15.8 million to RM28.4 million as at 31 December 2020, the Group's gearing ratio remained at a healthy level of 0.36 times with the support of an increase in shareholders equity from RM71.4 million to RM80.0 million.

Management Discussion & Analysis

REVIEW OF OPERATIONS

With KAB predominantly in the provisioning of electrical engineering services while its subsidiary companies have yet to commence operations actively, this analysis and review therefore focus only on the core business of the Group. Our customers are primarily main contractors, project owners and property developers operating in Malaysia.

KAB is usually appointed as a sub-contractor for electrical engineering services, either by the main contractor or project owner of a particular building or construction project. KAB is the nominated sub-contractor for approximately 79% of our contracts over the past three years where a professional working relationship has been established with the project owner based on our delivery track record.

2020 was a very challenging year for KAB's operation due to the unprecedented COVID-19 global pandemic. Construction activities were halted with the containment measures effected since mid-March 2020. Resumption of operations started in early May 2020 and normalised from 1 June 2020 onwards. KAB recorded a lower revenue of RM150 million, representing a drop of 6% compared to a year ago.

Despite the temporary suspension of operations, KAB completed a total of 7 projects in 2020. As at 31 December 2020, there were 39 on-going projects for electrical engineering services. Some of our notable projects include the installation, testing and commissioning of electrical systems for commercial properties like Pavilion Bukit Jalil, Kuala Lumpur, as well as for mixed development like KL Metropolis and 3rd Avenue Ampang, both at Kuala Lumpur.

2020 was a very challenging year for KAB's operation due to the unprecedented COVID-19 global pandemic.

SECURED NEW CONTRACTS



RM197 million

worth in total

ORDER BOOK



stood at

RM325 million

During the financial year under review, KAB successfully secured new contracts worth RM197 million in total. These contracts include the setting-up of electrical, telephone systems and extra-low voltage services for residential developments like Agile Bukit Bintang, M Luna, M Arisa and M Oscar, all at Kuala Lumpur.

KAB's foray into the energy business sector started in late 2018 and its impact on our current earnings is still minimal. We are confident that this new business segment will potentially become our earnings growth driver in the coming years.

As at 31 December 2020, KAB's order book stood at RM325 million.

MANAGING RISKS

KAB is cognisant that its core business activities can be affected by the adverse changes in public policies. Any unexpected introduction of laws and regulations extending up to the present time that impact mechanical and electrical engineering services providers, as well as the construction industry will likely affect the Group's financial performance.

KAB is mindful that its business is correlated to the health of Malaysia's property and construction sector, which is associated to the outlook of the economy. Any shift in the construction and property industry in Malaysia will have an impact on KAB's financial performance.

In addition to the public policies, KAB is slightly susceptible to the volatility of the commodities prices. Both the mechanical and electrical engineering and the green energy solution industries are reliant on metals namely copper and iron ore.

Due to the recent hike in commodity prices, it is imperative that KAB handle the impact of commodity price fluctuations across its value chain to effectively manage KAB's financial performance and profitability. This can be done by timing procurement according to project timelines and tactical planning. We have since cultivated a mutually valuable relationship with our stakeholders and therefore our pricing structures are usually within the acceptable level for both parties. Our team are always staying alert to the latest movement in material prices when dealing with our stakeholders.

Management Discussion & Analysis

The mechanical and electrical engineering services industry is highly competitive and fragmented, with numerous industry players of different sizes and specialisation. KAB aims to stay ahead of the competition by updating and enhancing our accreditations and certifications, while at the same time, continue to strengthen its track record by reinforcing the reputation as an advocate for quality and timely delivery in the industry.

An unprecedented crisis such as the outbreak of the COVID-19 pandemic since early 2020 will hamper economic growth. There will be a chain effect as the crisis prolonged. Even though the MCO is relaxed and the impact of the outbreak is diminishing, many businesses across all industries have been severely affected, causing an increase in unemployment rates which will reduce the purchasing power and all this will consequently affect the demand for properties.

Nevertheless, Bank Negara Malaysia announced a reduction of overnight policy rate by a total of 100 basis points to 1.75 percent between March to July 2020, as well as a deferment of all loan/financing repayment for a period of 6 months, as part of an economic stimulus package to ease the cash flow of individuals and small and medium sized enterprises.

Furthermore, an economic recovery plan known as the PENJANA stimulus package and stamp duty exemption were implemented as part of the Government's efforts to support the demand for properties in Malaysia in the hope of accelerating the recovery of the property market.

In order to mitigate the risk of over reliance on the property market, we have expanded our service offerings and customer base by extending our geographic reach beyond the Klang Valley area and seizing opportunities to expand into neighbouring countries.

We are now offering value-add services to our customers as a One-Stop Engineering and Energy Service Provider. The new business will give KAB a sustainable recurring income stream. KAB offers a Zero Capex scheme by building and financing the construction of energy efficiency and energy generation systems for a return of a portion of the savings enjoyed by the customer. The Company has a good platform to raise funds via the debt and capital markets with cheaper financial cost and relieve our customer from significant financial burden on the high investment cost in the systems. This cooperative relationship has cushioned the uncertainty in the desired results when both parties have played their own part to ensure savings are optimised.

FORWARD LOOKING STATEMENTS

The impact of KAB's performance due to the slowdown of the construction sector is cushioned by the order book of RM325 million. This will ensure the sustainability of its strong performance in the immediate and medium term given the Group's core business activity to provide electrical engineering services to the building and construction sectors.

Moving forward, we aim to grow our market share in Malaysia by participating in more tenders. The Group will focus on identifying customers who are keen on optimizing operational cost by improving management and energy efficiencies through the solution provided. Our potential prospects will not only be sourced locally but also from overseas markets in neighbouring ASEAN countries.

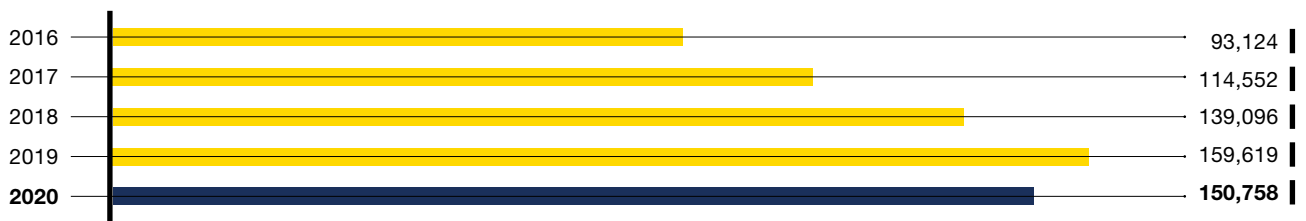
During the tabling of the Budget 2021 in November last year, the Government highlighted that sustainable initiatives will be aligned with the United Nations Sustainable Development Goals. A few initiatives have since been implemented, such as the continuation of the successful Green Technology Financing Scheme to encourage companies to invest in green technology, the Green Investment Tax Allowance and the Net Energy Metering 3.0 programme, which is in place from 2021 until 2023. Additionally, the Government has implemented Energy Performance Contracting to enhance energy efficiency services in Malaysia by delivering expenditure savings and reducing building greenhouse gas footprint. Principally, Malaysia is committed to achieve the 20% target of the country's energy to be generated from renewable sources by 2025, thus reducing consumption of fossil fuels, as well as greenhouse gas emission. With the initiatives and policies driven by our Government to spur the green economy, KAB believes the timing and expansion direction shall contribute positively to the Group's future earnings, as we pursue a cleaner and greener future.

We will closely monitor and review the ongoing pandemic and its effects, while exercising prudence in spending in light of an uncertain operating environment. The Board of KAB has strong belief that the Group will be able to deliver an encouraging performance in the financial year ending 31 December 2021.

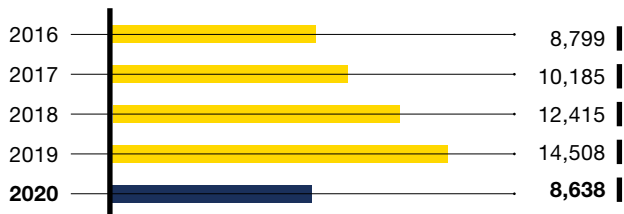
Five-Year Group Financial Highlights

Financial Year Ended Dec-31	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
REVENUE	150,758	159,619	139,096	114,552	93,124
PROFIT BEFORE TAXATION	8,638	14,508	12,415	10,185	8,799
TOTAL COMPREHENSIVE INCOME	5,182	10,406	8,557	6,776	6,555
PAID UP SHARE CAPITAL	53,299	48,299	32,000	32,000	1,000
SHAREHOLDERS' FUND	79,967	71,357	48,257	42,899	16,124
DIVIDENDS	2,307	3,364	3,200	-	1,050
BASIC EARNINGS PER SHARE (SEN)	0.63	3.05	2.68	2.71	6.56

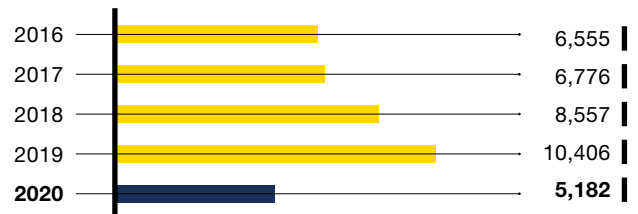
REVENUE (RM'000)



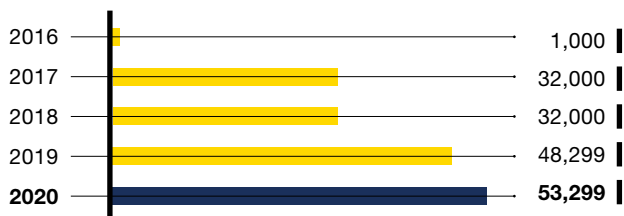
PROFIT BEFORE TAXATION (RM'000)



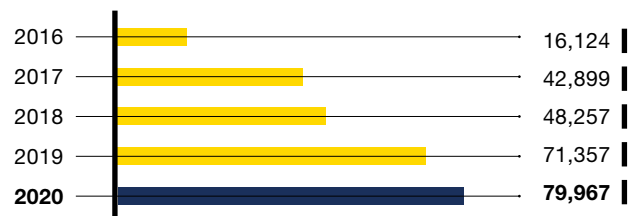
TOTAL COMPREHENSIVE INCOME (RM'000)



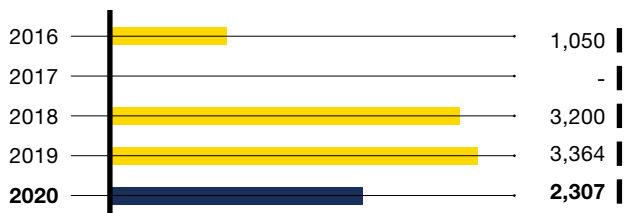
PAID UP SHARE CAPITAL (RM'000)



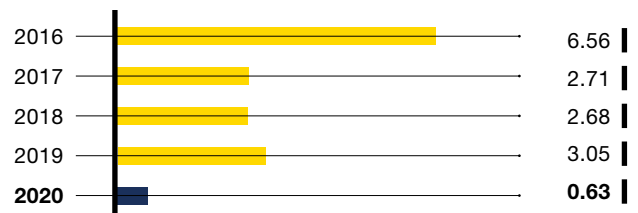
SHAREHOLDERS' FUND (RM'000)



DIVIDENDS (RM'000)



BASIC EARNINGS PER SHARE (SEN)

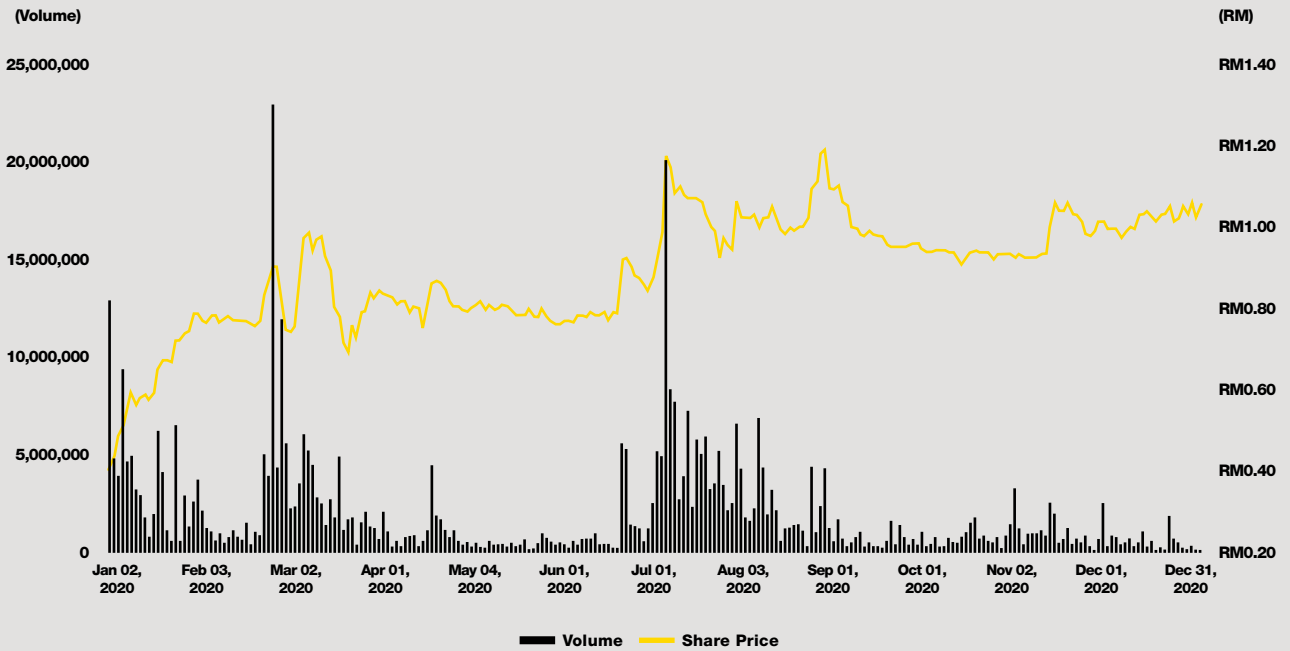


Share Performance Highlights

Kejuruteraan Asastera Berhad (“KAB” or “the Company”)

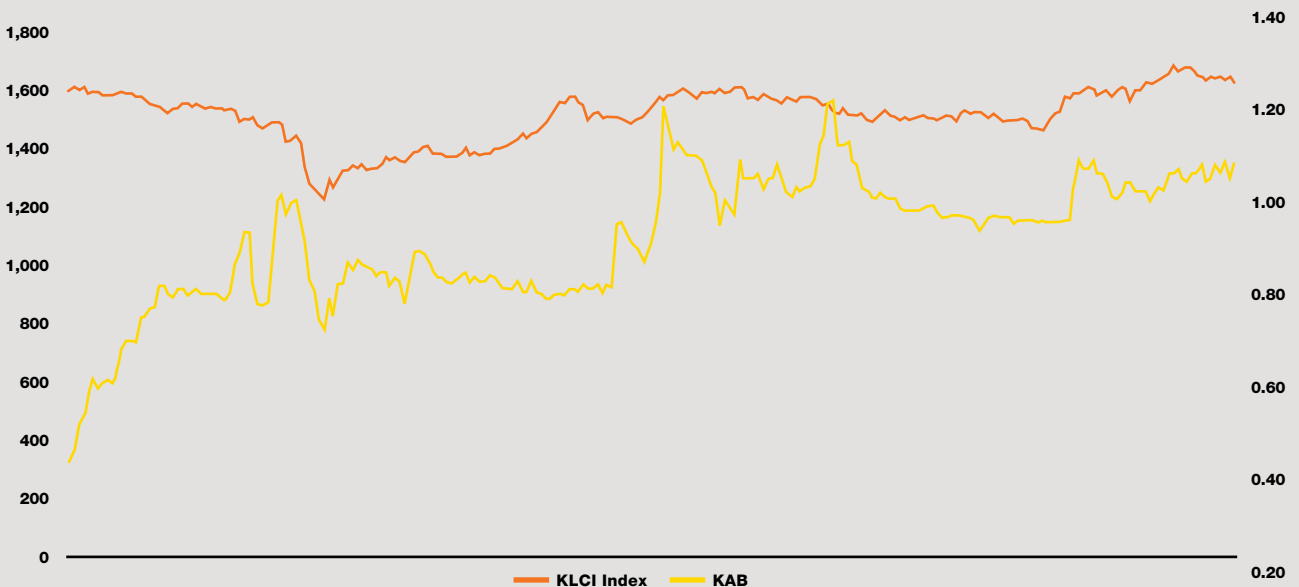
SHARE PRICE AND VOLUME (2 Jan 2020 – 31 Dec 2020)

52 Week High – RM 1.19 | 52 Week Low – RM 0.41 | Year-End Closing Price – RM 1.05



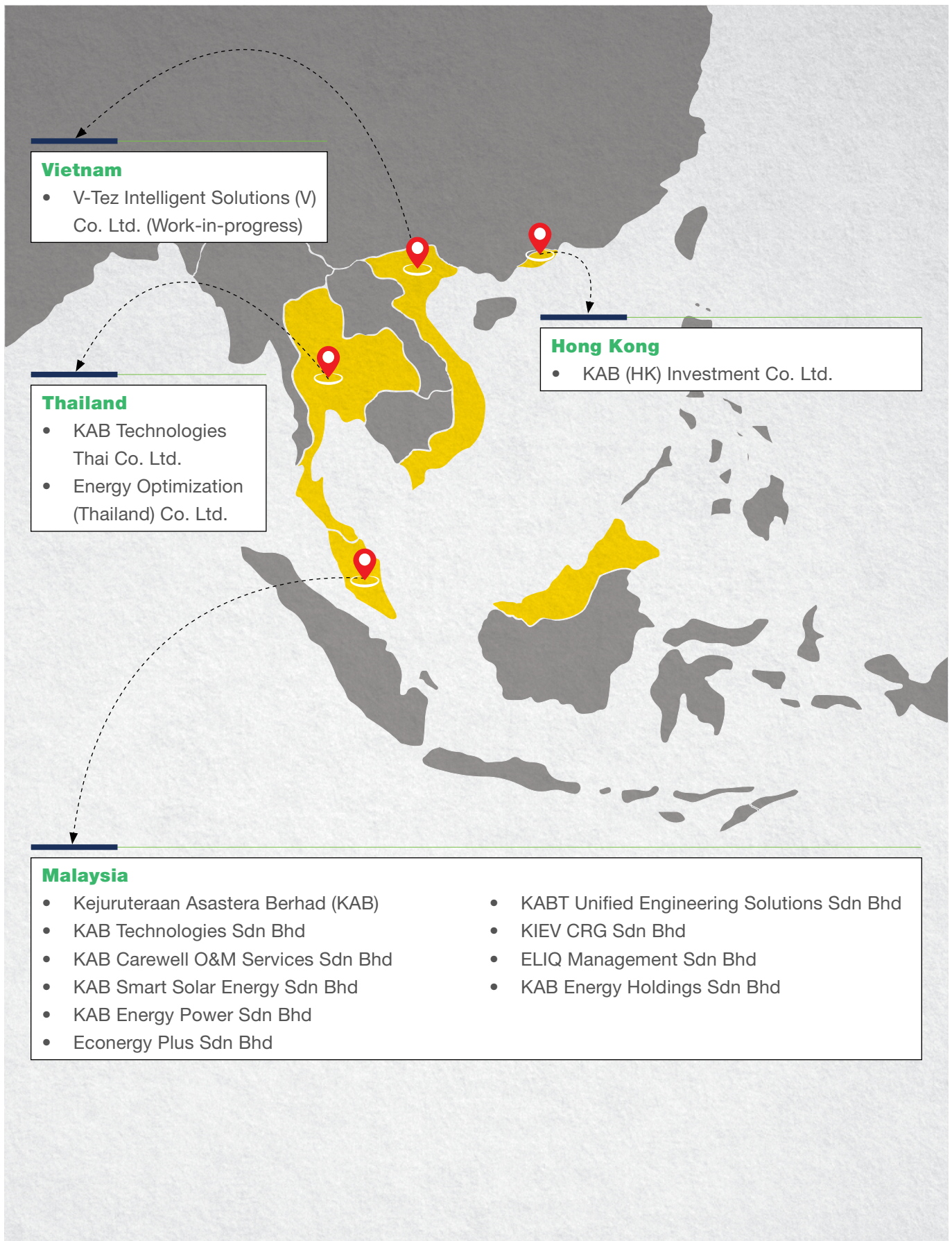
Month	January	February	March	April	May	June	July	August	September	October	November	December
Low	0.41	0.75	0.69	0.75	0.77	0.76	0.84	0.98	0.95	0.91	0.93	0.97
High	0.79	0.90	0.99	0.87	0.81	0.93	1.18	1.19	1.10	0.95	1.06	1.06

Historical Share Price and FBMKLCI INDEX



1-Jan	1-Feb	1-Mar	1-Apr	1-May	1-Jun	1-Jul	1-Aug	1-Sep	1-Oct	1-Nov	1-Dec
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Regional Expansion



Corporate Events 2020

Announcement & Events (As at 12 April 2021)

27 February 2020

Kejuruteraan Asastera Berhad ("KAB") announced on 16 January 2020 to undertake a share split exercise which was approved at an Extraordinary General Meeting held on 11 February 2020. The share split entailed the subdivision of every two (2) existing ordinary shares into five (5) ordinary shares was completed on 27 February 2020.

26 March 2020

Completed the acquisition of an indirect 49.997%-owned subsidiary, Energy Optimization (Thailand) Co., Ltd. for a cash consideration of THB4.6 million (equivalent to approximately RM0.63 million), marking a geographical expansion plan to other ASEAN countries.

28 August 2020

KAB undertook an exercise to transfer its listing status from the ACE Market to Main Market on 13 April 2020. Approval was received on 24 August 2020 and 25 August 2020 from Securities Commission and Bursa Malaysia Securities Berhad ("Bursa Securities") respectively. On 28 August 2020, marking the completion of the Main Market Transfer.

15 October 2020

KAB Energy Power Sdn Bhd ("KABEP", a 90% subsidiary of KAB) completed an acquisition of 70% of the total paid up share capital in KIEV CRG Sdn Bhd ("KIEV") for a cash consideration of RM175,000.00.

KAB had increased its shareholding in KABEP from 90% to 100% on 3 September 2020. The remaining 30% of the total issued share capital in KIEV was thereafter acquired by KABEP for a cash consideration of RM75,000 and completed on 15 October 2020. KIEV is now a wholly-owned subsidiary of KAB.

5 March 2021 (on-going)

KAB announced on 25 March 2020 that KABEP intended to acquire 80% each of the total paid up share capital in Konpro Industries Sdn Bhd ("KISB") and Meru One Sdn Bhd ("MOSB") for a total cash consideration of RM7.26 million and to assume liabilities of RM4.24 million.

On 5 March 2021, KABEP has entered into Share Purchase Agreement to acquire 100% each of the total paid up share capital in KISB and MOSB for a total cash consideration of RM12.03 million. As at 25 March 2021, these proposed acquisitions are still pending fulfilment of condition precedent for completion.

25 March 2021 (on-going)

Private placement amassed estimated total proceeds at close to RM22 million as at 25 March 2021.

25 March 2021

KAB announced on 10 February 2021 to undertake a share split exercise which was approved by Bursa Securities on 25 February 2021 and by shareholders at an Extraordinary General Meeting held on 25 March 2021. The share split entailed the subdivision every ten (10) existing ordinary shares into eighteen (18) ordinary shares. The exercise was completed on 9 April 2021.

25 March 2021 (on-going)

KAB announced on 10 February 2021 to undertake an exercise for bonus issue of warrants share, which was approved by Bursa Securities on 25 February 2021 and by shareholders at an Extraordinary General Meeting held on 25 March 2021. Up to 881,927,638 free warrants will be issued on the basis of 1 warrant for every 2 ordinary shares.

Declaration of Dividend Payment

3 March 2020

Announcement on interim shares on the basis of three (3) treasury shares for every one thousand (1,000) existing ordinary shares held on 14 April 2020.

3 March 2020

Announcement on interim single-tier dividend of RM0.0025.

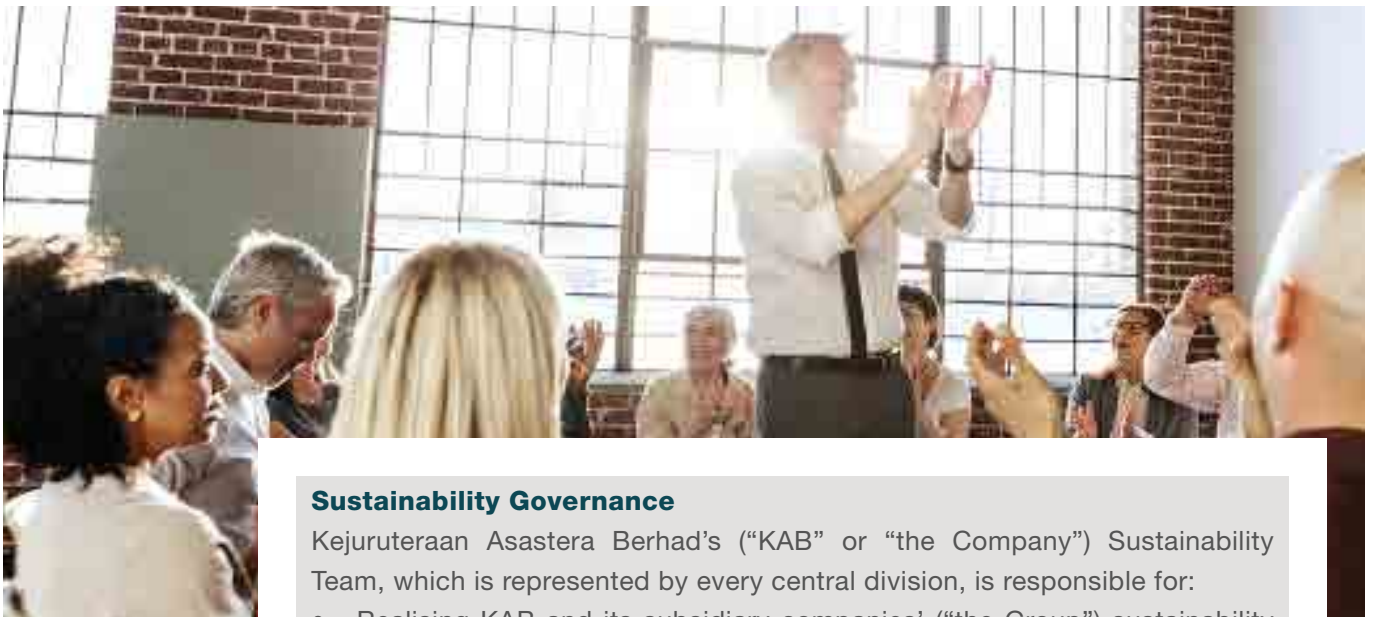
14 April 2020

- Distribution of 2,767,862 treasury shares as dividend
- Payment of cash dividend of RM2.31 million

Sustainability Statement

Our --- **Sustainability Statement Profile**

KAB is strongly committed to shaping a sustainable society and works to create value and have a long-lasting positive impact on its employees, customers and investors. Bringing about social and environmental change that attracts stakeholders to work with us is only possible by focussing efforts on delivering sustainable operations.



Sustainability Governance

Kejuruteraan Asastera Berhad's ("KAB" or "the Company") Sustainability Team, which is represented by every central division, is responsible for:

- Realising KAB and its subsidiary companies' ("the Group") sustainability strategy;
- Ensuring that plans and actions are aligned with KAB's business needs and corporate strategy;
- Initiating and coordinating sustainability policies, strategies, plans, actions, budgets and resources while taking corrective action when required; and
- Supporting and providing adequate resources to functional units so they can perform established sustainability processes and practices.

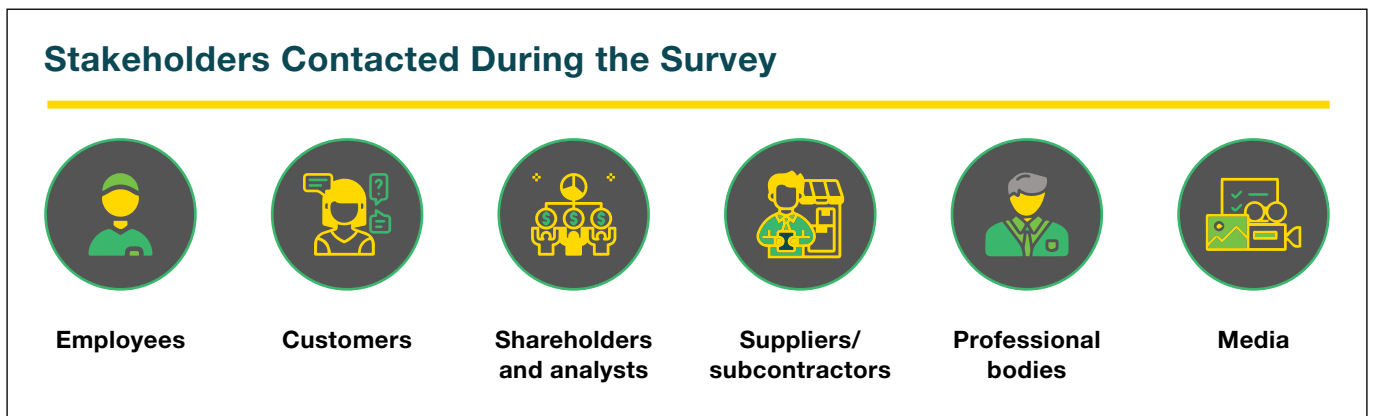
The Board of Directors, assisted by the Sustainability Team, is responsible for the overall stewardship, which includes overseeing sustainability and corporate responsibility. The Board determines material economic, environmental and social aspects of the Group and sets quantitative and qualitative targets for the forthcoming year.

Sustainability Statement

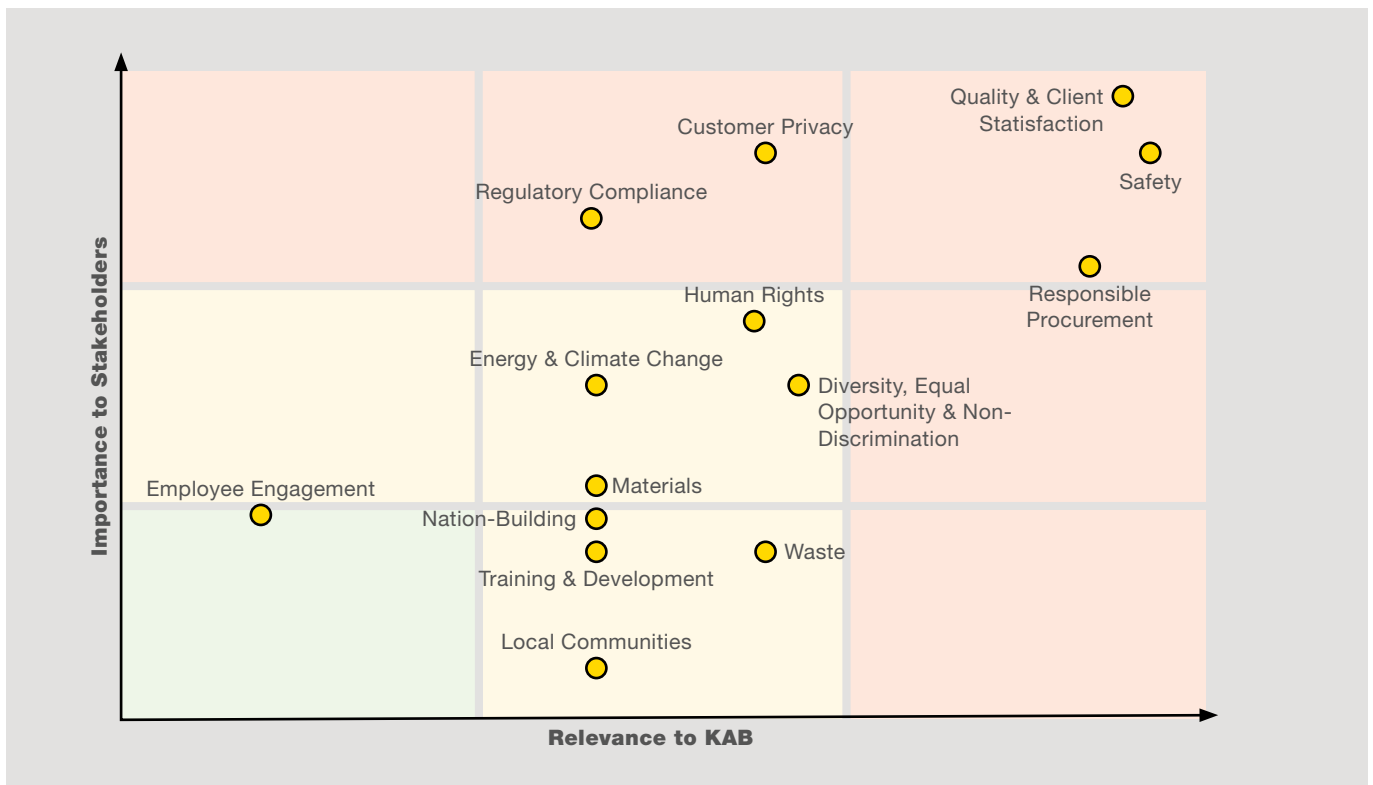
REFINING OUR PRIORITIES

KAB works to contribute to a more sustainable world through its business offerings and sustainable business practices.

The KAB Materiality Survey 2020 was conducted in the first quarter of 2021 to identify sustainability topics that are most material to KAB. Representatives from six stakeholder groups were invited to take part in the survey.



The materiality analysis is two-fold; it considers the viewpoint of both KAB and its stakeholders. The analysis was performed by an external consultant to ensure impartiality and secure the anonymity of the respondents. All stakeholders were asked to indicate the relative importance they placed on reporting 14 economic, environmental and social issues.



The results of the materiality exercise help us identify potential economic, environmental, social and governance areas that are sufficiently important to influence our corporate strategy and sustainability reporting.

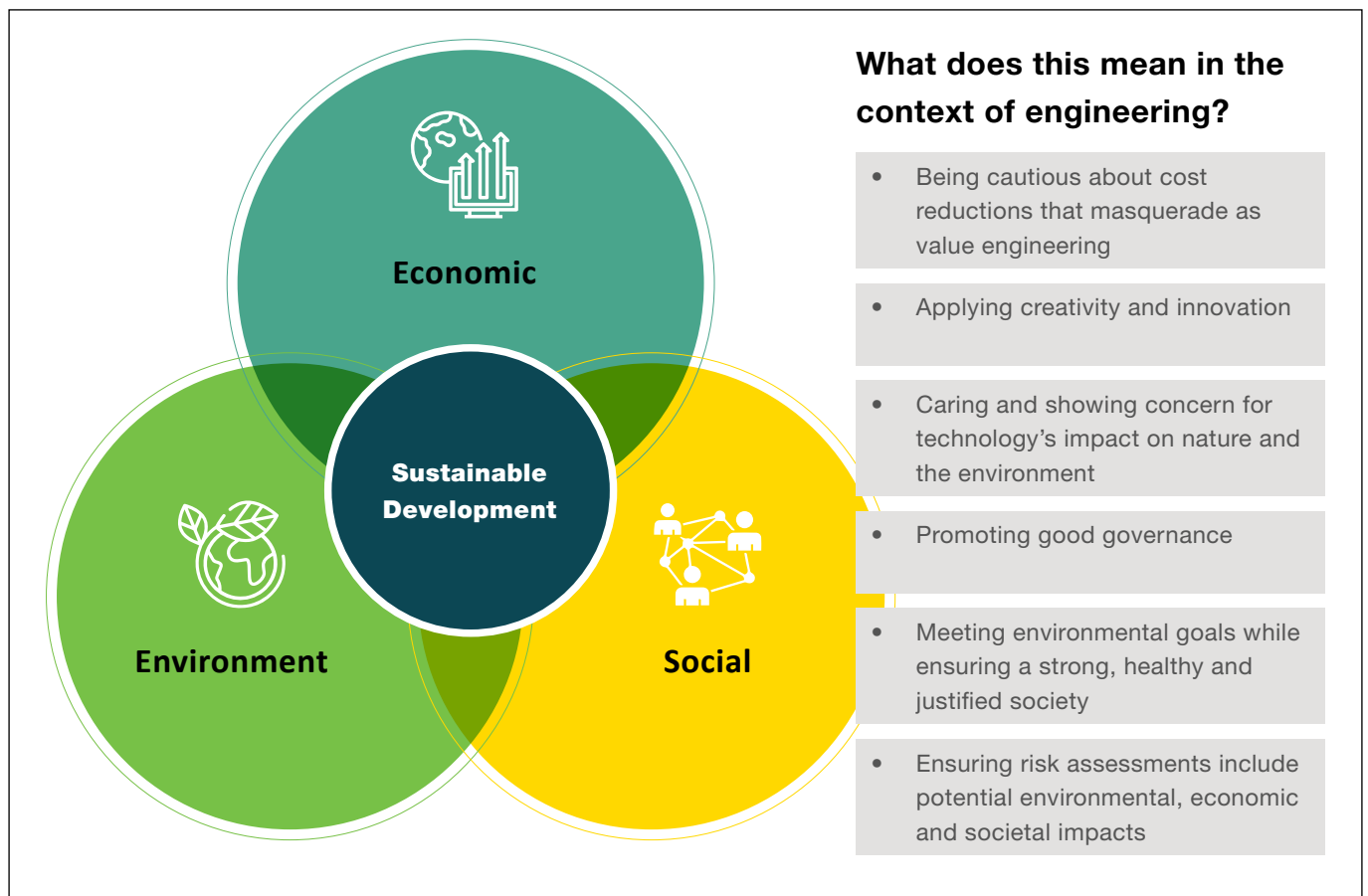
Sustainability Statement

BALANCED SUSTAINABLE ENGINEERING

Engineering is the application of scientific and mathematical principles for practical purposes such as the design, manufacture and operations of processes while accounting for economic, environmental and sociological factors. Engineering is a significant contributor to economic development and can affect living standards, social well-being and the environment.

Sustainability is the ability to make development sustainable by ensuring the needs of the present demands without compromising any power or ability of future generations to meet their own needs. Recognising the need for living within constraints, while providing greater fairness in accessing inadequate resources are key considerations of KAB's sustainable development.

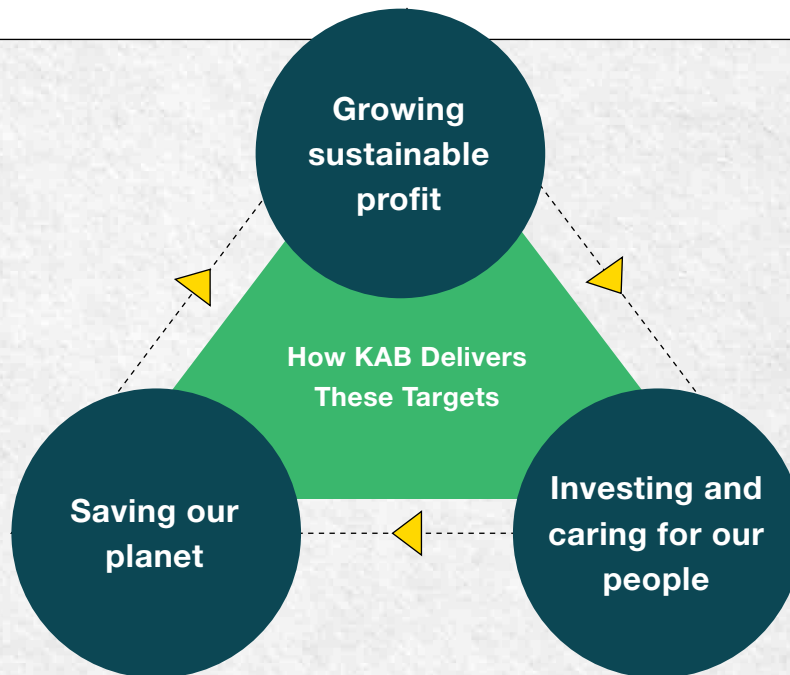
The life-cycle analysis below shows that sustainable design and development makes good economic sense with regard to environmental impact. This diagram graphically shows the interrelationships of a vigorous social order, financial system and environment. A sustainable state is environmentally healthy, economically efficient, socially moral and ethically sensible.



Sustainability Statement

KAB's activities are guided by the following three key sustainability strategies:

- Strong leadership, organisational culture, sound strategies and system to achieve standing as a comprehensive and one-stop solution in electrical and engineering services
- High standards of corporate governance and effective enterprise risk management framework to enhance business resilience and agility
- An integrated approach of ethical practice, corporate governance, financial discipline and management which drives accountability, improves decision-making and creates long-term value
- Innovative solutions through R&D
- Efforts focused on performance, safety, security, energy efficiency and system manageability
- Innovative solutions, continuous product improvement, cost reduction engineering initiatives and "lean" operations to drive productivity improvements
- Collaboration, regular engagements and assessments of our supply chain partners



- Environmental Management System (EMS)
- Compliance with Environmental Protection and Management regulations
- Ensuring suppliers meet our EMS requirements for materials and services supplied
- Multiple energy-saving initiatives on a continuous basis

- Safe working environment by implementing programmes and initiatives to prevent work-related accidents and injuries
- An environment of safety, respect, inclusion and equity
- Technical and non-technical training and learning initiatives for employees
- Developing, retaining and rewarding employees through opportunities, fair employee benefits and policies
- Structured social and welfare programmes

Event Highlights

2020 Event Highlights

30 January 2020

CHINESE NEW YEAR LOUSANG

The team gathered for YeeSang tossing during Chinese New Year 2020



24 February 2020

KAB 23RD ANNIVERSARY

Celebrated Company's 23rd Year of Success



11 May 2020

KAB AT MINISTRY OF TRANSPORT (MOT)'S PPE DONATION EVENT

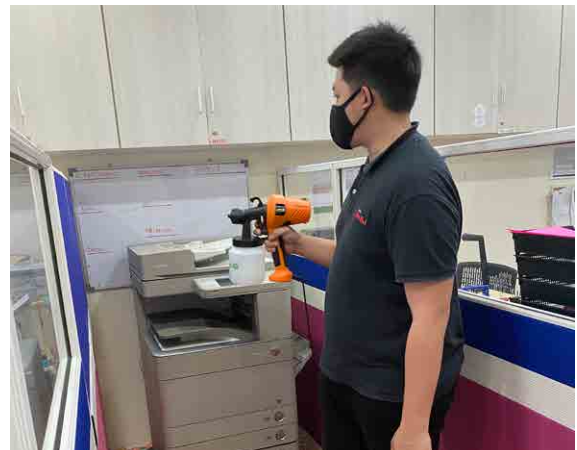
Personal Protective Equipment (PPE) Donation



16 May 2020

KAB HEADQUARTER OFFICE SANITISING

Getting our workplace ready for COVID-19: Comply with workplace hygiene procedures





19 June 2020

HARI RAYA CELEBRATION

Staff celebrated Hari Raya together with KFC Feast



30 August 2020

KAB'S KLSE MAIN TRANSFER CELEBRATION

An enjoyable dinner to celebrate another milestone achieved



24 October 2020

KAB OFFICE SANITISING 2

Sanitising safely and effectively for our protection



14 December 2020

CHRISTMAS'S CELEBRATION

A casual meal session with the team to celebrate another cultural festival



Corporate Governance Overview Statement

The Board of Directors (“The Board”) of Kejuruteraan Asastera Berhad (“KAB” or “the Company”) remains committed and continues to uphold to the highest standard of corporate governance in managing the affairs of KAB and its subsidiary companies (“the Group”), guided by the Principles and Best Practices as set out in the Malaysian Code on Corporate Governance (“MCCG” or “the Code”). Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Sdn Bhd (“Bursa Securities”), the Board is pleased to present this Corporate Governance Overview Statement which outlines how the Company applied the Code for the financial year ended 31 December 2020 (“FY2020”).

The detailed application by the Company for each practice as set out in the MCCG during FY2020 is disclosed in the Corporate Governance Report, announced together with this Annual Report 2020 and published on Bursa Securities’ website www.bursamalaysia.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

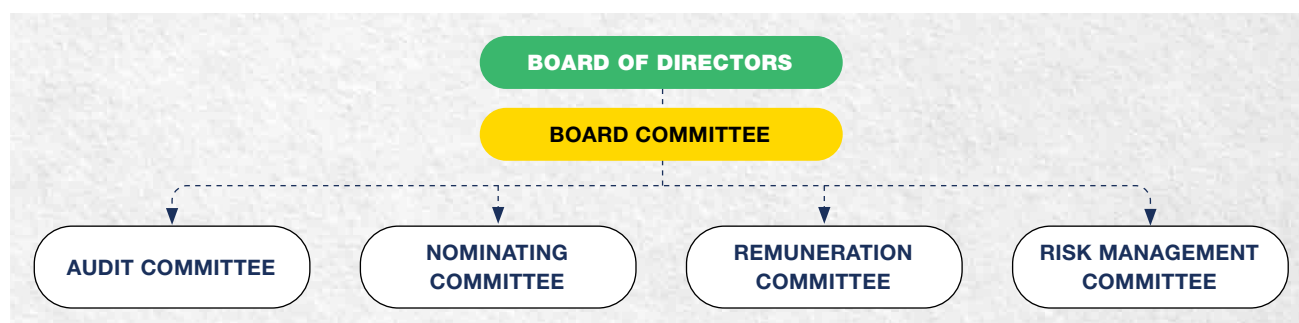
Board Charter

The Board is guided by a Board Charter. KAB was listed in November 2017 and the Board has adopted its Board Charter in year 2018, which was updated on 1 June 2020 to include the Anti-Bribery and Corruption policy, when the Section 17A of the Malaysian Anti-Corruption Commission Act 2009 took effect. The latest Board Charter is available on KAB’s website www.asastera.com.

The Company’s Board Charter clearly identifies the respective roles and responsibilities of the Board, Board Committees and individual directors including the Independent Non-Executive Chairman and Managing Director. It also clearly identifies the issues and decisions reserved for the Board. The Board Charter will be periodically reviewed as and when necessary to ensure it remains relevant and consistent with the recommended best practices, and applicable rules and regulations.

Board Functions

The Board is responsible for strategic planning, oversight, and the overall management of the Group. The Board has also delegated specific matters to various Board Committees which operate within their respective approved Terms of Reference (“TOR”). The Board leads and controls the affairs on behalf of the shareholders. The Board considers the interests of all stakeholders when making decisions to ensure that the twin objectives of enhancing prosperity and creating long term shareholders’ value are met. In addition, the Board monitors the performance of the Group’s various areas of operations. Further to elevate the compliance and to improve the Group’s control environment, the following Board Committees are established:



This is to provide a clear division of responsibilities between the Executive Directors and Non-Executive Directors of the Board to attest to the good order of functions and performances. The Executive Directors are responsible for the implementation of the Board’s decision and policies, overseeing of day to day management and coordination of business and strategic decisions. The Independent Non-Executive Directors play a significant role in bringing objectivity and scrutiny to the Board’s deliberations and decision making. All material and important proposals that will significantly affect the policies, strategies, directions and assets of the Group will be subjected to approval by the Board.

Corporate Governance Overview Statement

The Board discharged its responsibilities in the best interests of the Group, as follows:

i. Reviewing and adopting a strategic plan for the Group

The Board provides direction and has in place a strategy planning process, where management presents its recommended strategy and business plans to the Board for review and approval before implementation. In the FY2020, the Group continued to focus on improving market growth and strengthening KAB's financial position. The Group views the venture into mechanical engineering projects as promising and wishes to increase its involvement in mechanical engineering projects. The Group will continue to seek and secure new business opportunities and to expand its existing business in electrical and mechanical engineering services.

ii. Overseeing the conduct of the Group's business

The Managing Director and the Executive Directors are responsible to oversee the daily management of the Group's business and operations. The Managing Director and the Executive Directors are assisted by various divisional heads in monitoring daily activities and further supported by the management and other committees established within the Group's management framework. The management's performance is monitored and assessed by the Board through management reports which are tabled to the Board on a periodic basis. These reports include a brief summary of business operations and comprehensive financial performance. The Board is also kept informed of key strategic initiatives and operational issues within the Group.

iii. Identifying principal business risks and ensuring the implementation of appropriate systems to manage risks

The Risk Management Committee ("RMC") would oversee the Enterprise Risk Management of the Group, with the assistance of internal audit function. In managing the risk, the RMC would determine and put in place a robust process for identifying, reporting, managing and monitoring potential high risk faced by the Group, apart from reviewing the risk management policies. RMC would also make feasible recommendation to the Board for establishing adequate and appropriate controls over the organisation, as well as advise the management in executing the appropriate action plan.

iv. Succession planning

The Board, with the assistance of the Nominating Committee ("NC"), ensures that an appropriate framework and plan for succession within the Group are in place. The Board has also entrusted the Managing Director with the responsibility to review candidates, compensation packages and oversee development for key management personnel.

v. Overseeing the development and implementation of a shareholder communication policy for the Company

The Company believes in, and emphasises, the importance of communication among shareholders, stakeholders and the Company. The objective of such communication proves to forge a quality public performance and increases awareness and confidence of interested parties towards the Company. The Board endeavours to ensure that pertinent information such as annual reports, quarterly reports, and announcements are released on a timely basis via:

- Bursa Securities' website
- KAB's website
- General Meetings

Corporate Governance Overview Statement

vi. Reviewing the adequacy and integrity of management information and internal controls system of the Group

The Board is ultimately responsible for the adequacy and integrity of the Group's internal control system. The Board ensures that there is a sound framework of reporting on internal controls and regulatory compliance. The internal audit function has been outsourced to an independent consulting firm and the Audit Committee ("AC") regularly reviews and scrutinises the audit reports. Details relating to the internal control system and review of effectiveness are available in the Statement on Risk Management and Internal Control as set out in this Annual Report. The Board meets at least every quarter and more frequently as and when business or operational needs arise. There are established procedures on the agenda, content and presentation of reports for each meeting so that all pertinent information is included. All Board members are supplied with information on a timely manner. Board papers are circulated in advance prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant financial and corporate issues, the Group's performance and any management proposals which required the approval of the Board.

To ensure an effective overall functioning of the Board, the Chairman with the assistance of the Managing Director and Company Secretaries leads the Board in establishing and monitoring good corporate governance practices in the Company. The Chairman also chairs the Board Meetings and encourages active participation and healthy discussion to ensure that dissenting views can be freely expressed and discussed. Besides that, the Chairman ensures that decisions are taken on a sound and well-informed basis, including to ensure that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis. The positions of the Chairman and Managing Director are held by different individuals with clearly defined and distinct roles which are documented in the Board Charter.

Code of Conduct and Ethics

The Board strongly believes in applying good working ethics and code of conduct in all business dealings. The Directors of the Company are guided by the Code of Conduct and Ethics. The Code of Ethics sets out the compliance with Legal and Regulatory Requirements and the Company's Policies, Observance of Board Charter, Duty to Act in the Best Interest of the Group, Competence, Integrity, Objectivity, Confidentiality and Fairness. The Code of Conduct and Ethics for Directors is published on the Company's website. The Ethics and Compliance Whistleblowing Policy and Procedures was adopted in year 2020 to replace the Whistleblower Policy adopted in year 2018. The Ethics and Compliance Whistleblowing Policy and Procedures provides an avenue for raising concerns related to possible improprieties in matters of financial reporting compliance and other malpractices at the earliest opportunity, in an appropriate manner and without fear of retaliation. The Ethics and Compliance Whistleblowing Policy and Procedures lays down the communication channel available and the aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that the person filing the report, to the extent possible, be protected from reprisal, victimisation, harassment or subsequent discrimination. Any person who wishes to report a suspected impropriety may submit his/her report to the Chairman of the AC.

The Board is mindful of the importance of business sustainability, and is committed to conduct its business in a socially responsible manner. The Board promotes good corporate governance through sustainability practices by implementing sustainable corporate strategies and practices. The Company has embraced good corporate responsibility practices in the areas of workplace, community, environment and stakeholders' engagement.

Tenure of Independent Directors

Practice 4.2 of the MCCG states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, an independent director may continue to serve the Board subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as independent after a cumulative term of nine (9) years, justifications from the Board and shareholders' approval at a general meeting are required. An independent director who continues to serve the Board after 12th year of appointment will require shareholders' approval at a general meeting through a 2-tier voting process as prescribed under the MCCG.

Currently, none of the Independent Non-Executive Directors of KAB has served more than nine (9) years.

Corporate Governance Overview Statement

Time Commitment

The Group has high expectations of the availability and commitment of its Board members. The Board meets at least quarterly to consider, inter alia all matters relating to the overall control, business performance and strategy, annual business plans and budgets, operational and financial performance reports, quarterly reports, capital expenditure of the Group. Additional meetings will be called as and when necessary.

KAB has adopted a Written Guideline issued in relation to the time commitment of the Board members in 2020.

Supply and Access to Information

All relevant reports and board papers are distributed to all Directors in advance of the Board Meeting to allow the Directors to have sufficient time to peruse for effective discussion and decision making during the meetings. The Board may obtain all information pertaining to KAB from the management. All pertinent issues discussed at the meetings in arriving at decisions and conclusions are properly recorded in the discharge of the Board's duties and responsibilities. The management is also invited to attend Board meetings to furnish the Group with updates of their respective functions and to discuss on issues that may be raised by the Directors.

Board Meeting

To ensure attendance of Board meetings, the meeting dates for the calendar year are set and the Board usually confirms their attendance for each meeting. The attendance record of the Directors for FY2020 was satisfactory.

During the FY2020, the Board held a total of eight (8) meetings and details of the attendance record of the Board for FY2020 are set out below:

Name	Status of Directorship	Attendance	%
Yoong Kah Yin ⁽¹⁾	Independent Non-Executive Chairman	8/8	100
Dato' Lai Keng Onn	Managing Director	8/8	100
Choong Gaik Seng	Executive Director	8/8	100
Datin Alicia Chan Pey Kheng	Executive Director	8/8	100
Goh Kok Boon	Executive Director	8/8	100
Lu Chee Leong	Independent Non-Executive Director	8/8	100
Tong Siut Moi	Independent Non-Executive Director	8/8	100
Dato' Chan Chee Hong ⁽²⁾	Non-Independent Non-Executive Director	8/8	100

Note:

(1) Mr Yoong resigned from the Board on 15 April 2021

(2) Dato' Chan resigned from the Board on 22 March 2021

In the intervals between Board Meetings, for any matters requiring Board's decision, the Board's approvals are obtained through Directors' Written Resolutions ("DWR"). The resolutions passed by way of DWR would also be tabled for notation at the subsequent Board Meeting.

Directors' Continuous Professional Development

The Company recognises the need to enhance the skills of the Board members. All existing Directors of the Company have successfully completed the Mandatory Accreditation Programme as required by Bursa Securities on all directors of listed companies.

Corporate Governance Overview Statement

The Directors will continue to undergo other relevant training programmes to keep themselves abreast with the relevant changes in laws, regulations and business development.

During the FY2020, the Directors have attended various development and training programmes according to their individual needs to enhance their ability in discharging their duties and responsibilities more effectively. The details of these training programmes are as appended below.

Director	Date	Type of Training	Training Programme
Yoong Kah Yin ⁽¹⁾	09.05.2020	Training	Awareness of MACC 17A & Corruption, Bribery and Legal Requirement
	09.10.2020	Webinar	Positioning & Preparing SMEs for IPO: Both Pre & Post Perspectives
Dato' Lai Keng Onn	09.05.2020	Training	Awareness of MACC 17A & Corruption, Bribery and Legal Requirement
Datin Alicia Chan Pey Kheng	09.05.2020	Training	Awareness of MACC 17A & Corruption, Bribery and Legal Requirement
	23.11.2020	Seminar	Fraud Risk Management Workshop
Choong Gaik Seng	09.05.2020	Training	Awareness of MACC 17A & Corruption, Bribery and Legal Requirement
Goh Kok Boon	09.05.2020	Training	Awareness of MACC 17A & Corruption, Bribery and Legal Requirement
Lu Chee Leong	09.04.2020	Training	Raising Defences: Section 17A, MACC Act
	09.05.2020	Training	Awareness of MACC 17A & Corruption, Bribery and Legal Requirement
	09.06.2020	Training	The Impact of COVID-19 on Compliance with Various MFRS / IFRS
	24.06.2020	Training	Introduction to Integrated Reporting
	03.08.2020	Training	How to Apply Various Impairment Models to Different Classes of Assets Under Volatile Environments
	23.11.2020	Seminar	Fraud Risk Management Workshop
	22.12.2020	Seminar	Applying Ethics During the Pandemic and Beyond
Tong Siut Moi	13.02.2020	Training	Key Disclosure Obligations of A Listed Company - Financial Reporting
	05.03.2020	Training	Decoding Transaction & RPT Rules
	05.05.2020	Training	Provision of Financial Assistance & RPT
	09.05.2020	Training	Awareness of MACC 17A & Corruption, Bribery and Legal Requirement
	03.12.2020	Training	Dealings in Listed Securities, Closed Period & Insider Trading
Dato' Chan Chee Hong ⁽²⁾	09.05.2020	Training	Awareness of MACC 17A & Corruption, Bribery and Legal Requirement

Note:

(1) Mr Yoong resigned from the Board on 15 April 2021

(2) Dato' Chan resigned from the Board on 22 March 2021

Corporate Governance Overview Statement

II. BOARD COMPOSITION

The Group takes serious effort to ensure the Board comprises members with suitable academic and professional qualifications, skills, expertise and wide exposure. The Board comprises seven (7) members of whom three (3) members are Independent Non-Executive Directors as at the date of this Annual Report. All three (3) Independent Non-Executive Directors fulfil the criteria of independence, as defined in the Main Market Listing Requirements of Bursa Securities.

A brief profile of each Director is presented in the Profile of Directors section of this Annual Report. The composition of the members of the Board reflects a good mix of experience, backgrounds, skills and qualifications which are vital to the sustainability and growth.

Board Diversity

A gender diversity policy in accordance with the best practices of MCCG had been adopted in 2018. In FY2020, the Board comprised two (2) female Directors out of eight (8) Directors, representing 25% of the total Board members.

Key Roles of Chairman and Managing Director

There are clear roles and responsibilities between the Chairman, Managing Director, Executive Directors and Non-Executive Directors of the Board.

The Chairman ensures that decisions are taken on a sound and well-informed basis, including ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis.

The Managing Director and Executive Directors formulate strategic vision and business directions for the Group.

All Independent Non-Executive Directors and Non-Independent Non-Executive Director do not participate in the daily operations and management of the Group. There are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Directors' judgment. They are pivotal in bringing impartially and scrutiny to the Board's deliberation and decision-making process.

Company Secretaries

To ensure effective functioning of the Boards, the Company Secretaries play an advisory role to the Boards in relation to KAB's Constitution, policies and procedures, and compliances with the relevant legislations, and regularly update the Board on new statutory and regulatory requirements relating to the discharge of their duties and responsibilities.

All Directors have access to the advice and services of the Company Secretaries in furtherance of their duties. The Company Secretaries are responsible in advising the Board on regulatory requirements and corporate governance matters to ensure that the Board discharge their duties and responsibilities effectively.

The Company Secretaries also ensure that the Boards and the Board Committees function effectively based on the Board Charter and the respective TOR.

The Company Secretaries attend all Board meetings and ensure that the deliberations and decisions made by the Boards are accurately minuted, and the records of the proceedings of the Board meetings are properly kept.

During the FY2020, the Company Secretaries have attended relevant development and trainings programmes to enhance their ability in discharging their duties and responsibilities.

Corporate Governance Overview Statement

Nominating Committee

The Group places high importance to ensure the Board comprises members with suitable academic and professional qualifications, skills, expertise and wide exposure. The NC always monitors that there is an appropriate balance of expertise and ability. In addition, the Committee also regularly assesses the effectiveness of the Board as a whole and the contribution of each individual director including Independent Non-Executive Directors.

The NC currently comprises entirely of Independent Non-Executive Directors as follows:

Chairman

Tong Siut Moi (Independent Non-Executive Director)

Members

Yoong Kah Yin (Independent Non-Executive Chairman) (*resigned on 15 April 2021*)

Lu Chee Leong (Independent Non-Executive Director)

The NC is empowered to bring to the Board, recommendations as to the appointment of any new Executive or Independent Non-Executive Director, provided that the Chairman of the NC, in developing such recommendations, consults all Directors and reflects that consultation in any recommendation of the NC brought forward to the Board. In making its recommendation, the NC will consider the required mix of skills, knowledge, expertise, experience and other qualities, including core competencies which Directors of the Company should bring to the Board.

To ensure that the Board has an appropriate balance of expertise and ability, the NC would regularly review the profile of the required skills and attributes. This profile is used to assess the suitability as executive or non-executive directors for candidates put forward by the Directors and outside consultants. In addition, the NC also regularly assesses the effectiveness of the Board as a whole and the contribution of each individual director including Independent Non-Executive Directors. All assessments and evaluations carried out by the NC in discharging its functions have been well documented.

Recruitment Process and Annual Assessment of Directors and Independent Directors

The Board has put in place the necessary selection criteria for the appointment of Directors. Through Board Effectiveness Evaluation, the Directors are assessed annually and the findings are consolidated in a performance report which is analysed and tabled to the NC for review and endorsement by the Board.

All nominees and candidates to the Board are first considered by the NC taking into consideration the mix of skills, competencies, experience, integrity, time commitment and other qualities required to effectively discharge his or her role as a director. The NC will then endorse the nominees and candidates for approval by the Board.

On the appointment of key management personnel, candidates are first considered by the NC where focus is on their skills set, competencies, experience, integrity and other qualities, prior to recommendation for approval by the Board. During the FY2020, the NC had reviewed the working experience, skills, capability and competence of Madam Hoon Siew Yen and recommended her appointment as the Chief Financial Officer of the Group to the Board for approval.

During the FY2020, an annual evaluation of the Board, its Committees and all Directors was conducted on 25 February 2021.

Re-appointment of Directors of the Company are in accordance with the Company's Constitution and good corporate governance practice. The performance of each Director of the Company was appraised by other Directors based on the characteristic of integrity, governance, participation, decision, independence, and strategic perspective. Thereafter, the evaluation survey questionnaires are compiled into a summary report. The report is presented to the NC before tabling to the Board.

For the FY2020, all the Directors met the expectations of the criteria set out in discharging their duties and responsibilities.

Corporate Governance Overview Statement

The performance and effectiveness of the Director and the Board were assessed individually and collectively, which include Directors' Self and Peer Evaluation, using evaluation survey questionnaires to evaluate the overall Board's performance against criteria that the Board determines are important to its success. The Board's performance and effectiveness evaluation in the FY2020 reported that the Board continues to operate effectively.

Workforce Diversity

Our male and female employees' ratio shows a distribution of 68:32 as at 31 December 2020. Our total staff stood at 186 as at 31 December 2020.

III. REMUNERATION

Remuneration of Directors

The Board delegates to the Remuneration Committee ("RC") the responsibility to consider and approve the remuneration arrangements of the Directors and key management personnel in the Group to ensure that the policy is fair and able to attract and maintain talent.

The RC is guided by appropriate policies and procedures when reviewing and recommending remuneration of Directors and key management personnel. The RC ensures that the levels of remuneration for Executive Directors and key management personnel commensurate with their level of responsibilities undertaken and contributions to the effective functioning of their roles.

The remuneration of Non-Executive Directors is proposed by the RC before tabling to the Board for further recommendation to the Shareholders' for approval.

The fees proposed for Non-Executive Directors will be tabled for the shareholders' approval at the Company's Annual General Meeting scheduled on 20 May 2021.

The RC comprises exclusively of Independent Non-Executive Directors as follows:

Chairman

Tong Siut Moi (Independent Non-Executive Director)

Members

Lu Chee Leong (Independent Non-Executive Director)

Yoong Kah Yin (Independent Non-Executive Chairman) (*resigned on 15 April 2021*)

The amounts of remuneration paid to Directors are disclosed in the notes to the audited financial statements. The details of the nature and amount of each major element of the Directors' remuneration for the FY2020 are as follows:

Group and Company									
Name of Directors	Executive				Non-Executive				2020 RM
	Dato' Lai Keng Onn	Choong Gaik Seng	Goh Kok Boon	Datin Alicia Chan Pey Kheng	Tong Siut Moi	Lu Chee Leong	Dato' Chan Chee Hong ⁽¹⁾	Yoong Kah Yin ⁽²⁾	
Directors' Fee	-	-	-	-	70,500	76,375	58,750	82,250	287,875
Directors' Remuneration									
Salary	873,600	305,825	367,320	515,680	-	-	-	-	2,062,426
Bonus	280,000	75,000	100,000	130,000	-	-	-	-	585,000
Benefits in kind	24,999	7,475	12,500	-	-	-	-	-	44,974
Others	180,000	14,400	60,000	-	-	-	-	-	254,400
GRAND TOTAL	1,358,599	402,700	539,820	645,680	70,500	76,375	58,750	82,250	3,234,675

Note:

(1) Dato' Chan resigned from the Board on 22 March 2021.

(2) Mr Yoong resigned from the Board on 15 April 2021

(3) Employer's Social Security Cost and Employment Insurance System are not included in the above figures

Corporate Governance Overview Statement

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

Financial Reporting

The Board has always endeavour to provide true, fair and comprehensive financial reporting of the Group's performance in the audited financial statements and quarterly financial reports together with material disclosures in the notes to accounts. The AC assists the Board in discharging its fiduciary duties by ensuring that the audited financial statements and quarterly financial reports are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and Main Market Listing Requirements of Bursa Securities.

In presenting the annual audited financial statements and quarterly financial reports to shareholders, the Board aims to present a balance and fair assessment of the Group's financial position and prospects. The AC reviews the Group's quarterly financial results and annual audited financial statements to ensure accuracy, adequacy, and completeness prior to presentation to the Board for its approval.

Compliance with Applicable Financial Reporting Standards

The Board is committed to provide a balanced, clear, and meaningful assessment of the financial performance of the Group via all relevant disclosures and announcements made.

The AC assists the Board to oversee and scrutinise the process and quality of financial reporting, which includes monitoring and reviewing the integrity of the financial statements and appropriateness of the Group's accounting policies to ensure accuracy, adequacy, and completeness of the report, as well as compliance with the relevant accounting standards.

Assessment of Suitability and Independence of External Auditors

The AC performs an annual assessment on the performance, suitability and independence of the external auditors as well as reviewing the non-audit services provided by the external auditors, if any, based on the four (4) key areas:

- Quality of service;
- Sufficiency of resources;
- Communication and interaction; and
- Independence and objectivity

KAB has established transparent and appropriate relationship with the External Auditors through AC. The AC has obtained an assurance from the external auditors confirming that they were, and had been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The AC is satisfied with the competence and independence of the external auditors.

The AC comprises entirely of Independent Non-Executive Directors. During FY2020, the AC comprises the following Independent Non-Executive Directors:-

Chairman

Lu Chee Leong (Independent Non-Executive Director)

Members

Tong Siut Moi (Independent Non-Executive Director)

Yoong Kah Yin (Independent Non-Executive Chairman) (*resigned on 15 April 2021*)

It is an existing practice for the AC to require former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC and such practice was formalised and incorporated in the Terms of Reference ("TOR") of the AC.

Corporate Governance Overview Statement

The AC had met with the External Auditors three (3) times in FY2020.

The AC's TOR include the review of and deliberation on the Group's financial statements, the audit findings of the external auditors arising from their audit of the Group's financial statements and the audit findings and issues raised by internal auditors together with the management's responses thereon.

External auditors, internal auditors, Executive Directors and members of senior management attend the meetings at the invitation of the AC.

For details on the functions, composition, membership, and summary of works of the AC in the FY 2020, please refer to the Audit Committee Report in this Annual Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to maintain a good risk management framework and sound system of internal control within the Group. The Group has an embedded risk management framework process for the identification, evaluation, reporting, treatment, monitoring and review of the major strategic, business and operation risks within the Group.

Both AC and RMC assist the Board in discharging these responsibilities by overseeing the risk management framework and advise the Board on areas of high risk encountered by the Group as well as the adequacy of compliance and controls. The AC and RMC also reviews the action plan implemented and makes relevant recommendations to the Board to manage residual risks.

The Managing Director, being the person primarily responsible for the overseeing and managing the operational affairs of the Group has provided assurance to the Board that the Group's risk management and internal control systems have been operated adequately and effectively, in all material aspects, based on the Group's policies and procedures. Under the purview of the Managing Director and Executive Directors, heads of department are empowered with the responsibility of managing their respective operations.

The internal audit function of the Group is outsourced to an independent professional services firm to provide additional support and assurance required by the AC and the Board pertaining to the adequacy and effectiveness of internal control.

The details of the internal control system are set out in the Statement of Risk Management and Internal Control in this Annual Report.

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

I. COMMUNICATION WITH STAKEHOLDERS

TIMELY AND HIGH-QUALITY DISCLOSURE

Corporate Disclosure Policy

The Board has set up pertinent corporate disclosure policies and exercises close monitoring of all price sensitive information required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner.

Dissemination of Information

The Company exercises close monitoring of all price sensitive information required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner. In accordance with best practices, the Board would strive to disclose price sensitive information to the public as soon as practicable through Bursa Securities, the media and the Company's website. Price sensitive information refers to any information that, on becoming generally available, would tend to have a material effect on the market price of the Company's listed shares.

Corporate Governance Overview Statement

Members of the Board and key management personnel privy to price sensitive information are prohibited from dealing in the shares of the Company until such information is publicly available. This is in addition to the provisions relating to the “closed period” for dealing in the Company’s shares.

In addition, the Company’s website incorporates an Investor Relations section where the annual report and quarterly financial report would be captured. Directors’ Report and Audited Financial Statements, Annual Reports, Quarterly Report together with the Company’s announcements and other information about the Company are available on our website at www.asastera.com.

Communication and Engagement with Shareholders

The Company communicates with its shareholders through the timely release of financial results on a quarterly basis, annual report, press releases and announcements to Bursa Securities. Financial results and press releases are also placed on the corporate website to keep shareholders and investors informed of the Company’s performance.

Shareholders, investors and members of the public who wish to contact the Company on any enquiry, comment or proposal can channel them through e-mail at kabinvestor@asastera.com.

Shareholders and investors can obtain the Company’s latest announcements such as quarterly financial report at Bursa Securities’ website www.bursamalaysia.com and the Company’s website www.asastera.com.

II. CONDUCT OF GENERAL MEETING

Shareholders Participation at General Meeting

In addition to communicating and engaging shareholders through annual reports, annual general meetings, continuing and timely disclosures of information, the Company welcomes dialogues with shareholders and investors to discuss issues and obtain feedback.

The Notice of Annual General Meeting is issued to the shareholders together with this 2020 Annual Report 28 days before the Annual General Meeting. This would accord sufficient time for the shareholders to make the necessary arrangements to attend and participate in person or by proxy. In conjunction with this, Annual Reports are dispatched together with all relevant information supporting each proposed resolution to enable the shareholders to evaluate and vote accordingly. All Directors of the Company will be present at the Company’s General Meetings to answer any questions that the shareholders may ask. The Chairman of the meeting provides time for the shareholders to ask questions for each agenda in the notice of the annual general meeting. The external auditors will also be present at the annual general meeting to answer any questions that the shareholders may ask.

In view of the COVID-19 pandemic, the Company took the necessary precautions and preventive measures in complying with the directive issued by Malaysian Ministry of Health. These include the option of remote shareholders’ participation at the Annual General Meeting. The Company had leveraged on technology to facilitate remote shareholders’ participation and electronic voting for the conduct of poll on the resolution in general meeting.

Poll Voting

In line with the Main Market Listing Requirements of Bursa Securities, all resolutions put to general meetings will be voted by poll. An independent scrutineer will be appointed to validate the votes cast at general meetings.

STATEMENT OF COMPLIANCE WITH THE RECOMMENDATIONS OF THE CODE

The Board is committed to adopt the Practices of the MCCG throughout the Group applying the highest level of integrity and ethical standards in all its business dealings.

The Board is of the opinion that for FY2020, the Group has substantially complied with the Principles and Best Practices as set out in the Code.

This Statement is approved by a resolution of the Directors dated 12 April 2021.

Audit Committee Report

The Board of Directors (“the Board”) presents the Audit Committee (“AC”) Report to provide insights on the discharge of the AC’s functions during the financial year ended 31 December 2020 (“FY2020”).

COMPOSITION

The composition of the AC during FY2020 is as follows:

Chairman

Lu Chee Leong (Independent Non-Executive Director)

Members

Yoong Kah Yin (Independent Non-Executive Chairman) (*resigned on 15 April 2021*)

Tong Siut Moi (Independent Non-Executive Director)

All of the members of the AC are Independent Non-Executive Directors and satisfy the test of independence and meet the requirements of the Malaysian Code on Corporate Governance.

The performance of the AC and each of its members were reviewed by the Nominating Committee (“NC”) on 25 February 2021. The NC assented to the demonstrated satisfactory performance of the discharge of functions, duties and responsibilities committed by the AC and each of its member, all in accordance with the Terms of Reference (“TOR”) of the AC. The NC has thus supported the Board in ensuring appropriate corporate governance standards within Kejuruteraan Asastera Berhad (“KAB” or “the Company”) and its subsidiary companies (“the Group”).

Terms of Reference

The TOR for the AC is available for reference on the Company’s website www.asastera.com.

MEETINGS

The AC met five (5) times during the FY2020. The attendance of the AC members during the financial year is as follows:-

Audit Committee Members	Attendance at the Audit Committee Meeting
Lu Chee Leong (Chairman)	5/5
Tong Siut Moi	5/5
Yoong Kah Yin (<i>resigned on 15 April 2021</i>)	5/5

The external auditors were present in three (3) of the total meetings held in the FY2020. The external auditors were encouraged to raise with the AC any matters they considered important to bring to the AC’s attention. For FY2020, one (1) private session was held between the AC and the external auditors without the presence of the Executive Board members and management staff.

The Chairman of AC also sought information on the communication flow between the external auditors and the Management. It was necessary to allow unrestricted access to information in order to have the external auditors to carry out their duties effectively.

Notices of the AC Meeting had been sent to the AC Members at least seven (7) days in advance. The relevant meeting papers would be compiled for dissemination to the AC by email and/or by hand.

All deliberations during the AC Meeting were duly minuted and tabled for confirmation at the next Meeting and subsequently presented to the Board for notation.

The Chairman of AC presented the AC’s recommendations together with the respective rationale to the Board for approval of the unaudited quarterly financial results. As and when necessary, the Chairman of AC would convey to the Board matters of significant concern raised by the internal or external auditors.

Audit Committee Report

SUMMARY OF WORKS

The summary of works undertaken by the AC during the preceding financial year comprised the following:-

1. Overview of Financial Performance and Reporting

- The financial statement of the Group for the financial year ended 31 December 2020, unaudited quarterly financial reports and unaudited financial statements of the Group were reviewed by the AC at their meetings held on 24 February 2020, 23 March 2020, 22 June 2020, 28 August 2020 and 27 November 2020 respectively and recommended the same for the Board's approval; and
- Reviewed the Group's compliance with the accounting standards and relevant regulatory requirements.

2. Oversight of External Auditors

- Reviewed Audit Planning Memorandum prepared by the external auditors for the FY2020, entailing mainly the overview of audit approach, scope of work, auditing developments, significant risks and areas of audit focus of the Group and of the Company;
- Met with the external auditors without the presence of the Executive Directors and the management;
- Received and discussed with the external auditors on the Auditors' Report as presented by the external auditors;
- Reviewed the proposed audit fees;
- Reviewed and approved the fee for non-audit services; and
- Assessed and evaluated the suitability and independence of external auditors.

3. Oversight of Internal Auditors

- Reviewed and approved the annual internal audit plan as proposed by the internal auditors to ensure the adequacy of the scope and coverage of work;
- Reviewed the internal audit reports presented by the internal auditors on their findings and identifying key areas of concerns as well as highlighting recommendations for improvements and carried out follow-up audits; and
- Reviewed the suitability, experience and resources of an independent firm and the experience of the supervisory and professional staff assigned, recommended the appointment of the independent firm for outsourcing for the internal audit function of the Company for the Board's approval.

4. Oversight of Risk Management and Internal Control Matters / Other Matters

- Reviewed the adequacy and effectiveness of the risk management framework, risk register and the appropriateness of management's responses to key risk areas and proposed recommendations for improvements to be implemented;
- Reviewed and discussed the collection of the trade receivables;
- Reviewed the Company's performance against the budget for the year 2020;
- Reviewed the solvency of the Company for recommendation of distribution of interim dividend; and
- Reviewed Corporate Governance Overview Statement and AC Report.

INTERNAL AUDIT FUNCTION

1. Appointment

The Group has appointed an outsourced independent consulting firm to carry out the internal audit function, namely Talent League Sdn Bhd, providing the Board with a reasonable assurance of adequacy of the scope, functions and resources of the internal audit function. The purpose of the internal audit function is to provide the Board, through the AC, assurance of the effectiveness of the system of internal control in the Group.

The internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care.

2. Summary of Internal Audit Works for the FY2020

Reviewed the adequacy and integrity of the system of internal controls of the processes within KAB for the review period of 1 January 2020 to 31 December 2020 for Contract & Procurement, Project Management & Administrative, Draughting, Human Resource Management and Management Information System.

The internal auditor is guided by the Professional Practices Framework of the Institute of Internal Auditors. Observations and findings from the audit reviews, including the recommended corrective actions were discussed with the management. The internal audit report together with the management's response and proposed corrective action plans were then presented to the AC for its review during the quarterly meetings. Follow up review was also conducted to ensure corrective actions have been implemented.

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

3. Total Costs Incurred for the FY2020

The fees incurred for the outsourcing of the internal audit function for FY2020 were RM27,000.

Statement on Risk Management and Internal Control

1. INTRODUCTION

The Board of Directors (“the Board”) is pleased to present its Statement on Risk Management and Internal Control which outlines the nature and scope of the risk management and internal control of Kejuruteraan Asastera Berhad (“KAB” or “the Company”) and its subsidiary companies (“the Group”) for the financial year ended 31 December 2020 (“FY2020”). This Statement on Risk Management and Internal Control is issued in line with the Main Market Listing Requirements of Bursa Malaysia Securities Sdn Bhd (“Bursa Securities”) on the status of the Group’s compliance with the principles and best practices relating to risk management and internal control as stipulated in the Malaysian Code on Corporate Governance. The Board is committed to maintaining a sound system of internal control of the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the current financial year.

2. BOARD RESPONSIBILITIES

The Board recognizes the importance of sound systems on risk management and internal control in safeguarding the assets of the Group. However, the systems are designed to manage rather than to eliminate the business risk entirely. The Board is guided by the systems which provide only reasonable and not absolute assurance against the material misstatement or fraud.

The Group has in place an on-going process to identify, evaluate, monitor and manage significant risks through the internal controls set out in order to attain a reasonable assurance that business objectives have been met. These controls are regularly reviewed by the Board and subject to continuous improvement.

3. RISK MANAGEMENT FRAMEWORK

The Board has established and developed an Enterprise Risk Management framework to achieve the following objectives:

- communicate and disseminate across the organisation the vision, role and direction of the Group;
- identify, assess, evaluate and manage the various principal risks which affect the Group’s business;
- create a risk-awareness culture and risk ownership for more effective management of risks; and
- formulate a systematic process of review, tracking and reporting on keys risks identified and corresponding mitigation procedures.

A risk analysis of the Group is conducted on a regular basis including constantly reviewing the process in identifying, evaluating and putting up necessary action to assess and monitor the impacts of the risk on the operation and business. The process requires management to comprehensively identify and assess all types of risks in terms of likelihood and magnitude of impact as well as to address the adequacy and application of mechanisms in place to manage, mitigate, avoid or eliminate these risks. Significant risks identified are subsequently brought to the attention of Risk Management Committee (“RMC”) and report to the Board at the scheduled board meetings. This serves as the on-going process of identifying, assessing and managing risks faced by the Group and has been in place for the financial year under review and up to the date of approval of this statement for inclusion in the Annual report.

The Group’s risk management continues to be driven by the Executive Directors and assisted by the management. The Executive Directors and the management are responsible for identifying, evaluating and monitoring of risks and taking appropriate and timely actions to manage the risks. These processes are embedded and carried out as part of the Group’s operating and business management processes. External and relevant professionals would be drawn on to assist and provide advices to the management when necessary. To ensure the objectivity of the review on the risk management processes and internal control procedures in the Group, the RMC and Audit Committee (“AC”) are instituted by the Board to undertake this role respectively.

In conducting its review, the processes are regularly reviewed by the Board via the AC at the quarterly Board meeting with the assistance from an outsourced independent consulting firm (Talent League Sdn Bhd) to further review and improve the existing internal control procedures within the Group. The Group will continue to focus on the key risks and corresponding controls to ensure that they are able to respond effectively to the fast-changing business and competitive environment.

The management further supplements the review on the control and risk assessment when presenting the quarterly financial reports on performance and results to the AC and the Board including pertinent explanations on the performance of the Group. With management consultation, the AC reviews and analyses the interim financial results in corroboration with management representations on the operations as well as deliberates the annual report and audited financial statements before recommending these documents to the Board for approval.

Statement on Risk Management and Internal Control

4. INTERNAL CONTROL FRAMEWORK

The other key elements of the Company's internal control procedures are as described below:

- Quarterly monitoring of operational results against the budget by the management and to be tabled for the Board's review and discussion on a quarterly basis;
- Regular and comprehensive information provided to the Board, covering financial performance and key performance business indicators;
- Regular updates of internal policies and procedures, to reflect changing risks or resolve operational efficiencies; and
- Regular management meeting with all key personnel of respective department to address weaknesses and improve efficiency.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may have material impact against the operations of the Group for the FY2020.

5. MANAGEMENT WITH RESPONSIBILITIES AND ASSURANCE

In accordance to the Bursa Securities' Guidelines, the management is responsible to the Board for identifying risks relevant to the business of the Group's objectives and strategies; implementing and maintaining sound systems of risk management and internal control; and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could significantly affect the Group's achievement of its objective and performance.

In producing this Statement, the Board has received assurance from the Managing Director and the management that, to the best of their knowledge, the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

6. BOARD ASSURANCE AND LIMITATION

The Board confirms that the process for identifying, evaluating and managing significant risks in the Group is on-going. For the financial year under review, there was no material losses resulting from significant internal control weaknesses. The Board is satisfied that the existing systems of risk management and internal control are effective and efficient to enable the Group to achieve its business objectives.

While, the Board wishes to reiterate that the risk management processes and internal control procedures would be continuously improved in line with the evolving business development, the Board is guided by the risk management processes and internal control procedures which provide to only manage rather than to eliminate the risks of failure in achieving business objectives. Therefore, these processes and procedures within the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

This Statement is approved by a resolution of the Directors dated 25 March 2021.

7. CONCLUSION

The Board recognizes the necessity to monitor closely the adequacy, integrity and effectiveness of the Group's risk management processes and internal control procedures, by taking into consideration the fast-changing business environment. Although the Board is of the view that the present processes and procedures are adequately in place to safeguard the Group's assets and sufficient to detect any fraud or irregularities, the Board is on a constant watch for any improvement that may strengthen its current system from time to time.

8. REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control. Their review has been conducted to assess whether the Statement on Risk Management and Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the process which the Directors have adopted in reviewing the adequacy and integrity of the system of internal control for the Group.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention which causes them to be of the opinion of that this Statement is inconsistent with their understanding of the reviewing process adopted by the Board for the adequacy and integrity of internal control of the Group.

Additional Compliance Information

1. UTILISATION OF PROCEEDS

(i) Special Issue

The Special Issue to Bumiputera investors of 15,000,000 and 19,000,000 shares were completed on 8 May 2019 and 17 June 2019 respectively with total proceeds received at RM6,800,000.

The proposed utilisation of the gross proceeds as at 31 December 2020 is as follows:-

Details of Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation
Acquisition and/or investment in other complementary business and/or assets	6,630	(629)	6,001	Within 24 months
Estimated expenses for the proposed Special Issue	170	(170)	-	Immediate
Total	6,800	(170)	6,001	

Kejuruteraan Asastera Berhad ("KAB" or "the Company") and its subsidiary companies ("the Group") plan to utilise the balance unutilised of RM6.0 million to part settle the total purchase consideration less deposit of RM11.30 million for the proposed acquisitions of Konpro Industries Sdn Bhd and Meru One Sdn Bhd announced on 8 March 2021. These proposed acquisitions are expected to be completed within 90 days from the date of Share Purchase Agreement.

(ii) Private Placement

KAB proposed to undertake a private placement of up to 70,574,600 new ordinary shares in KAB ("Placement Shares") representing up to 20% of the total number of issued shares of KAB, to independent third-party investors to be identified later, at an issue price to be determined later ("Proposed Private Placement").

Bursa Securities had on 17 October 2019 approved the listing and quotation of up to 70,574,600 Placement Shares to be issued pursuant to the proposed Private Placement. Bursa Securities had further approved the latest extension of time to 16 April 2021 for the Company to complete the implementation.

The shareholders of the Company had approved the Proposed Private Placement at an extraordinary general meeting ("EGM") of the Company held on 8 November 2019.

The Company had issued the Placement Shares on various dates to the identified investors:

- On 29 November 2019, 16,230,000 Placement Shares had been issued at RM0.5853 per Placement Share;
- On 13 November 2020, 6,033,600 Placement Shares had been issued at RM0.8287 per Placement Share; and
- On 9 February 2021 issued 8,333,100 Placement Shares had been issued at RM0.9000 per Placement Share.

As at 12 April 2021, there are up to 39,977,900 remaining Placement Shares to be allotted and issued under the Private Placement.

Additional Compliance Information

The proposed utilisation of the gross proceeds from the Proposed Private Placement amounting to RM27.1 million is as follows:

Purposes	Proposed Utilisation RM'000	Proportionate Proceed ⁽¹⁾ RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation
Expansion of customised energy efficiency solutions business	17,000	13,803	(1,628)	12,175	Within 24 months
Project costs and expenses	4,500	3,654	(3,654)	-	Within 24 months
Acquisition and/or investment in other complementary businesses and/or assets	4,694	3,811	(1,219)	2,593	Within 24 months
Estimated expenses for the proposed Private Placement	900	731	(317)	414	Immediate
Total	27,094	21,999	(6,818)	15,181	

Note:

(1) In view that there are up to 39,977,900 remaining Placement Shares to be allotted and issued under the Private Placement as at 12 April 2021, utilisation proceeds based on proportion of proceeds received to-date is included as illustration for the information and ease of understanding of all users.

KAB plans to utilise the balance unutilised of RM12.2 million for expansion of customised energy efficiency solutions business to settle the remaining balance purchase consideration of RM5.3 million for the proposed acquisitions of Konpro Industries Sdn Bhd and Meru One Sdn Bhd announced on 8 March 2021. These proposed acquisitions are expected to be completed within 90 days from the date of Share Purchase Agreement.

2. AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees incurred for services rendered to the Group and the Company by the external auditors for the financial year ended 31 December 2020 ("FY2020") are as follows:-

	Group RM'000	Company RM'000
Audit Fees	123	95
Non-Audit Fees		
Reporting Accountant	55	15
Others	13	13
Total	191	123

3. MATERIAL CONTRACTS

There is no material contract entered by the Group during the financial year which involves the interest of the Director and major shareholders.

4. CONTRACTS RELATING TO LOANS

There is no contract relating to loan made by the Group involving interests of Directors and major shareholders during the financial year.

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

The Company did not seek mandate from its shareholders on RRPT during the FY2020.

Statement on Directors' Responsibility

The Directors are required by the Companies Act, 2016 to ensure that financial statements for each financial year give a true and fair view of the financial position of the Group as at the end of the financial year and the financial performance of the Group for the financial year.

In preparing the financial statements, the Directors are responsible for the adoption of suitable accounting policies that comply with the provisions of the Companies Act, 2016, the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible to ensure that the appropriate accounting policies are consistently applied in the financial statements, and that reasonable and prudent judgements were made.

The Directors hereby confirm that suitable accounting policies have been consistently applied in the preparation of the financial statements. The Directors also confirm that there have been adequate accounting records maintained to safeguard the assets of the Group.

Financial Statements

31 December 2020

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Directors' Report

for the financial year ended 31 December 2020

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

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of provision of electrical and mechanical engineering services. The principal activities of the subsidiary companies are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year attributable to:-		
Owners of the Company	5,287,777	7,393,589
Non-controlling interest	(98,560)	-
	5,189,217	7,393,589

DIVIDENDS

The dividends declared or paid by the Company since the end of previous financial year were as follows:-

	RM
In respect of the financial year ended 31 December 2020:-	
- 1st interim single-tier dividend of RM0.0025 per share paid on 14 April 2020	2,306,893
- shares dividend of 2,767,862 units of treasury shares distributed on 14 April 2020	237,116
	2,544,009

The directors do not recommend any final dividends for the financial year ended 31 December 2020.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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 allowance for doubtful debts, and had satisfied themselves that there were no known bad debts to be written off and that adequate provision had been made for the doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would require the write off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

Directors' Report

for the financial year ended 31 December 2020

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise their value as shown in the accounting records of the Group and of the Company in the ordinary course of business and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the current financial year.

Directors' Report

for the financial year ended 31 December 2020

SHARES AND DEBENTURES

During the financial year, the issued and paid up share capital of the Company was increased from 370,230,000 ordinary shares to 931,608,598 ordinary shares by way of an issue of:-

- a. 555,344,998 new ordinary shares by way of subdivision of every 2 existing shares into 5 subdivided shares; and
- b. 6,033,600 new ordinary shares for cash pursuant to the private placement at exercised price of RM0.8287 per ordinary shares.

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

TREASURY SHARES

As at 31 December 2020, the Company held as treasury shares a total of 49,388 issued and paid up ordinary shares. The treasury shares are held at a carrying amount of RM4,231. The details on the treasury shares are disclosed in Note 17 to the financial statements.

DIRECTORS OF THE COMPANY

The directors of the Company in office at any time during the financial year and since the end of the financial year are:-

Dato' Lai Keng Onn - Managing Director
Choong Gaik Seng
Lu Chee Leong
Tong Siut Moi
Datin Chan Pey Kheng
Goh Kok Boon
Yoong Kah Yin
Dato' Chan Chee Hong (resigned on 22 March 2021)

The directors who hold office in the subsidiary companies (excluding directors who are also directors of the Company) during the financial year until the date of this report are:-

Jonathan Wu Jo – Han
Bradley John Knowles
Jesudason Selvaraj
Lai Chuan Shenq
ChanChai Kitprotpisuth

Directors' Report

for the financial year ended 31 December 2020

DIRECTORS' INTERESTS

According to the register of directors' shareholding under Section 59 of the Companies Act, 2016, the interests of directors in office at the end of the financial year in the ordinary shares of the Company and its related corporations during the financial year are as follows:-

	No. of ordinary shares			
	As at 1/1/2020	Additions	Sold	As at 31/12/2020

Share capital of the Company

a) Shareholdings in which directors have direct interest in the Company:-

Dato' Lai Keng Onn	144,000,000	234,580,000	(41,000,000)	374,080,000
Choong Gaik Seng	12,000,000	18,090,000	4,500,000	23,090,000
Goh Kok Boon	300,000	425,250	-	725,250
Datin Chan Pey Kheng	2,085,900	3,144,494	-	5,230,394
Yoong Kah Yin	6,380,000	9,680,000	-	16,060,000

Share capital of the Company

b) Shareholdings in which directors have indirect interest in the Company:-

Yoong Kah Yin ¹	230,000	378,000	-	608,000
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¹ Deemed interest in the shares held by his daughter pursuant to Section 8 of the Company Act, 2016.

By virtue of Section 8 of the Companies Act, 2016, Dato' Lai Keng Onn are deemed to be interested in the shares of the subsidiary companies during the financial year to the extent the Company has interest.

None of the other directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

DIRECTORS' REMUNERATION

The amounts of the remuneration of the directors or past directors of the Company comprising remunerations received or receivable from the Company or any of its subsidiary companies during the financial year are disclosed in Note 32 to the financial statements.

None of the directors or past directors of the Company have received any other benefits otherwise than in cash from the Company or any of its subsidiary companies during the financial year.

No payment has been paid to or payable to any third party in respect of the services provided to the Company or any of its subsidiary companies by the directors or past directors of the Company during the financial year.

Directors' Report

for the financial year ended 31 December 2020

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in Note 32 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company or its subsidiary companies is a party, which had the object 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.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

The total amount of indemnity given to or insurance premium paid for the director, officer or auditor of the Group and of the Company is as follow:-

	RM
Directors	240,980

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events are disclosed in Note 46 to the financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are disclosed in Note 47 to the financial statements.

AUDITORS

- a) Detail of the auditors' remuneration for the Group and the Company is disclosed in Note 30 to the financial statements.
- b) The auditors, Kreston John & Gan, Chartered Accountants, have indicated their willingness to accept re-appointment.

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

Dato' Lai Keng Onn

Choong Gaik Seng

Kuala Lumpur,
Date: 25 March 2021

Independent Auditors' Report

to members of Kejuruteraan Asastera Berhad

(Incorporated in Malaysia, Registration No. 199701005009 (420505 – H))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kejuruteraan Asastera Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 132.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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 the most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to Note 3(n) – Significant Accounting Policies and Note 27 – Revenue.

The Key Audit Matters

The Group and the Company recognise revenue from contract customers using the stage of completion method. The stage of completion is measured using the input method, which is based on the proportion that the actual contract costs incurred for the work performed to-date to the estimated total contract costs, which includes estimates and judgements by directors on costs to be incurred on the contracts.

The Group and the Company recognised revenue from contract customers of RM136,854,280 and RM136,715,290 respectively for the financial year ended 31 December 2020.

Independent Auditors' Report

to members of Kejuruteraan Asastera Berhad
(Incorporated in Malaysia, Registration No. 199701005009 (420505 – H))

Revenue Recognition (Cont'd.)

The Key Audit Matters (Cont'd.)

We focused on this area because there is key judgement involved in determining the following:-

- Stage of completion;
- Extent of contract costs incurred to date; and
- Estimated total contract costs.

How our audit addresses this matter

Our procedures included, amongst others:-

- Evaluated whether the accounting policy adopted by the management is consistent with the requirements of MFRS 15, Revenue from Contracts with Customers;
- Read key contracts to obtain understanding of the specific terms and conditions;
- Identified and assessed key judgements inherent in the recognition of revenue and costs arising from contracts;
- Tested the operating effectiveness of the key controls in determination of the extent of costs incurred to-date;
- Corroborated the stage of completion with the level of completion based on actual costs incurred to-date over the estimated total costs;
- Agreed, on a sample basis, costs incurred to supporting documentation; i.e. invoices from vendors;
- Agreed total budgeted revenue, on a sample basis, of material projects to supporting documentation i.e. sales contracts; and
- Assessed the related disclosures in Note 3(n) and 27 to the financial statements.

Trade receivables

Refer to Note 10 – Trade Receivables.

The Key Audit Matters

As at 31 December 2020, the Group and the Company have outstanding trade receivables of RM55,427,920 and RM55,204,772 respectively. As the trade receivables represents approximately 34% and 33% of the total assets of the Group and of the Company and is material, we consider this as a key audit matter.

How our audit addresses this matter

Our procedures included, amongst others:-

- Obtained an understanding of the Group and of the Company's control over the trade receivables collection processes and made inquiries regarding the action plans to recover the overdue amounts;
- Reviewed the ageing analysis of trade receivables and test the reliability thereof;
- Reviewed subsequent collections from trade receivables; and
- Evaluated the reasonableness on the assessment of impairment loss to be provided on the trade receivables performed by the management.

Independent Auditors' Report

to members of Kejuruteraan Asastera Berhad

(Incorporated in Malaysia, Registration No. 199701005009 (420505 – H))

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 Directors' Report, Management Discussion and Analysis, Corporate Governance Overview Statement, Audit Committee Report and Statement of Risk Management and Internal Control included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditors' Report

to members of Kejuruteraan Asastera Berhad
(Incorporated in Malaysia, Registration No. 199701005009 (420505 – H))

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.)

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

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

Kreston John & Gan
(AF 0113)
Chartered Accountants

Yong Chung Sin
Approval No: 02892/04/2022 J
Chartered Accountant

Kuala Lumpur,
Date: 25 March 2021

Consolidated Statement of Financial Position

31 December 2020

	Note	2020 RM	2019 RM Reclassified
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	7,067,651	5,762,904
Investment properties	5	5,878,968	6,607,062
Right-of-use assets	6	2,139,339	2,038,050
Goodwill on consolidation	8	982,021	-
Deferred tax assets	9	119,026	119,026
Trade receivables	10	8,088,282	7,868,898
Total Non-Current Assets		24,275,287	22,395,940
Current Assets			
Inventories	11	325,596	-
Trade receivables	10	47,339,638	40,445,504
Contract assets	12	57,882,676	35,020,728
Other receivables, deposits and prepayments	13	6,767,286	4,702,629
Deposits with licensed banks	15	25,146,855	20,088,059
Cash and bank balances		3,003,948	15,132,476
Total Current Assets		140,465,999	115,389,396
Total Assets		164,741,286	137,785,336
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	16	53,299,463	48,299,419
Foreign currency translation reserves		(7,421)	295
Treasury shares	17	(4,231)	(241,347)
Retained profits	18	26,781,307	23,334,715
		80,069,118	71,393,082
Non-controlling interest	19	(102,387)	(36,320)
Total Equity		79,966,731	71,356,762
Non-Current Liabilities			
Borrowings	20	4,896,798	5,767,067
Lease liabilities	24	887,939	779,267
Trade payables	25	2,836,196	2,774,043
Total Non-Current Liabilities		8,620,933	9,320,377
Current Liabilities			
Trade payables	25	41,739,999	41,428,317
Contract liabilities	12	7,984,123	7,296,886
Other payables and accruals	26	2,943,785	1,301,341
Borrowings	20	22,293,459	5,720,642
Lease liabilities	24	363,338	328,931
Current tax liabilities		828,918	1,032,080
Total Current Liabilities		76,153,622	57,108,197
Total Liabilities		84,774,555	66,428,574
Total Equity and Liabilities		164,741,286	137,785,336

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2020

	Note	2020 RM	2019 RM
Revenue	27	150,757,996	159,618,876
Cost of sales		(126,822,087)	(130,401,034)
Gross profit		23,935,909	29,217,842
Other income	28	1,233,355	380,305
Administrative expenses		(15,390,788)	(13,884,361)
Profit from operations		9,778,476	15,713,786
Finance costs	29	(1,140,207)	(1,205,912)
Profit before taxation	30	8,638,269	14,507,874
Income tax expense	33	(3,449,052)	(4,102,300)
Profit for the financial year		5,189,217	10,405,574
Other comprehensive income:-			
- foreign currency translation differences for foreign operation		(7,716)	233
Total comprehensive income for the financial year		5,181,501	10,405,807
Profit for the financial year attributable to:-			
Owners of the Company		5,287,777	10,436,914
Non-controlling interest		(98,560)	(31,340)
		5,189,217	10,405,574
Total comprehensive income for the financial year attributable to:-			
Owners of the Company		5,280,061	10,437,147
Non-controlling interest		(98,560)	(31,340)
		5,181,501	10,405,807
Basis earnings per share (sen)	34	0.63	3.05
Diluted earnings per share (sen)	34	0.32	0.55

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2020

	Non-Distributable			Distributable	Total RM	Non- controlling Interest RM	Total equity RM
	Share capital RM	Foreign currency translation reserves RM	Treasury shares RM	Retained profits RM			
Balance as at 1 January 2019	32,000,000	62	-	16,262,166	48,262,228	(5,480)	48,256,748
Transactions with owners:-							
Issuance of shares (Note 16)	16,299,419	-	-	-	16,299,419	-	16,299,419
Purchase of treasury shares (Note 17)	-	-	(241,347)	-	(241,347)	-	(241,347)
Dividend paid (Note 35)	-	-	-	(3,364,365)	(3,364,365)	-	(3,364,365)
Issue of shares to non-controlling interest	-	-	-	-	-	500	500
Total transactions with owners	16,299,419	-	(241,347)	(3,364,365)	12,693,707	500	12,694,207
Profit for the financial year	-	-	-	10,436,914	10,436,914	(31,340)	10,405,574
Other comprehensive income:-							
Foreign currency translation differences for foreign operating	-	233	-	-	233	-	233
Total comprehensive income for the financial year	-	233	-	10,436,914	10,437,147	(31,340)	10,405,807
Balance as at 31 December 2019	48,299,419	295	(241,347)	23,334,715	71,393,082	(36,320)	71,356,762
Transactions with owners:-							
Issuance of shares (Note 16)	5,000,044	-	-	-	5,000,044	-	5,000,044
Dividend paid (Note 35)	-	-	237,116	(2,544,009)	(2,306,893)	-	(2,306,893)
Acquisition of subsidiary companies	-	-	-	735,317	735,317	-	735,317
Acquisition of non-controlling interests in subsidiary companies	-	-	-	(32,493)	(32,493)	32,493	-
Total transactions with owners	5,000,044	-	237,116	(1,841,185)	3,395,975	32,493	3,428,468
Profit for the financial year	-	-	-	5,287,777	5,287,777	(98,560)	5,189,217
Other comprehensive income:-							
Foreign currency translation differences for foreign operating	-	(7,716)	-	-	(7,716)	-	(7,716)
Total comprehensive income for the financial year	-	(7,716)	-	5,287,777	5,280,061	(98,560)	5,181,501
Balance as at 31 December 2020	53,299,463	(7,421)	(4,231)	26,781,307	80,069,118	(102,387)	79,966,731

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2020

	Note	2020 RM	2019 RM Reclassified
Cash flows from operating activities			
Profit before taxation		8,638,269	14,507,874
Adjustment for:-			
Depreciation of property, plant and equipment		596,447	498,981
Depreciation of investment properties		127,734	65,790
Depreciation of right-of-use assets		580,361	433,630
Fair value discounts on payables		(54,500)	(124,000)
Fair value discounts on receivables		86,100	269,000
Gain on disposal of investment property		(179,640)	-
Impairment loss on trade receivables		150,000	-
Interest expenses		1,054,107	936,912
Interest income		(781,245)	(135,597)
Operating profit before working capital changes		10,217,633	16,452,590
Changes in working capital:-			
Inventories		(325,596)	-
Trade receivables		(7,349,618)	(11,249,883)
Other receivables, deposits and prepayments		(2,064,657)	(1,201,854)
Contract assets/liabilities		(22,174,711)	(7,432,296)
Trade payables		428,335	11,030,022
Other payables and accruals		1,642,444	(1,167,249)
Cash (used in)/generated from operations		(19,626,170)	6,431,330
Interest paid		(1,054,107)	(936,912)
Interest received		781,245	135,597
Tax paid		(3,657,214)	(3,790,780)
Tax refund		5,000	44,452
Net cash (used in)/from operating activities		(23,551,246)	1,883,687
Cash flows from investing activities			
Acquisition of investment in subsidiary		523,703	-
Proceeds from disposal of investment property		780,000	-
Purchase of property, plant and equipment		(1,889,185)	(761,196)
Purchase of right-of-use assets		(141,650)	(129,403)
Purchase of investment properties		-	(343,177)
Net cash used in investing activities		(727,132)	(1,233,776)
Cash flow from financing activities			
Dividends paid		(2,306,893)	(3,364,365)
Drawdown of trade finance	37	24,795,730	5,014,988
Drawdown of term loans	37	-	1,367,732
Fixed deposits pledged as securities		(4,046,354)	(3,893,850)
Issue of shares to non-controlling interest		-	500
Repayment of lease liabilities	37	(396,921)	(413,836)
Repayment of term loans	37	(1,467,147)	(346,247)
Repayment of trade finance	37	(19,257,841)	(2,321,739)
Proceeds from issuance of new shares		5,000,044	16,299,419
Purchase of treasury shares		-	(241,347)
Net cash from financing activities		2,320,618	12,101,255
Net (decrease)/increase in cash and cash equivalents		(21,957,760)	12,751,166
Cash and cash equivalents at the beginning of the financial year		22,132,476	9,381,077
Effect of foreign exchange rate changes		(7,716)	233
Cash and cash equivalents at the end of the financial year	38	167,000	22,132,476

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Statement of Financial Position

31 December 2020

	Note	2020 RM	2019 RM Reclassified
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	4,783,816	5,115,201
Investment properties	5	5,878,968	6,607,062
Right-of-use assets	6	1,984,239	1,843,350
Investment in subsidiary companies	7	1,002,491	101,951
Deferred tax assets	9	119,026	119,026
Trade receivables	10	8,088,282	7,868,898
Total Non-Current Assets		21,856,822	21,655,488
Current Assets			
Trade receivables	10	47,116,490	40,480,259
Contract assets	12	57,882,676	35,020,728
Other receivables, deposits and prepayments	13	4,718,586	4,599,529
Amount due from subsidiary companies	14	5,776,392	1,087,508
Deposits with licensed banks	15	25,146,855	20,088,059
Cash and bank balances		2,732,532	15,059,535
Total Current Assets		143,373,531	116,335,618
Total Assets		165,230,353	137,991,106
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	16	53,299,463	48,299,419
Treasury shares	17	(4,231)	(241,347)
Retained profits	18	28,887,376	24,037,796
Total Equity		82,182,608	72,095,868
Non-Current Liabilities			
Borrowings	20	4,382,094	5,767,067
Lease liabilities	24	752,209	624,993
Trade payables	25	2,836,196	2,774,043
Total Non-Current Liabilities		7,970,499	9,166,103
Current Liabilities			
Trade payables	25	41,072,142	41,114,362
Contract liabilities	12	7,984,123	7,296,886
Other payables and accruals	26	2,815,926	1,255,676
Borrowings	20	22,025,747	5,720,642
Lease liabilities	24	340,390	305,205
Current tax liabilities		838,918	1,036,364
Total Current Liabilities		75,077,246	56,729,135
Total Liabilities		83,047,745	65,895,238
Total Equity and Liabilities		165,230,353	137,991,106

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2020

	Note	2020 RM	2019 RM
Revenue	27	149,960,326	159,436,074
Cost of sales		(125,782,403)	(130,045,182)
Gross profit		24,177,923	29,390,892
Other income	28	1,283,213	378,874
Administrative expenses		(13,512,692)	(13,454,227)
Profit from operations		11,948,444	16,315,539
Finance costs	29	(1,105,803)	(1,205,912)
Profit before taxation	30	10,842,641	15,109,627
Income tax expense	33	(3,449,052)	(4,102,300)
Profit for the financial year, representing total comprehensive income for the financial year		7,393,589	11,007,327

Statement of Changes in Equity

for the financial year ended 31 December 2020

	← Non-Distributable →		Distributable	Total RM
	Share capital RM	Treasury shares RM	Retained profit RM	
Balance as at 1 January 2019	32,000,000	-	16,394,834	48,394,834
Transactions with owner:-				
Issuance of share (Note 16)	16,299,419	-	-	16,299,419
Purchase of treasury shares (Note 17)	-	(241,347)	-	(241,347)
Dividends paid (Note 35)	-	-	(3,364,365)	(3,364,365)
Total comprehensive income for the financial year	-	-	11,007,327	11,007,327
Balance as at 31 December 2019	48,299,419	(241,347)	24,037,796	72,095,868
Transactions with owner:-				
Issuance of share (Note 16)	5,000,044	-	-	5,000,044
Dividends paid (Note 35)	-	237,116	(2,544,009)	(2,306,893)
Total comprehensive income for the financial year	-	-	7,393,589	7,393,589
Balance as at 31 December 2020	53,299,463	(4,231)	28,887,376	82,182,608

Statement of Cash Flows

for the financial year ended 31 December 2020

	Note	2020 RM	2019 RM Reclassified
Cash flows from operating activities			
Profit before taxation		10,842,641	15,109,627
Adjustment for:-			
Depreciation of property, plant and equipment		426,588	487,606
Depreciation of investment properties		127,734	65,790
Depreciation of right-of-use assets		540,761	430,330
Fair value discounts on payables		(54,500)	(124,000)
Fair value discounts on receivables		86,100	269,000
Gain on disposal of investment properties		(179,640)	-
Impairment loss on trade receivables		150,000	-
Interest expenses		1,019,703	936,912
Interest income		(776,225)	(135,016)
Operating profit before working capital changes		12,183,162	17,040,249
Changes in working capital:-			
Trade receivables		(7,091,715)	(11,284,638)
Other receivables, deposits and prepayments		(119,057)	(1,098,754)
Amount due from subsidiary companies		(4,688,885)	(931,173)
Contract assets/liabilities		(22,174,710)	(7,432,296)
Trade payables		74,433	10,716,067
Other payables and accruals		1,560,250	(1,185,932)
Cash (used in)/generated from operations		(20,256,522)	5,823,523
Interest paid		(1,019,703)	(936,912)
Interest received		776,225	135,016
Tax paid		(3,646,498)	(3,786,496)
Tax refund		-	44,452
Net cash (used in)/from operating activities		(24,146,498)	1,279,583
Cash flows from investing activities			
Investment in subsidiary companies		(900,540)	(100,899)
Proceeds from disposal of investment properties		780,000	-
Purchase of property, plant and equipment		(95,203)	(105,830)
Purchase of right-of-use assets		(141,650)	(109,403)
Purchase of investment properties		-	(343,177)
Net cash used in investing activities		(357,393)	(659,309)
Cash flow from financing activities			
Dividends paid		(2,306,893)	(3,364,365)
Drawdown of term loan	37	-	1,367,732
Drawdown of trade finance	37	24,795,730	5,014,988
Fixed deposits pledged as securities		(4,046,354)	(3,893,850)
Repayment of lease liabilities	37	(377,599)	(413,836)
Repayment of term loans	37	(1,467,147)	(346,247)
Repayment of trade finance	37	(19,257,841)	(2,321,739)
Proceeds from issuance of new shares		5,000,044	16,299,419
Purchase of treasury shares		-	(241,347)
Net cash from financing activities		2,339,940	12,100,755
Net (decrease)/increase in cash and cash equivalents		(22,163,951)	12,721,029
Cash and cash equivalents at the beginning of the financial year		22,059,535	9,338,506
Cash and cash equivalents at the end of the financial year	38	(104,416)	22,059,535

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Notes to the Financial Statements

31 December 2020

1. GENERAL INFORMATION

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

The addresses of the principal place of business and registered office of the Company are as follows:-

Principal place of business	:	No. 18, Jalan Radin Bagus 9 Bandar Baru Seri Petaling 57000 Kuala Lumpur
Registered office	:	Unit 30-01, Level 30, Tower A Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2020 comprise the Company and its subsidiary companies (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 31 December 2020 do not included other entities.

The Company is principally engaged in the business of provision of electrical and mechanical engineering services. The principal activities of the subsidiary companies are set out in Note 7 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 25 March 2021.

2. BASIS OF PREPARATION

a) Statement of compliance

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

The Group and the Company have applied the following accounting standards, interpretations and amendments of the MFRSs for the first-time for the financial year beginning on 1 January 2020:-

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3, Business Combinations – Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform
- Amendments to MFRS 4, Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current – Deferral of Effective Date

Notes to the Financial Statements

31 December 2020

2. BASIS OF PREPARATION (CONT'D.)

a) Statement of compliance (Cont'd.)

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendments to MFRS 16, Leases – Covid-19 Related Rent Concessions

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 4, Insurance Contracts, MFRS 7, Financial Instruments, MFRS 9, Financial Instruments, MFRS 16, Leases, MFRS 139, Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform – Phase 2

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020 Cycle)
- Amendments to MFRS 3, Business Combination – Reference to the Conceptual Framework
- Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018-2020 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment – 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
- Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018-2020 Cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, Insurance Contracts
- Amendment to MFRS 17, Insurance Contracts
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- 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.

Notes to the Financial Statements

31 December 2020

2. BASIS OF PREPARATION (CONT'D.)

a) Statement of compliance (Cont'd.)

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:-

- from the annual period beginning on 1 June 2020 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1 January 2021;
- from the annual period beginning on 1 January 2021 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1 January 2021;
- from the annual period beginning on 1 January 2022 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1 January 2022; and
- from the annual period beginning on 1 January 2023 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1 January 2023.

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

Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of “material” has been revised as “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendment also:-

- clarify that an entity assess materiality in the context of the financial statements as a whole;
- explain the concept of obscuring information in the new definition. Information is obscured if it have the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information; and
- clarify the meaning of “primary users of general-purpose financial statements” to whom those financial statements are directed, by defining them as “existing and potential investors, lenders and other creditors” that must rely on general purpose financial statements for much of the financial information they need.

Notes to the Financial Statements

31 December 2020

2. BASIS OF PREPARATION (CONT'D.)

a) Statement of compliance (Cont'd.)

Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

The amendments shall be applied prospectively.

The Company is currently assessing the financial impact that may arise from the adoption of amendments to MFRS 101 and MFRS 108.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

c) Functional and presentation currency

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

d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items:-

i) Classification between investment property and property, plant and equipment

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a lease), the Group and the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Notes to the Financial Statements

31 December 2020

2. BASIS OF PREPARATION (CONT'D.)

d) Use of estimates and judgements (Cont'd.)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items:- (Cont'd.)

ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a straight-line basis over their estimated useful life. Management estimated that useful life of these assets to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

iii) Depreciation of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over their useful life or the end of the lease term. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

iv) Measurement of Expected Credit Loss ("ECL") allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

v) Classification of financial assets

The Group and the Company use their business model objectives as a basis to classify financial assets for subsequent measurements. The objectives of the Group and of the Company in managing investments in equity and debt instruments include those held for trading, managing for fair value changes and managing to collect contractual cash flows that are solely payments of principal and interest on principal. Management uses its judgement to determine the classification of each investment at the date of purchase on the basis of the Group's and of the Company's business model objectives. Investment in the same debt or equity instruments need not necessarily be classified in the same category for subsequent measurement.

Notes to the Financial Statements

31 December 2020

2. BASIS OF PREPARATION (CONT'D.)

d) Use of estimates and judgements (Cont'd.)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items:- (Cont'd.)

vi) Revenue recognition from construction contracts

Revenue is recognised as and when the control of the asset is transferred to customers and it is probable that the Group and the Company will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation based on the physical proportion of contract work-to-date certified by professional consultants. Significant judgement is required in determining the progress towards complete satisfaction of that performance obligation based on the certified work-to-date corroborated by the level of completion of the contract based on actual costs incurred to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessments and judgements to be made on changes in, for example, work scope, changes in costs and costs to completion. In making these judgements, management relies on past experience and the work of specialists.

vii) Income tax expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on their understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

viii) Provision for liabilities and charges

Provisions can be distinguished from other liabilities because there is uncertainty about the timing or amount of settlement. The more common provisions recorded by the Group and the Company arise from obligations in relation to refunds, guarantees, onerous contracts and outstanding litigation.

The recognition and measurement of provisions require the Group and the Company to make significant estimates with regard to the probability (if the event is more likely than not to occur) that an outflow of resources will be required to settle the obligation and make assumptions whether a reliable estimate can be made of the amount of the obligation.

Moreover, the Group's and the Company's accounting policy require recognition of the best estimate of the amount that would be required to settle an obligation and the estimate may be based on information that produces a range of amounts. Since the measurement is based on present value, it involves making estimates around the appropriate discount rate in order to reflect the risks specific to the liability.

Notes to the Financial Statements

31 December 2020

2. BASIS OF PREPARATION (CONT'D.)

d) Use of estimates and judgements (Cont'd.)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items:- (Cont'd.)

ix) Contingencies

Contingent liabilities of the Group and of the Company are not recognised but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities represent possible obligations that arise from past events and whose 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. They are not recognised because it is not probable that an outflow of resources will be required to settle the obligation and the amount of the obligation cannot be measured with sufficient reliability.

Inevitably, the determination that the possibility that an outflow of resources embodying economic benefits is remote and that the occurrence or non-occurrence of one or more uncertain future events is not wholly within the control of the Group and of the Company requires significant judgement.

x) Deferred tax assets

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

xi) Income tax expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimates. The Group and the Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group and the Company, unless otherwise stated.

a) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities, including special purpose entity, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it 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. The Group also 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 these investees that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

ii) Business combinations

Business combinations are accounted for by using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:-

- the fair values of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

a) Basis of consolidation (Cont'd.)

iii) Acquisitions of non-controlling interests

The group accounts all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former 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 a financial asset depending on the level of influence retained.

v) Non-controlling interests

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 owners of the Company.

vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Financial instruments

i) Initial recognition and measurement

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

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

b) Financial instruments (Cont'd.)

i) Initial recognition and measurement (Cont'd.)

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

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

ii) Financial instrument categories and subsequent measurement

Financial assets

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

A) Amortised cost

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

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

b) Financial instruments (Cont'd.)

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

Financial assets (Cont'd.)

B) Fair value through other comprehensive income

I) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

II) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

C) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through comprehensive income, are subject to impairment assessment (see Note 3(h)(i)).

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

b) Financial instruments (Cont'd.)

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

Financial liabilities

At initial recognition, all financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost.

A) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:-

- I) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- II) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- III) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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

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

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

b) Financial instruments (Cont'd.)

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

Financial liabilities (Cont'd.)

B) Amortised cost

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

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

iii) Financial guarantee contracts

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

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

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

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

iv) Regular way purchase or sales of financial assets

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:-

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

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

b) Financial instruments (Cont'd.)

v) Derecognition

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

c) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Costs also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

i) Recognition and measurement (Cont'd.)

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

ii) Subsequent costs

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

iii) Depreciation

Depreciation is based on the cost/valuation of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. Freehold land is not depreciated as it has indefinite life. The principal annual rate of depreciation for other property, plant and equipment are as follows:-

	Rate (%)
Buildings	2
Electrical equipment	20
Furniture, fittings and equipment	10 - 20
Motor vehicles	20
Renovation	20

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

d) Leases

i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:-

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer for this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset, or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or a reassessment of a contract that contains a lease component, the Group and the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for lease of properties in which the Group and the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

ii) Recognition and initial measurement

A) As a lessee

The Group and the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group incremental borrowing rate. Generally, the Group and the Company uses their incremental borrowing rate as the discount rate.

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

d) Leases (Cont'd.)

ii) Recognition and initial measurement (Cont'd.)

A) As a lessee (Cont'd.)

Lease payments included in the measurement of the lease liability comprise the following:-

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company is reasonable certain not to terminate early.

The Group and the Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognises the lease payments associated with leases as an expense on a straight-line basis over the lease term.

B) As a lessor

When the Group and the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company applies MFRS 16 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group and the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and the Company applies the exemption described above, then it classifies the sublease as an operating lease.

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

d) Leases (Cont'd.)

iii) Subsequent measurement

A) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

B) As a lessor

The Group and the Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

e) Intangible assets

Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any assets, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

f) Investment properties

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

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. Freehold land is not depreciated as it has indefinite life. The principal annual rate of depreciation for other investment properties are as follows:-

	Rate%
Buildings	2
Leasehold land	2

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, annually.

g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

h) Impairment of assets

i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets and financial guarantees measured at amortised cost or fair value through comprehensive income, except for investments in equity instruments, and interest in subsidiaries and associates.

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 as 12 months expected credit loss.

Loss allowances for trade receivable are always measured at an amount equal to lifetime expected credit loss.

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

h) Impairment of assets (Cont'd.)

i) Financial assets (Cont'd.)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 months expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses. The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

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.

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

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

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income 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 and the Company's procedures for recovery amounts due.

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

h) Impairment of assets (Cont'd.)

ii) Other assets

The carrying amounts of other assets (except for contract assets, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal group) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

i) Inventories

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

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

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

j) Foreign currencies transactions and balances

Transactions denominated in foreign currencies are translated and recorded at the rates of exchange prevailing at the respective dates of transactions. At the end of each reporting period, foreign currency monetary assets and liabilities are retranslated into the functional currency using the exchange rates at the reporting date (i.e. the closing rate).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction (i.e. historical rate). Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss (except for loans and advances that form part of the net investment in a foreign operation and transactions entered into in order to hedge foreign currency risks of net investments in foreign operations).

For loans and advances that form part of the net investment in a foreign operations, exchange differences are recognised in profit or loss in the separate financial statements of the parent company and/or the individual financial statements of the foreign operation. In the consolidated financial statements that include the foreign operation, the gain or loss recognised in profit or loss in the separate and/or individual financial statements is reversed and recognised in the consolidated other comprehensive income and accumulated in an exchange translation reserve.

k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

ii) Ordinary shares

Ordinary shares are classified as equity.

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

l) Employee benefits

i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation can be estimated reliably.

ii) State plans

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

m) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

n) Revenue and other income

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

i) Construction contracts

Revenue from contract works is recognised on a percentage of completion method. Percentage of completion is determined on the proportion of contract costs incurred for work performed to-date against total estimated costs where the outcome of the project can be estimated reliably.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

Notes to the Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

n) Revenue and other income (Cont'd.)

ii) Services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed.

iii) Goods sold

Revenue from the sale of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers, net of goods and services taxes and discounts.

iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

v) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

o) Borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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

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

Notes to the Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

p) Income tax

Income tax expense comprises current 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.

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

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 following temporary differences: the initial recognition of goodwill, the initial recognition of assets or 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

q) Operating segments

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

Notes to the Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

r) Contingencies

i) 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 statement 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.

ii) 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 statement 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.

s) Fair value measurements

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

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

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

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

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

Level 3 : unobservable inputs for the asset or liability.

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

Notes to the Financial Statements

31 December 2020

4. PROPERTY, PLANT AND EQUIPMENT

Group	At costs					Balance as at 31.12.2020 RM
	Balance as at 1.1.2020 RM	Acquisition of subsidiary companies RM	Additions RM	Transfer from right-of use assets (Note 6) RM		
Freehold land	260,000	-	-	-		260,000
Buildings	4,215,913	-	-	-		4,215,913
Furniture, fittings and equipment	1,197,656	120,643	273,835	-		1,592,134
Electrical equipment	652,435	-	-	-		652,435
Motor vehicles	1,530,215	-	-	593,060		2,123,275
Renovation	717,722	-	-	-		717,722
Plant and machinery work-in- progress	-	-	1,615,350	-		1,615,350
Total	8,573,941	120,643	1,889,185	593,060		11,176,829

Group	Accumulated Depreciation					Balance as at 31.12.2020 RM
	Balance as at 1.1.2020 RM	Acquisition of subsidiary companies RM	Charge for the financial year RM	Transfer from right-of use assets (Note 6) RM		
Freehold land	-	-	-	-		-
Buildings	357,571	-	89,518	-		447,089
Furniture, fittings and equipment	610,054	108,634	196,508	-		915,196
Electrical equipment	10,107	-	132,788	-		142,895
Motor vehicles	1,210,825	-	124,824	593,060		1,928,709
Renovation	622,480	-	52,809	-		675,289
Plant and machinery work-in- progress	-	-	-	-		-
Total	2,811,037	108,634	596,447	593,060		4,109,178

Notes to the Financial Statements

31 December 2020

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

Group	At costs					
	Balance as at 1.1.2019 (As previously stated) RM	Reclassified RM	Balance as at 1.1.2019 (As reclassified) RM	Additions RM	Transfer from right-of-use assets (Note 6) RM	Balance as at 31.12.2019 RM
Freehold land	260,000	-	260,000	-	-	260,000
Buildings	4,215,913	-	4,215,913	-	-	4,215,913
Furniture, fittings and equipment	1,088,895	-	1,088,895	108,761	-	1,197,656
Electrical equipment	-	-	-	652,435	-	652,435
Motor vehicles	710,555	-	710,555	-	819,660	1,530,215
Renovation	717,722	-	717,722	-	-	717,722
Right-of-use assets						
- Land	760,000	(760,000)	-	-	-	-
- Motor vehicles	2,531,707	(2,531,707)	-	-	-	-
Total	10,284,792	(3,291,707)	6,993,085	761,196	819,660	8,573,941

Group	Accumulated Depreciation					
	Balance as at 1.1.2019 (As previously stated) RM	Reclassified RM	Balance as at 1.1.2019 (As reclassified) RM	Charge for the financial year RM	Transfer from right-of-use assets (Note 6) RM	Balance as at 31.12.2019 RM
Freehold land	-	-	-	-	-	-
Buildings	268,053	-	268,053	89,518	-	357,571
Furniture, fittings and equipment	456,880	-	456,880	153,174	-	610,054
Electrical equipment	-	-	-	10,107	-	10,107
Motor vehicles	266,343	-	266,343	129,572	814,910	1,210,825
Renovation	505,870	-	505,870	116,610	-	622,480
Right-of-use assets						
- Land	54,700	(54,700)	-	-	-	-
- Motor vehicles	1,503,980	(1,503,980)	-	-	-	-
Total	3,055,826	(1,558,680)	1,497,146	498,981	814,910	2,811,037

Notes to the Financial Statements

31 December 2020

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

Group	← Carrying amount →	
	Balance as at 31.12.2020 RM	Balance as at 31.12.2019 RM
Freehold land	260,000	260,000
Buildings	3,768,824	3,858,342
Furniture, fittings and equipment	676,938	587,602
Electrical equipment	509,540	642,328
Motor vehicles	194,566	319,390
Renovation	42,433	95,242
Plant and machinery work-in-progress	1,615,350	-
Total	7,067,651	5,762,904

Company	← At costs →			
	Balance at 1.1.2020 RM	Additions RM	Transfer from right-of- use assets (Note 6) RM	Balance as at 31.12.2020 RM
Freehold land	260,000	-	-	260,000
Buildings	4,215,913	-	-	4,215,913
Furniture, fittings and equipment	1,190,675	95,203	-	1,285,878
Motor vehicles	1,530,215	-	593,060	2,123,275
Renovation	717,722	-	-	717,722
Total	7,914,525	95,203	593,060	8,602,788

Company	← Accumulated Depreciation →			
	Balance at 1.1.2020 RM	Charge for the financial year RM	Transfer from right-of- use assets (Note 6) RM	Balance as at 31.12.2020 RM
Freehold land	-	-	-	-
Buildings	357,571	89,518	-	447,089
Furniture, fittings and equipment	608,448	159,437	-	767,885
Motor vehicles	1,210,825	124,824	593,060	1,928,709
Renovation	622,480	52,809	-	675,289
Total	2,799,324	426,588	593,060	3,818,972

Notes to the Financial Statements

31 December 2020

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

Company	At costs					
	Balance as at 1.1.2019 (As previously stated) RM	Reclassified RM	Balance as at 1.1.2019 (As reclassified) RM	Additions RM	Transfer from right-of-use assets (Note 6) RM	Balance as at 31.12.2019 RM
Freehold land	260,000	-	260,000	-	-	260,000
Buildings	4,215,913	-	4,215,913	-	-	4,215,913
Furniture, fittings and equipment	1,084,845	-	1,084,845	105,830	-	1,190,675
Motor vehicles	710,555	-	710,555	-	819,660	1,530,215
Renovation	717,722	-	717,722	-	-	717,722
Right-of-use assets						
- Land	760,000	(760,000)	-	-	-	-
- Motor vehicles	2,531,707	(2,531,707)	-	-	-	-
Total	10,280,742	(3,291,707)	6,989,035	105,830	819,660	7,914,525

Company	Accumulated Depreciation					
	Balance as at 1.1.2019 (As previously stated) RM	Reclassified RM	Balance as at 1.1.2019 (As reclassified) RM	Charge for the financial year RM	Transfer from right-of-use assets (Note 6) RM	Balance as at 31.12.2019 RM
Freehold land	-	-	-	-	-	-
Buildings	268,053	-	268,053	89,518	-	357,571
Furniture, fittings and equipment	456,542	-	456,542	151,906	-	608,448
Motor vehicles	266,343	-	266,343	129,572	814,910	1,210,825
Renovation	505,870	-	505,870	116,610	-	622,480
Right-of-use assets						
- Land	54,700	(54,700)	-	-	-	-
- Motor vehicles	1,503,980	(1,503,980)	-	-	-	-
Total	3,055,488	(1,558,680)	1,496,808	487,606	814,910	2,799,324

Notes to the Financial Statements

31 December 2020

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

Company	← Carrying amount →	
	Balance as at 31.12.2020 RM	Balance as at 31.12.2019 RM
Freehold land	260,000	260,000
Buildings	3,768,824	3,858,342
Furniture, fittings and equipment	517,993	582,227
Motor vehicles	194,566	319,390
Renovation	42,433	95,242
Total	4,783,816	5,115,201

- i) The freehold land and buildings at carrying amount of RM260,000 (2019 – RM260,000), and RM3,768,824 (2019 – RM3,858,342) respectively have been pledged to licensed banks as securities for credit facilities granted to the Group and the Company.
- ii) The costs of fully depreciated property, plant and equipment of the Group and of the Company are as follows:-

	Group and Company	
	2020 RM	2019 RM
Furniture, fittings and equipment	254,561	218,039
Motor vehicles	1,499,156	781,588
Renovation	502,780	99,780
	2,256,497	1,099,407

5. INVESTMENT PROPERTIES

Group and Company	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
2020				
At costs				
As at 1 January	594,277	3,473,910	2,720,284	6,788,471
Disposal	(123,488)	-	(565,262)	(688,750)
As at 31 December	470,789	3,473,910	2,155,022	6,099,721
Accumulated depreciation				
As at 1 January	-	5,790	175,619	181,409
Charge for the financial year	-	69,478	58,256	127,734
Disposal	-	-	(88,390)	(88,390)
As at 31 December	-	75,268	145,485	220,753
Carrying amount				
As at 31 December	470,789	3,398,642	2,009,537	5,878,968

Notes to the Financial Statements

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5. INVESTMENT PROPERTIES (CONT'D.)

Group and Company	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
2019				
At costs				
As at 1 January	594,277	-	2,377,107	2,971,384
Additions	-	3,473,910	343,177	3,817,087
As at 31 December	594,277	3,473,910	2,720,284	6,788,471
Accumulated depreciation				
As at 1 January	-	-	115,619	115,619
Charge for the financial year	-	5,790	60,000	65,790
As at 31 December	-	5,790	175,619	181,409
Carrying amount				
As at 31 December	594,277	3,468,120	2,544,665	6,607,062

Investment properties of the Group and the Company comprise commercial and residential properties that are intended to be leased to third parties. No contingent rents are charged.

The freehold land and building at carrying amount of RM300,120 (2019 – RM300,120) and RM1,105,442 (2019 – RM1,135,454) respectively have been pledged to licensed bank as securities for credit facilities granted to the Group and the Company.

The total fair value of investment properties of the Group and of the Company as at financial year end was RM6,312,000 (2019 – RM7,451,797). The fair value in total was arrived from management estimation by reference to the actual transactions transacted for properties around the same vicinity.

Rental income of RM59,625 (2019 – RM19,200) is recognised in profit or loss in respect of the investment properties.

Fair value information

The fair value of investment properties of the Group and Company is categorised as follows:-

Group and Company	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2020				
Investment properties	-	-	6,312,000	6,312,000
2019				
Investment properties	-	-	7,451,797	7,451,797

Notes to the Financial Statements

31 December 2020

6. RIGHT-OF-USE ASSETS

Group	Leasehold land RM	Motor vehicles RM	Total RM
2020			
At costs			
As at 1 January	760,000	2,455,450	3,215,450
Additional	-	681,650	681,650
Transfer to property, plant and equipment (Note 4)	-	(593,060)	(593,060)
As at 31 December	760,000	2,544,040	3,304,040
Accumulated depreciation			
As at 1 January	69,900	1,107,500	1,177,400
Charge for the financial year	15,200	565,161	580,361
Transfer to property, plant and equipment (Note 4)	-	(593,060)	(593,060)
As at 31 December	85,100	1,079,601	1,164,701
Carrying amount			
As at 31 December	674,900	1,464,439	2,139,339
2019			
At costs			
As at 1 January (As previously stated)	-	-	-
Reclassified	760,000	2,531,707	3,291,707
As at 1 January (As reclassified)	760,000	2,531,707	3,291,707
Addition	-	743,403	743,403
Transfer to property, plant and equipment (Note 4)	-	(819,660)	(819,660)
As at 31 December	760,000	2,455,450	3,215,450
Accumulated depreciation			
As at 1 January (As previously stated)	-	-	-
Reclassified	54,700	1,503,980	1,558,680
As at 1 January (As reclassified)	54,700	1,503,980	1,558,680
Charge for the financial year	15,200	418,430	433,630
Transfer to property, plant and equipment (Note 4)	-	(814,910)	(814,910)
As at 31 December	69,900	1,107,500	1,177,400
Carrying amount			
As at 31 December	690,100	1,347,950	2,038,050

Notes to the Financial Statements

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

Company	Leasehold land RM	Motor vehicles RM	Total RM
2020			
At costs			
As at 1 January	760,000	2,257,450	3,017,450
Additional	-	681,650	681,650
Transfer to property, plant and equipment (Note 4)	-	(593,060)	(593,060)
As at 31 December	760,000	2,346,040	3,106,040
Accumulated depreciation			
As at 1 January	69,900	1,104,200	1,174,100
Charge for the financial year	15,200	525,561	540,761
Transfer to property, plant and equipment (Note 4)	-	(593,060)	(593,060)
As at 31 December	85,100	1,036,701	1,121,801
Carrying amount			
As at 31 December	674,900	1,309,339	1,984,239
2019			
At costs			
As at 1 January (As previously stated)	-	-	-
Reclassified	760,000	2,531,707	3,291,707
As at 1 January (As reclassified)	760,000	2,531,707	3,291,707
Addition	-	545,403	545,403
Transfer to property, plant and equipment (Note 4)	-	(819,660)	(819,660)
As at 31 December	760,000	2,257,450	3,017,450
Accumulated depreciation			
As at 1 January (As previously stated)	-	-	-
Reclassified	54,700	1,503,980	1,558,680
As at 1 January (As reclassified)	54,700	1,503,980	1,558,680
Charge for the financial year	15,200	415,130	430,330
Transfer to property, plant and equipment (Note 4)	-	(814,910)	(814,910)
As at 31 December	69,900	1,104,200	1,174,100
Carrying amount			
As at 31 December	690,100	1,153,250	1,843,350

The leasehold land at carrying amount of RM674,900 (2019 – RM690,100) respectively has been pledged to licensed banks as securities for credit facilities granted to the Group and the Company.

Notes to the Financial Statements

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7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2020 RM	2019 RM
Unquoted shares, at costs:-		
- Within Malaysia	1,001,950	101,410
- Outside Malaysia	541	541
	1,002,491	101,951

The details of the subsidiary companies are as follow:-

Name of subsidiary companies	Place of incorporation	Principal activity	Effective ownership interest	
			2020 %	2019 %
KAB Smart Solar Energy Sdn. Bhd. (Formerly known as KAB Construction Sdn. Bhd.)#	Malaysia	Dormant since incorporation. Intended principal activities are general construction and property development	85	51
KAB Technologies Sdn. Bhd.#	Malaysia	Design, installation and commissioning of energy monitoring and saving software	100	100
KAB Carewell O&M Services Sdn. Bhd. (Formerly known as KAB M&E Engineering Sdn. Bhd.)	Malaysia	Dormant since incorporation. Intended principal activities are provision of operation and maintenance services for any kind of equipment and facilities	100	100
KAB (HK) Investment Co., Ltd.**	Hong Kong	Dormant since incorporation. Intended principal activity is investment holding of shares	100	100
KAB Energy Power Sdn. Bhd.#	Malaysia	Dormant since incorporation. Intended principal activities are design, supply and installation of power generation systems with natural resources or with the recovery or utilisation of heat	100	90
Eliq Management Sdn. Bhd.**	Malaysia	Dormant since incorporation. Intended principal activities are investment properties and management services	100	-

Notes to the Financial Statements

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7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D.)

The details of the subsidiary companies are as follow:- (Cont'd.)

Name of subsidiary companies	Place of incorporation	Principal activity	Effective ownership interest	
			2020 %	2019 %
Subsidiary companies of KAB Technologies Sdn. Bhd.				
KABT Unified Engineering Solutions Sdn. Bhd.#	Malaysia	Dormant since incorporation. Intended principal activities are provision of energy control service and solution using proprietary building management automation system	80	80
Econergy Plus Sdn. Bhd.#	Malaysia	Dormant since incorporation. Intended principal activities are provision of energy solution and service using own proprietary internet of things-based hardware and software	80	80
KAB Technologies (Thai) Co. Ltd.*	Thailand	Investment holding of shares	89	-
Energy Optimisation Technologies Co. Ltd.*	Thailand	Design and implementation of energy saving equipment	^49.99	-
Subsidiary companies of KAB Energy Power Sdn. Bhd.				
KIEV CRG Sdn Bhd.#	Malaysia	Operation of generation facilities that produce electric energy and transmission, distribution and sales of electricity	100	-

^ Although the Group has less than 50% of the ownership in the equity interest of Energy Optimisation Technologies Co. Ltd., the Group has determined that it has control through representation on the subsidiary's Board of Directors.

The auditors' report of the subsidiary companies contains an emphasis of material uncertainty related to going concern.

* Audited by a firm other than Kreston John & Gan.

Notes to the Financial Statements

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8. GOODWILL ON CONSOLIDATION

	Group	
	2020 RM	2019 RM
Balance as at 1 January	-	-
Additions	982,021	-
Balance as at 31 December	982,021	-

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units ("CGUs") identified according to the particular subsidiary companies which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit is as follows:-

	Group	
	2020 RM	2019 RM
Services	982,021	-

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:-

- Cash flows were projected based on past experience, actual operating results and management's expectations of market development.
- The revenue used to calculate the cash flows from operations was determined after taking into consideration performance trends of the industries in which the CGUs are exposed to. Value assigned are consistent with the external sources of information.
- The pre-tax discount rate of 8% was applied in determining the recoverable amount of the CGUs. The discount rate was estimated based on the CGU's weighted average cost of capital.

9. DEFERRED TAX ASSETS

The analysis of deferred tax assets is as follows:-

	Group and Company	
	2020 RM	2019 RM
Deferred tax assets	119,026	119,026

Notes to the Financial Statements

31 December 2020

9. DEFERRED TAX ASSETS (CONT'D.)

The movement on the net deferred tax assets/(liabilities) is as follows:-

	Group and Company	
	2020 RM	2019 RM
Balance as at 1 January	119,026	(77,795)
Transferred from profit or loss (Note 33)	-	196,821
Balance as at 31 December	119,026	119,026

The components and movements of deferred tax assets and liabilities during the financial year the following show after offsetting are as follows:-

	Group and Company	
	2020 RM	2019 RM
Deferred tax assets		
- Fair value gain on receivables	238,560	238,560
Offsetting	(119,534)	(119,534)
	119,026	119,026
Deferred tax liabilities		
- Property, plant and equipment	(35,774)	(35,774)
- Fair value gain on payables	(83,760)	(83,760)
	(119,534)	(119,534)
Offsetting	119,534	119,534
	-	-

Unabsorbed tax losses and unutilised capital allowances of the Group amounted to RM1,492,063 (2019 – RM Nil) and RM396,145 (2019 – RM Nil) respectively which are available to set-off against future chargeable income for which the tax effects have not been recognised in the financial statements.

Notes to the Financial Statements

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10. TRADE RECEIVABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-Current Assets				
Third parties	8,088,282	7,868,898	8,088,282	7,868,898
Current Assets				
Due from subsidiary company	-	-	-	80,000
Third parties	47,339,638	40,445,504	47,116,490	40,400,259
	47,339,638	40,445,504	47,116,490	40,480,259
	55,427,920	48,314,402	55,204,772	48,349,157

The normal credit terms of trade receivables range from 30 to 90 days (2019 – 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables as at financial year end are retentions sum of RM22,729,754 (2019 – RM19,447,263) relating to construction contracts. Retentions sum are unsecured, interest-free and are expected to be collected as follows:-

	Group and Company	
	2020 RM	2019 RM
Within 1 year	14,641,472	11,578,365
More than 1 year and less than 2 years	2,619,267	6,409,792
More than 2 years and less than 5 years	5,469,015	1,459,106
	22,729,754	19,447,263

Analysis of retentions sum on deferred payment terms with discount rate of 8.0% (2019 – 8.0%) per annum, being the weighted average cost of capital of the Group and of the Company as at financial year end, are as follows:-

	Group and Company	
	2020 RM	2019 RM
Nominal value	23,809,854	20,441,263
Discount	(1,080,100)	(994,000)
	22,729,754	19,447,263

Notes to the Financial Statements

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11. INVENTORIES

	Group	
	2020 RM	2019 RM
At costs	325,596	-

12. CONTRACT ASSETS/(LIABILITIES)

	Group and Company	
	2020 RM	2019 RM
Contract assets	57,882,676	35,020,728
Contract liabilities	(7,984,123)	(7,296,886)
Represented by:-		
Contract assets		
Aggregate cost recognised to date	333,139,296	276,502,029
Add: Attributable profits	95,841,140	82,927,378
	428,980,436	359,429,407
Less: Progress billings	(371,097,760)	(324,408,679)
	57,882,676	35,020,728
Contract liabilities		
Aggregate cost recognised to date	169,516,878	113,282,641
Add: Attributable profits	46,047,889	29,186,228
	215,564,767	142,468,869
Less: Progress billings	(223,548,890)	(149,765,755)
	(7,984,123)	(7,296,886)

Included in progress billings are retentions sum of RM22,729,754 (2019 – RM19,447,263).

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other receivables	2,012,717	2,454,067	722,312	2,350,967
Deposits	4,753,067	2,246,901	3,994,772	2,246,901
Prepayments	1,502	1,661	1,502	1,661
	6,767,286	4,702,629	4,718,586	4,599,529

Notes to the Financial Statements

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14. AMOUNT DUE FROM SUBSIDIARY COMPANIES

The amount due from subsidiary companies are unsecured, interest free and repayable on demand on cash and cash equivalents.

15. DEPOSITS WITH LICENSED BANKS

Included in deposits with licensed banks of the Group and of the Company are amounts of RM17,134,413 (2019 - RM13,088,059) and RM17,134,413 (2019 - RM13,088,059) which have been pledged to licensed banks as security for bank credit facilities granted to the Group and the Company.

The effective interest rates of fixed deposits with licensed banks during the financial year are range from 1.30% to 2.65% (2019 – 2.55% to 3.25%) per annum.

16. SHARE CAPITAL

	Group and Company			
	2020	2019	2020	2019
	Number of shares		RM	RM
Issued and fully paid				
Ordinary shares with no par value:-				
Balance as at 1 January	370,230,000	320,000,000	48,299,419	32,000,000
Issuance of shares	6,033,600	50,230,000	5,000,044	16,299,419
Share split	555,344,998	-	-	-
Balance as at 31 December	931,608,598	370,230,000	53,299,463	48,299,419

During the financial year, the issued and paid up share capital of the Company was increased from 370,230,000 ordinary shares to 931,608,598 ordinary shares by way of an issue of:-

- 555,344,998 new ordinary shares by way of subdivision of every 2 existing shares into 5 subdivided shares; and
- 6,033,600 new ordinary shares for cash pursuant to the private placement at exercised price of RM0.8287 per ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank pari-passu with regard to the Company's residual assets.

17. TREASURY SHARES

At the end of the reporting period, 49,388 (2019 - 1,126,900) issued and fully paid ordinary shares are held as treasury shares by the Company. During the financial year, 2,767,862 shares was declared as dividends and distributed by the Company.

Notes to the Financial Statements

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18. RETAINED PROFITS

The Company may distribute dividend out of its retained profits under the single tier system which are tax exempt in the hands of shareholders.

19. NON-CONTROLLING INTEREST

	Group	
	2020 RM	2019 RM
Balance as at 1 January	(36,320)	(5,480)
Acquisition of non-controlling interest	32,493	-
Share of non-controlling interest for subsidiary company incorporated during the financial year	-	500
Transferred from profit or loss	(98,560)	(31,340)
Balance as at 31 December	(102,387)	(36,320)

20. BORROWINGS

	Group		Company	
	2020 RM	2019 RM Reclassified	2020 RM	2019 RM Reclassified
Non-Current Liabilities				
<u>Secured</u>				
Term loans	4,896,798	5,767,067	4,382,094	5,767,067
Current Liabilities				
<u>Secured</u>				
Trade finance	10,909,685	5,371,796	10,909,685	5,371,796
Bank overdrafts	10,849,390	-	10,849,390	-
Term loans	534,384	348,846	266,672	348,846
	22,293,459	5,720,642	22,025,747	5,720,642
Total borrowings				
<u>Secured</u>				
Trade finance (Note 21)	10,909,685	5,371,796	10,909,685	5,371,796
Bank overdraft (Note 22)	10,849,390	-	10,849,390	-
Term loans (Note 23)	5,431,182	6,115,913	4,648,766	6,115,913
	27,190,257	11,487,709	26,407,841	11,487,709

Notes to the Financial Statements

31 December 2020

20. BORROWINGS (CONT'D.)

The effective interest/expense rates for the Group and the Company is as follows:-

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Trade finance	4.21 – 5.01	3.39 - 6.37	4.21 – 5.01	3.39 - 6.37
Bank overdrafts	7.45 – 9.95	7.45 - 9.95	7.45 – 9.95	7.45 - 9.95
Term loans	6.65 – 7.30	6.65 - 7.00	6.65 – 7.00	6.65 - 7.00

21. TRADE FINANCE

Group and Company

Secured

The trade finance are secured by the following:-

- i) first party legal charge over freehold land and building and leasehold land and building of the Company as disclosed in Note 4 and 6 to the financial statements; and
- ii) a lien over fixed deposits of the Company.

22. BANK OVERDRAFT

Group and Company

Secured

The bank overdraft are secured by the following:-

- i) first party legal charge over freehold land and building and leasehold land and building of the Company as disclosed in Note 4 to the financial statements; and
- ii) a lien over fixed deposits of the Company.

Notes to the Financial Statements

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23. TERM LOANS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Secured				
Term loan 1	2,300,000	2,500,000	2,300,000	2,500,000
Term loan 2	766,648	833,320	766,648	833,320
Term loan 3	-	1,414,861	-	1,414,861
Term loan 4	1,241,733	1,241,732	1,241,733	1,241,732
Term loan 5	340,385	126,000	340,385	126,000
Term loan 6	782,416	-	-	-
	5,431,182	6,115,913	4,648,766	6,115,913
Repayable as follows:-				
Non-current liabilities				
- Later than one year and not later than two years				
Term loan 1	400,000	400,000	400,000	400,000
Term loan 2	133,344	133,344	133,344	133,344
Term loan 3	-	170,322	-	170,322
Term loan 4	-	-	-	-
Term loan 5	-	-	-	-
Term loan 6	267,712	-	-	-
	801,056	703,666	533,344	703,666
- Later than two years and not later than five years				
Term loan 1	600,000	600,000	600,000	600,000
Term loan 2	200,016	200,016	200,016	200,016
Term loan 3	-	296,422	-	296,422
Term loan 4	-	-	-	-
Term loan 5	-	-	-	-
Term loan 6	246,992	-	-	-
	1,047,008	1,096,438	800,016	1,096,438
- Later than five years				
Term loan 1	1,100,000	1,300,000	1,100,000	1,300,000
Term loan 2	366,616	433,288	366,616	433,288
Term loan 3	-	865,943	-	865,943
Term loan 4	1,241,733	1,241,732	1,241,733	1,241,732
Term loan 5	340,385	126,000	340,385	126,000
Term loan 6	-	-	-	-
	3,048,734	3,966,963	3,048,734	3,966,963
Current liabilities				
- Not later than one year				
Term loan 1	200,000	200,000	200,000	200,000
Term loan 2	66,672	66,672	66,672	66,672
Term loan 3	-	82,174	-	82,174
Term loan 4	-	-	-	-
Term loan 5	-	-	-	-
Term loan 6	267,712	-	-	-
	534,384	348,846	266,672	348,846
	5,431,182	6,115,913	4,648,766	6,115,913

Notes to the Financial Statements

31 December 2020

23. TERM LOANS (CONT'D.)

Secured

Term loan 1

The term loan 1 is secured by the following:-

- i) first party legal charge over freehold land and building and leasehold land and building of the Company as disclosed in Note 4 to the financial statements; and
- ii) a lien over fixed deposits of the Company.

The term loan 1 is repayable by 180 monthly instalments of RM16,668.

Term loan 2

The term loan 2 is secured by the following:-

- i) first party legal charge over freehold land and building and leasehold land and building of the Company as disclosed in Note 4 to the financial statements; and
- ii) a lien over fixed deposits of the Company.

The term loan 2 is repayable by 180 monthly instalments of RM5,556.

Term loan 3

The term loan 3 is secured by the following:-

- i) first party legal charge over freehold lands and buildings of the Company as disclosed in Note 5 to the financial statements; and
- ii) jointly and severally guaranteed by certain directors of the Company.

The term loan had been fully settled during the financial year.

Term loan 4

The term loan 4 is secured by first party legal charge over a unit of retail shop lot under construction of the Company.

The term loan 4 is repayable by 180 monthly instalments of RM10,477 upon full drawdown.

Term loan 5

The term loan 5 is secured by Facilities agreement for the sum of RM504,000.

The term loan 5 is repayable by 180 monthly instalments of RM3,920 upon full drawdown.

Term loan 6

The term loan 6 is secured by the followings:-

- i) personal guarantee from a director of the company;
- ii) pledged of Government Saving Bank's lottery of a director of the company; and
- iii) guarantee executed by third party, Thai Credit Guarantee Corporation (TCG).

The term loan 6 is repayable by 180 monthly instalments of RM22,309.

Notes to the Financial Statements

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24. LEASE LIABILITIES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Minimum lease payments:-				
- not later than one year	414,312	374,151	384,636	342,002
- later than one year and not later than two years	376,119	517,635	346,443	487,959
- later than two years and not later than five years	541,731	268,308	452,703	179,280
- later than five years	32,072	56,802	-	-
	1,364,234	1,216,896	1,183,782	1,009,241
Less: Future interest charge	(112,957)	(108,698)	(91,183)	(79,043)
Present value of lease liabilities	1,251,277	1,108,198	1,092,599	930,198
Repayable as follows:-				
Non-current liabilities				
- later than one year and not later than two years	342,618	473,997	318,473	450,850
- later than two years and not later than five years	513,344	250,761	433,736	174,143
- later than five years	31,977	54,509	-	-
	887,939	779,267	752,209	624,993
Current liabilities				
- not later than one year	363,338	328,931	340,390	305,205
	1,251,277	1,108,198	1,092,599	930,198

The Group and the Company obtain lease facilities to finance their purchase of motor vehicles. The remaining lease terms are in the range from 1 to 6 years as at 31 December 2020. Implicit interest rate of the lease is fixed at the inception of the lease arrangements, and the lease instalments are fixed throughout the lease period. There are no significant restriction clauses imposed on the lease arrangements.

Notes to the Financial Statements

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25. TRADE PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-Current Liabilities				
Third parties	2,836,196	2,774,043	2,836,196	2,774,043
Current Liabilities				
Third parties	41,739,999	41,428,317	41,072,142	41,114,362
	44,579,195	44,202,360	43,908,338	43,888,405

The normal credit terms of trade payables range from 30 to 120 days (2019 – 30 to 120 days). However, the credit terms may vary dependent on negotiation with the suppliers.

Included in trade payables as at financial year end are retentions sum of RM9,906,301 (2019 – RM8,536,492) relating to construction contracts. Retentions sum are unsecured, interest-free and are expected to be paid as follows:-

	Group and Company	
	2020 RM	2019 RM
Within 1 Year	7,070,105	5,762,449
More Than 1 Year And Less Than 2 Years	819,045	1,651,673
More Than 2 Years And Less Than 5 Years	2,017,151	1,122,370
	9,906,301	8,536,492

Analysis of retentions sum on deferred payment terms with discount rate of 8.0% (2019 - 8.0%) per annum, being the weighted average cost of capital of the Group and of the Company as at financial year end, are as follows:-

	Group and Company	
	2020 RM	2019 RM
Nominal value	10,309,801	8,885,492
Discount	(403,500)	(349,000)
	9,906,301	8,536,492

Notes to the Financial Statements

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26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other payables	1,669,640	157,577	1,613,253	144,218
Accruals	1,274,145	1,143,764	1,202,673	1,111,458
	2,943,785	1,301,341	2,815,926	1,255,676

27. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contract customers	136,854,280	147,428,143	136,715,290	147,417,123
Revenue from sale of goods	13,903,716	12,190,733	13,245,036	12,018,951
	150,757,996	159,618,876	149,960,326	159,436,074
Timing of revenue:-				
- at a point in time	13,903,716	12,190,733	13,245,036	12,018,951
- over time	136,854,280	147,428,143	136,715,290	147,417,123
	150,757,996	159,618,876	149,960,326	159,436,074
Primary geographical markets				
- Malaysia	150,289,886	159,618,876	149,960,362	159,436,074
- Thailand	468,110	-	-	-
	150,757,996	159,618,876	149,960,362	159,436,074

28. OTHER INCOME

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Fair value discount on payables	54,500	124,000	54,500	124,000
Gain on disposal of investment property	179,640	-	179,640	-
Interest income	781,245	135,597	776,225	135,016
Rental income	59,625	19,200	59,625	19,200
Sundry income	158,345	101,508	213,223	100,658
	1,233,355	380,305	1,283,213	378,874

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29. FINANCE COSTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Bank factoring interest	28,087	123,850	28,087	123,850
Bank overdraft interest	321,401	256,057	321,401	256,057
Fair value discount on receivables	86,100	269,000	86,100	269,000
Term loan interest	258,788	303,262	232,264	303,262
Trade finance interest	382,378	209,751	382,378	209,751
Lease interest	63,453	43,992	55,573	43,992
	1,140,207	1,205,912	1,105,803	1,205,912

30. PROFIT BEFORE TAXATION

	Group		Company	
	2020 RM	2019 RM Reclassified	2020 RM	2019 RM Reclassified
This is arrived at after charging:-				
Auditors' remuneration				
- current financial year				
- Kreston John & Gan				
- statutory audit	105,000	99,000	95,000	90,000
- other services	68,000	23,000	28,000	23,000
- other auditor	18,080	7,886	-	-
Depreciation:-				
- property, plant and equipment	596,447	498,981	462,588	487,606
- investment properties	127,734	65,790	127,734	65,790
- right-of-use	580,361	433,630	540,761	430,330
Employee benefits expense (Note 31)	13,663,008	13,328,480	13,087,155	13,083,057
Finance costs (Note 29)	1,140,207	1,205,912	1,105,803	1,205,912
Loss on foreign exchange:-				
- realised	231	-	-	-
- unrealised	88	-	-	-
Rental of equipment	57,150	-	56,646	-
Rental of premises	132,250	139,010	106,600	139,010
and crediting:-				
Fair value discount on payables	54,500	124,000	54,500	124,000
Gain on disposal of investment property	179,640	-	179,640	-
Interest income	781,245	135,597	776,225	135,016
Rental income	59,625	19,200	59,625	19,200

Notes to the Financial Statements

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31. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries, bonus, wages and allowances	12,159,474	11,864,742	11,641,361	11,643,640
Employees Provident Fund	1,379,310	1,344,864	1,325,883	1,322,884
Social security cost	111,682	12,201	12,098	11,796
Employment Insurance System	12,542	106,673	107,813	104,737
	13,663,008	13,328,480	13,087,155	13,083,057

Included in employee benefits expense of the Group and of the Company are executive directors' emoluments excluding benefits-in-kind, amounting to RM3,048,695 and RM2,905,271 (2019 – RM3,387,673 and RM3,350,732) as disclosed in Note 32 to the financial statements.

32. DIRECTORS' EMOLUMENTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Executive directors				
Salaries, bonus, wages and allowances	2,747,476	3,050,831	2,620,276	3,018,081
Employees Provident Fund	296,850	333,013	281,550	329,053
Social security cost	4,005	3,520	3,176	3,313
Employment Insurance System	364	309	269	285
	3,048,695	3,387,673	2,905,271	3,350,732
Non-executive directors				
- fees	287,875	279,000	287,875	279,000
	3,336,570	3,666,673	3,193,146	3,629,732

Included in directors' emoluments of the Group are executive directors' emoluments, excluding benefits-in-kind, of the subsidiary's companies amounting to RM143,424 (2019 - RM36,941).

Notes to the Financial Statements

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33. INCOME TAX EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Malaysian income tax				
- current year	3,456,000	4,284,674	3,456,000	4,284,674
- (over)/under provision in prior year	(12,448)	14,447	(12,448)	14,447
- real property gain tax	5,500	-	5,500	-
	3,449,052	4,299,121	3,449,052	4,299,121
Deferred taxation (Note 9)				
- current year	-	(196,821)	-	(196,821)
	3,449,052	4,102,300	3,449,052	4,102,300

Income tax is calculated at the Malaysian statutory tax rates of 24% (2019 – 24%) of the estimated assessable profit for the financial year.

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows:-

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Applicable tax rate	24	24	24	24
Non-allowable expenses	9	5	9	4
Temporary differences not recognised	7	(1)	-	(1)
Real property gain tax	*	-	*	-
Over provision of taxation	*	*	(1)	*
Effective tax rate	40	28	32	27

* Less than 1%

34. EARNINGS PER SHARE

Basic:-

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary shareholders by weighted average number of ordinary shares in issue during the financial year as follows:-

	Group	
	2020	2019
Profit for the financial year attributable to ordinary owners of the Company (RM)	5,287,777	10,436,914
Weighted average number of ordinary shares in issue (Unit)	838,220,637	341,732,904
Basic earnings per share (sen)	0.63	3.05

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34. EARNINGS PER SHARE (CONT'D)**Diluted:-**

Diluted earnings per share is calculated by dividing the consolidated profit attributable to owners of the Company by weighted average number of ordinary shares in issue during the financial year after adjustments for dilutive effects of all potential ordinary shares as follows:-

	Group	
	2020	2019
Profit for the financial year attributable to ordinary owners of the Company (RM)	5,287,777	10,436,914
Weighted average number of ordinary shares in issue (Unit)	838,220,637	341,732,904
Adjusted for assumed exercise of private placements (Unit)	48,311,000	54,344,600
Adjusted on share split (Unit)	783,935,678	1,486,011,100
	1,670,467,315	1,882,088,604
Diluted earnings per share (sen)	0.32	0.55

35. DIVIDENDS PAID

The interim dividends paid in respect of financial year ended 31 December are as follows:-

	Company	
	2020 RM	2019 RM
1st interim single-tier dividend of RM0.0025 (2019 - RM0.005) per shares paid on 14 April 2020/4 April 2019	2,306,893	1,600,000
2nd interim single-tier dividend of RM Nil (2019 - RM0.005) per shares paid on 7 October 2019	-	1,764,365
Shares dividends of 2,767,862 units of treasury shares distribute on 14 April 2020	237,116	-
	2,544,009	3,364,365

The directors do not recommend any final dividend for the financial year ended 31 December 2020.

36. PURCHASE OF INVESTMENT PROPERTIES

	Group and Company	
	2020 RM	2019 RM
Purchase of investment properties (Note 5)	-	3,817,087
Contra from trade receivables	-	(3,473,910)
	-	343,177

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37. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

Group	At 1 January RM	Net change from financing cash flows RM	Acquisition of new lease/ financing RM	Acquisition of new subsidiary companies RM	At 31 December RM
2020					
Trade finance	5,371,796	5,537,889	-	-	10,909,685
Term loans	6,115,913	(1,467,147)	-	782,416	5,431,182
Lease liabilities	1,108,198	(396,921)	540,000	-	1,251,277
	12,595,907	3,673,821	540,000	782,416	17,592,144

Group	At 1 January RM	Net change from financing cash flows RM	Acquisition of new lease/ financing RM	Re- classification RM	At 31 December RM
2019					
Trade finance	2,678,547	2,693,249	-	-	5,371,796
Term loans	5,094,428	1,021,485	-	-	6,115,913
Finance lease liabilities	908,034	-	-	(908,034)	-
Lease liabilities	-	(413,836)	614,000	908,034	1,108,198
	8,681,009	3,300,898	614,000	-	12,595,907

Company	At 1 January RM	Net change from financing cash flows RM	Acquisition of new lease/ financing RM	Acquisition of new subsidiary companies RM	At 31 December RM
2020					
Trade finance	5,371,796	5,537,889	-	-	10,909,685
Term loans	6,115,913	(1,467,147)	-	-	4,648,766
Lease liabilities	930,198	(377,599)	540,000	-	1,092,599
	12,417,907	3,693,143	540,000	-	16,651,050

Company	At 1 January RM	Net change from financing cash flows RM	Acquisition of new lease/ financing RM	Re- classification RM	At 31 December RM
2019					
Trade finance	2,678,547	2,693,249	-	-	5,371,796
Term loans	5,094,428	1,021,485	-	-	6,115,913
Finance lease liabilities	908,034	-	-	(908,034)	-
Lease liabilities	-	(413,836)	436,000	908,034	930,198
	8,681,009	3,300,898	436,000	-	12,417,907

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38. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	3,003,948	15,132,476	2,732,532	15,059,535
Bank overdraft (Note 22)	(10,849,390)	-	(10,849,390)	-
Deposits with licensed banks	25,146,855	20,088,059	25,146,855	20,088,059
	17,301,413	35,220,535	17,029,997	35,147,594
Less: Pledged deposits	(17,134,413)	(13,088,059)	(17,134,413)	(13,088,059)
	167,000	22,132,476	(104,416)	22,059,535

39. SEGMENT INFORMATION

No segment reporting by industry and geographical segments has been prepared as the Group and the Company operated predominantly in the provision of electrical and mechanical engineering services. The energy segment are less than 10% of the total assets of all operating segments.

The following is major customer with revenue equal or more than 10% of the Group's or the Company's total revenue:-

	Group and Company	
	2020 RM	2019 RM
- Customer A	16,248,576	9,716,016
- Customer B	14,366,197	1,891,220
	30,614,773	11,607,236

40. FINANCIAL INSTRUMENTS**a) Categories of financial instruments**

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

- Financial assets measured at amortised cost ("FAAC").
- Financial liabilities measured at amortised cost ("FLAC").

Group	Carrying amount RM	FAAC RM	FLAC RM
2020			
Financial assets			
Trade receivables	55,427,920	55,427,920	-
Contract assets	57,882,676	57,882,676	-
Other receivables and deposits	6,765,784	6,765,784	-
Deposit with licensed banks	25,146,855	25,146,855	-
Cash and bank balances	3,003,948	3,003,948	-
	148,227,183	148,227,183	-

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40. FINANCIAL INSTRUMENTS (CONT'D.)

a) Categories of financial instruments (Cont'd.)

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

Group	Carrying amount RM	FAAC RM	FLAC RM
2020			
Financial liabilities			
Trade payables	(44,576,195)	-	(44,576,195)
Contract liabilities	(7,984,123)	-	(7,984,123)
Other payables and accruals	(2,943,785)	-	(2,943,785)
Borrowings	(27,190,257)	-	(27,190,257)
Lease liabilities	(1,251,277)	-	(1,251,277)
	(83,945,637)	-	(83,945,637)
2019			
Financial assets			
Trade receivables	48,314,402	48,314,402	-
Contract assets	35,020,728	35,020,728	-
Other receivables and deposits	4,700,968	4,700,968	-
Deposit with licensed banks	20,088,059	20,088,059	-
Cash and bank balances	15,132,476	15,132,476	-
	123,256,633	123,256,633	-
Financial liabilities			
Trade payables	(44,202,360)	-	(44,202,360)
Contract liabilities	(7,296,886)	-	(7,296,886)
Other payables and accruals	(1,301,341)	-	(1,301,341)
Borrowings	(11,487,709)	-	(11,487,709)
Lease liabilities	(1,108,198)	-	(1,108,198)
	(65,396,494)	-	(65,396,494)

Notes to the Financial Statements

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40. FINANCIAL INSTRUMENTS (CONT'D.)

a) Categories of financial instruments (Cont'd.)

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

Company	Carrying amount RM	FAAC RM	FLAC RM
2020			
Financial assets			
Trade receivables	55,204,772	55,204,772	-
Contract assets	57,882,676	57,882,676	-
Other receivables and deposits	4,717,084	4,717,084	-
Amount due from subsidiary companies	5,776,392	5,776,392	-
Deposit with licensed banks	25,146,855	25,146,855	-
Cash and bank balances	2,732,532	2,732,532	-
	151,461,811	151,461,811	-
Financial liabilities			
Trade payables	(43,908,338)	-	(43,908,338)
Contract liabilities	(7,984,123)	-	(7,984,123)
Other payables and accruals	(2,815,926)	-	(2,815,926)
Borrowings	(26,407,841)	-	(26,407,841)
Lease liabilities	(1,092,599)	-	(1,092,599)
	(82,208,827)	-	(82,208,827)
2019			
Financial assets			
Trade receivables	48,349,157	48,349,157	-
Contract assets	35,020,728	35,020,728	-
Other receivables and deposits	4,597,868	4,597,868	-
Amount due from subsidiary companies	1,087,508	1,087,508	-
Deposit with licensed banks	20,088,059	20,088,059	-
Cash and bank balances	15,059,535	15,059,535	-
	124,202,855	124,202,855	-
Financial liabilities			
Trade payables	(43,888,405)	-	(43,888,405)
Contract liabilities	(7,296,886)	-	(7,296,886)
Other payables and accruals	(1,255,676)	-	(1,255,676)
Borrowings	(11,487,709)	-	(11,487,709)
Lease liabilities	(930,198)	-	(930,198)
	(64,858,874)	-	(64,858,874)

Notes to the Financial Statements

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40. FINANCIAL INSTRUMENTS (CONT'D.)

b) Gains and losses arising from financial instruments

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Net gains/(losses) on:-				
Financial assets measured at amortised costs	695,145	(133,403)	690,125	(133,984)
Financial liabilities measured at amortised costs	(999,607)	(812,912)	(965,203)	(812,912)
	(304,462)	(946,315)	(275,078)	(946,896)

c) Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:-

- Credit risk
- Liquidity and cash flow risk
- Market risk
- Operational risk

i) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from its receivables from customers and advances to subsidiary companies. There are no significant changes as compared to prior periods.

Receivables

Risk management objectives, policies and processes for managing the risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's and the Company's associations to business partners with high credit worthiness. The Group and the Company also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group and Company management reporting procedures.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company has significant concentration of credit risk in the form of outstanding balance of approximately RM28,565,438 due from five (5) trade receivables which represents 52% of the total trade receivables of the Group and of the Company. However, the directors are of the opinion that these amount outstanding is fully recoverable. Credit risk and receivables are monitored on an ongoing basis. These procedures substantially mitigate credit risk of the Group and of the Company.

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40. FINANCIAL INSTRUMENTS (CONT'D.)**c) Financial risk management (Cont'd.)****i) Credit risk (Cont'd.)****Receivables (Cont'd.)**

Exposure to credit risk, credit quality and collateral (Cont'd.)

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment losses

The Group and the Company uses an allowance matrix to measure the expected credit losses ("ECL") of trade receivables from individual customers.

To measure the expected credit losses, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as follows:-

	Gross RM	Less: Allowance RM	Net RM
Group			
2020			
Not past due	26,710,985	-	26,710,985
Past due over 90 days	6,137,181	(150,000)	5,987,181
Retention sums	22,729,754	-	22,729,754
	55,577,920	(150,000)	55,427,920

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40. FINANCIAL INSTRUMENTS (CONT'D.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Receivables (Cont'd.)

Recognition and measurement of impairment losses (Cont'd.)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as follows:- (Cont'd.)

	Gross RM	Less: Allowance RM	Net RM
Group			
2019			
Not past due	23,066,717	-	23,066,717
Past due over 90 days	5,800,422	-	5,800,422
Retention sums	19,447,263	-	19,447,263
	48,314,402	-	48,314,402
Company			
2020			
Not past due	26,541,709	-	26,541,709
Past due over 90 days	6,083,309	(150,000)	5,933,309
Retention sums	22,729,754	-	22,729,754
	55,354,772	(150,000)	55,204,772
2019			
Not past due	23,101,472	-	23,101,472
Past due over 90 days	5,800,422	-	5,800,422
Retention sums	19,447,263	-	19,447,263
	48,349,157	-	48,349,157

Inter-company loans and advances*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to its subsidiary companies. The Company monitors the results of the subsidiary companies regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Notes to the Financial Statements

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40. FINANCIAL INSTRUMENTS (CONT'D.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Inter-company loans and advances (Cont'd.)

Recognition and measurement of impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiary companies are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiary companies.

ii) Liquidity and cash flow risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group and the Company maintain a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet their liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:-

Group	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 years RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2020							
Non-derivative financial liabilities							
Retentions (included in trade payables)	9,906,301	8.00	10,309,801	7,070,105	895,369	2,344,327	-
Trade payables	34,669,894	-	34,669,894	34,669,894	-	-	-
Contract liabilities	7,984,123	-	7,984,123	7,984,123	-	-	-
Other payables and accruals	2,943,785	-	2,943,785	2,943,785	-	-	-
Trade finance	10,909,685	4.21 – 5.01	10,909,685	10,909,685	-	-	-
Bank overdrafts	10,849,390	7.45 – 9.95	10,849,390	10,849,390	-	-	-
Term loans	5,431,182	6.65 – 7.30	5,431,182	534,384	801,056	1,047,008	3,048,734
Lease liabilities	1,251,277	2.29 – 2.60	1,364,234	414,312	376,119	541,731	32,072
	83,945,637		84,462,094	75,375,678	2,072,544	3,933,066	3,080,806

Notes to the Financial Statements

31 December 2020

40. FINANCIAL INSTRUMENTS (CONT'D.)

c) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risk (Cont'd.)

Maturity analysis (Cont'd.)

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:- (Cont'd.)

Group	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 years RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2019							
Non-derivative financial liabilities							
Retentions (included in trade payables)	8,536,492	8.00	8,885,492	5,762,449	2,535,587	587,456	-
Trade payables	35,665,868	-	35,665,868	35,665,868	-	-	-
Contract liabilities	7,296,886	-	7,296,886	7,296,886	-	-	-
Other payables and accruals	1,301,341	-	1,301,341	1,301,341	-	-	-
Trade finance	5,371,796	3.39 - 6.37	5,371,796	5,371,796	-	-	-
Term loans	6,115,913	6.65 - 7.00	6,115,913	348,846	703,666	1,096,438	3,966,963
Lease liabilities	1,108,198	2.29 - 2.60	1,216,896	374,151	517,635	268,308	56,802
	65,396,494		65,854,192	56,121,337	3,756,888	1,952,202	4,023,765

Company	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 years RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2020							
Non-derivative financial liabilities							
Retentions (included in trade payables)	9,906,301	8.00	10,309,801	7,070,105	895,369	2,344,327	-
Trade payables	34,002,037	-	34,002,037	34,002,037	-	-	-
Contract liabilities	7,984,123	-	7,984,123	7,984,123	-	-	-
Other payables and accruals	2,815,926	-	2,815,926	2,815,926	-	-	-
Trade finance	10,909,685	4.21 - 5.01	10,909,685	10,909,685	-	-	-
Bank overdrafts	10,849,390	7.45 - 9.95	10,849,390	10,849,390	-	-	-
Term loans	4,648,766	6.65 - 7.00	4,648,766	266,672	533,344	800,016	3,048,734
Lease liabilities	1,092,599	2.29 - 2.60	1,183,782	384,636	346,443	452,703	-
	82,208,827		82,703,510	74,282,574	1,775,156	3,597,046	3,048,734

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40. FINANCIAL INSTRUMENTS (CONT'D.)

c) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risk (Cont'd.)

Maturity analysis (Cont'd.)

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:- (Cont'd.)

Company	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 years RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2019							
Non-derivative financial liabilities							
Retentions (included in trade payables)	8,536,492	8.00	8,885,492	5,762,449	2,535,587	587,456	-
Trade payables	35,351,913	-	35,351,913	35,351,913	-	-	-
Contract liabilities	7,296,886	-	7,296,886	7,296,886	-	-	-
Other payables and accruals	1,255,676	-	1,255,676	1,255,676	-	-	-
Trade finance	5,371,796	3.39 - 6.37	5,371,796	5,371,796	-	-	-
Term loans	6,115,913	6.65 - 7.00	6,115,913	348,846	703,666	1,096,438	3,966,963
Lease liabilities	930,198	2.29 - 2.60	1,009,241	342,002	487,959	179,280	-
	64,858,874		65,286,917	55,729,568	3,727,212	1,863,174	3,966,963

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest/expense rates and other prices that will affect the Group's and the Company's financial position or cash flows.

Foreign exchange rate risk

The Group's is exposed to foreign currency risk on sales that are denominated in a currency other than the respective functional currency of Group entities. The currency giving risk to the risk were primarily Thai Baht ("THB").

Risk management objectives, policies and processes for managing the risk

The Group is closely monitoring the foreign currency risk on an ongoing basis to ensure that the net exposure is at acceptable level. In occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

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40. FINANCIAL INSTRUMENTS (CONT'D.)

c) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:-

	2020 RM	2019 RM
Trade receivables (Note 10) - THB	13,613	-

Interest/Expense rate risk

The Group's and the Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest/expense rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest/expense rates. Short term investments such as deposits with licensed banks are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

Exposure to interest/expense rate risk

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

Group	2020 RM	Interest rate %	2019 RM	Interest rate %
Fixed rate instruments				
Deposits with licensed banks	25,146,855	1.30 – 2.65	20,088,059	2.55 - 3.25
Lease liabilities	(1,251,277)	2.29 – 2.60	(1,108,198)	2.29 - 2.60
Floating rate instruments				
Trade finance	(10,909,685)	4.21 – 5.01	(5,371,796)	3.39 - 6.37
Bank overdrafts	(10,849,390)	7.45 – 9.95	-	-
Term loans	(5,431,182)	6.65 – 7.30	(6,115,913)	6.65 - 7.00

Notes to the Financial Statements

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40. FINANCIAL INSTRUMENTS (CONT'D.)**c) Financial risk management (Cont'd.)****iii) Market risk (Cont'd.)**Interest/Expense rate risk (Cont'd.)*Exposure to interest/expense rate risk (Cont'd.)*

The interest/expense rate profile of the Group's and the Company's significant interest/expense-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:- (Cont'd.)

Company	2020 RM	Interest rate %	2019 RM	Interest rate %
Fixed rate instruments				
Deposits with licensed banks	25,146,855	1.30 – 2.65	20,088,059	2.55 - 3.25
Lease liabilities	(1,092,599)	2.29 – 2.60	(930,198)	2.29 - 2.60
Floating rate instruments				
Trade finance	(10,909,685)	4.21 – 5.01	(5,371,796)	3.39 - 6.37
Bank overdrafts	(10,849,390)	7.45 – 9.95	-	-
Term loans	(4,648,766)	6.65 – 7.00	(6,115,913)	6.65 - 7.00

Interest rate risk sensitivity analysis:-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM7,500 and RM7,300 (2019 – RM6,800 and RM6,800) respectively higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

v) Operational risk

The operational risk arises from the daily activities of the Group and of the Company which includes legal, credit reputation and financing risk and other risks associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

The directors will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

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40. FINANCIAL INSTRUMENTS (CONT'D.)

d) Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair value due to the relatively short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near to the reporting date.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2020										
Financial assets										
Retention sum (included in trade receivables)	-	-	8,088,282	8,088,282	-	-	-	-	8,088,282	8,088,282
Financial liabilities										
Retention sum (included in trade payables)	-	-	2,836,196	2,836,196	-	-	-	-	2,836,196	2,836,196
Term loans	-	-	-	-	-	-	3,391,546	3,391,546	3,391,546	5,164,511
Lease liabilities	-	-	-	-	-	-	880,451	880,451	880,451	887,938
	-	-	2,836,196	2,836,196	-	-	4,271,997	4,271,997	7,108,193	8,888,645
2019										
Financial assets										
Retention sum (included in trade receivables)	-	-	7,868,898	7,868,898	-	-	-	-	7,868,898	7,868,898
Financial liabilities										
Retention sum (included in trade payables)	-	-	2,774,043	2,774,043	-	-	-	-	2,774,043	2,774,043
Term loans	-	-	-	-	-	-	4,788,812	4,788,812	4,788,812	5,767,067
Lease liabilities	-	-	-	-	-	-	746,522	746,522	746,522	770,844
	-	-	2,774,043	2,774,043	-	-	5,535,334	5,535,334	8,309,377	9,311,954

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40. FINANCIAL INSTRUMENTS (CONT'D.)

d) Fair value information (Cont'd.)

Company	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2020										
Financial assets										
Retention sum (included in trade receivables)	-	-	8,088,282	8,088,282	-	-	-	-	8,088,282	8,088,282
Financial liabilities										
Retention sum (included in trade payables)	-	-	2,836,196	2,836,196	-	-	-	-	2,836,196	2,836,196
Term loans	-	-	-	-	-	-	3,391,546	3,391,546	3,391,546	4,382,094
Lease liabilities	-	-	-	-	-	-	743,982	743,982	743,982	752,209
	-	-	2,836,196	2,836,196	-	-	4,135,528	4,135,528	6,971,724	7,970,499
2019										
Financial assets										
Retention sum (included in trade receivables)	-	-	7,868,898	7,868,898	-	-	-	-	7,868,898	7,868,898
Financial liabilities										
Retention sum (included in trade payables)	-	-	2,774,043	2,774,043	-	-	-	-	2,774,043	2,774,043
Term loans	-	-	-	-	-	-	4,788,812	4,788,812	4,788,812	5,767,067
Lease liabilities	-	-	-	-	-	-	606,020	606,020	606,020	624,993
	-	-	2,774,043	2,774,043	-	-	5,394,832	5,394,832	8,168,875	9,166,103

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40. FINANCIAL INSTRUMENTS (CONT'D.)

d) Fair value information (Cont'd.)

Level 1 fair value

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

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2019 - no transfer in either directions).

Level 3 fair value

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

The following shows the valuation techniques used in the determination of fair values within Level 3 for financial instruments not carried at fair value, as well as the key unobservable inputs used in the valuation models.

Type	Description of valuation technique and inputs used
Retentions sum	Discounted cash flows using a rate based on the weighted average cost of capital of the Group and the Company at the reporting date.
Borrowings	Discounted cash flows using a rate based on the current market rate of borrowing of the Group and the Company at the reporting date.

41. CAPITAL MANAGEMENT

The Group and the Company manage their capital to ensure that the Group and the Company will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group and the Company may take adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

Notes to the Financial Statements

31 December 2020

41. CAPITAL MANAGEMENT (CONT'D.)

The Group and the Company manage their capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as total borrowings from financial institutions divided by total equity.

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Total borrowings	28,441,534	12,595,907	27,500,440	12,417,907
Total equity	79,966,731	71,356,762	82,182,608	72,095,868
Debt-to-equity ratio	0.36	0.18	0.33	0.17

There was no change in the Group's and the Company's approach to capital management during the financial year.

42. CAPITAL COMMITMENT

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Authorised and contracted for:-				
- Property, plant and equipment	3,961,650	-	-	-
- Investment properties	1,907,467	415,467	1,907,467	415,467
	5,869,117	415,467	1,907,467	415,467

43. CONTINGENT LIABILITIES

	Group and Company	
	2020 RM	2019 RM
Secured		
Bankers' guarantees issued in favour of third parties secured by deposits with licensed banks in respect of contract works	22,763,877	21,942,066

The directors are of the opinion that adequate allowance has been made in the financial statements for any possible liabilities.

Notes to the Financial Statements

31 December 2020

44. RELATED PARTIES

Identity of related parties

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

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

The Group and the Company have related party relationship with their directors and key management personnel.

Significant related party transactions

Related party transactions entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are show below. The related party balances are shown in Note 10 and 14 to the financial statements.

	Company	
	2020 RM	2019 RM
Management fee received/receivable from:		
- Subsidiary	60,000	80,000

Compensation of key management personnel

The remuneration paid by the Group and the Company to key management personnel during the financial year are disclosed in Note 32 in the financial statements.

45. MATERIAL LITIGATION

KAB Technologies Sdn. Bhd. -V- ICEE International Sdn Bhd and ICEE Energy Services Sdn. Bhd. (WA-22NCVC-330-06/2020).

On 26 June 2020, KAB Technologies Sdn. Bhd. ("Plaintiff") commenced a Writ action against ICEE International Sdn Bhd (1st Defendant) and ICEE Energy Services Sdn Bhd (2nd Defendant).

On 26 February 2021, the Plaintiff and the Defendant resolved the claims and entered into a Settlement Agreement to record the terms of the global settlement as full and final settlement in relation to all the Legal Proceedings filed by the Parties.

Among the terms of the Settlement Agreement on Breach of Contract Suit, Plaintiff shall effect payment of a total sum of RM120,000 in spite of Defendant claims as full and final settlement.

Notes to the Financial Statements

31 December 2020

46. SIGNIFICANT EVENTS

- a. On 3 January 2020, the Company announced that it has entered into a head of agreement (“HOA”) with the vendors of Leveragedge Sdn Bhd (“LSB”) for proposed investment of 37,500 ordinary shares in LSB, representing 30% of the total paid up share capital in LSB for a total cash consideration of RM2,100,000. Subsequently, the Company announced on 24 March 2020 that HOA had been terminated.
- b. On 5 February 2020, the Company announced a proposed acquisition by KAB Energy Power Sdn Bhd (“KABEP”), a 90% subsidiary of the Company of 7 ordinary shares in Kiev CRG Sdn Bhd (“KIEV”), representing 70% of the total paid up share capital in KIEV, for a total consideration of RM175,000.
- c. On 27 February 2020, the Company completed its sub-division of every two (2) existing issued and fully paid ordinary shares into five (5) shares (“Share Split”). Consequential to the completion of Share Split, 925,574,998 Split Shares were successfully listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad.
- d. On 3 March 2020, the directors declared interim dividend via a share dividend distribution of treasury shares on the basis of three treasury shares for every one thousand existing ordinary shares held.
- e. The COVID-19 pandemic has significantly disrupted many business operations around the world. For the Group and the Company, the impact on business operation has not been a direct consequence of the COVID-19 pandemic but a result of the measures taken by the Government of Malaysia to contain it.

The Group and the Company have performed an assessment of the overall impact of the situation on the Group’s and the Company’s operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there is no material adverse effects on the financial statements for the financial year ended 31 December 2020.

The scare and duration of the economic uncertainty and its related impact on the outlook and prospects of the Group and the Company could not be reasonably estimated at this juncture. The Group and the Company are closely monitoring the evolving situation of the COVID-19 pandemic and the effects, it any will be reflected in the next annual financial statements.

- f. On 25 March 2020, the Company announced proposed acquisition by KABEP of:-
 - i) 2,000,000 ordinary shares in Konpro Industries Sdn Bhd (“KISB”); and
 - ii) 600,000 ordinary shares in Meru One Sdn Bhd (“MOSB”).

Both representing 80% each of the total paid up share capital in KISB and MOSB, for a total cash consideration of RM7,260,000.

On 5 March 2021, KABEP entered into a Share Purchase Agreement to acquire the followings:-

- i) 2,500,000 ordinary shares, representing 100% of the total paid up share capital in KISB for a total cash consideration of RM7,930,000 instead of proposed acquisition of 2,000,000 ordinary shares for a total consideration of RM5,100,000; and
 - ii) 750,000 ordinary shares, representing 100% of the total paid up share capital in MOSB for a total cash consideration of RM4,100,000 instead of proposed acquisition of 600,000 ordinary shares for a total consideration of RM2,160,000 and to assume liabilities of RM4,240,000.
- g. On 26 March 2020, the Group acquired 49.997% effective interest in Energy Optimization (Thailand) Co., Ltd. (“EOT”). The Group has deemed EOT as its subsidiary company by control through representation on the Board of Directors.

Notes to the Financial Statements

31 December 2020

47. EVENTS AFTER THE REPORTING PERIOD

- a. On 10 February 2021, the Company announced multiple proposal as follows:-
- i) share split involving the subdivision of every ten (10) existing issued and fully paid ordinary shares into eighteen (18) shares ("Share Split"); and
 - ii) bonus issue of up to 881,927,638 free warrants on the basis of 1 Warrant for every 2 ordinary shares held.

The proposals were approved by shareholders at Extraordinary General Meeting held on 25 March 2021.

- b. On 16 February 2021, the Company announced that KAB Smart Solar Energy Sdn Bhd (formerly known as KAB Construction Sdn Bhd), a wholly-owned subsidiary, entered into a Binding Term Sheet ("BTS") with Mayang Hijau Sdn Bhd ("MHSB"), Evergreen Thumbsup Sdn Bhd and Mr Heng Boon Liang to subscribe of 800,000 ordinary shares in MHSB, representing 80% of the total proposed enlarged paid up share capital in MHSB, for a total consideration of RM800,000.

48. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the current year's presentation:-

	Group		Company	
	As reclassified RM	As previously stated RM	As reclassified RM	As previously stated RM
Statement of Financial Position				
<u>Non-current assets</u>				
Property, plant and equipment	5,762,904	7,800,954	5,115,201	6,958,551
Right-of-use assets	2,038,050	-	1,843,350	-
<u>Non-current liabilities</u>				
Borrowings	5,767,067	6,546,334	5,767,067	6,392,060
Lease liabilities	779,267	-	624,993	-
<u>Current liabilities</u>				
Borrowings	5,720,642	6,049,573	5,720,642	6,025,847
Lease liabilities	328,931	-	305,205	-
Statement of Profit and loss				
Depreciation of property, plant and equipment	498,981	932,611	487,606	917,936
Depreciation of right-of-use assets	433,630	-	430,330	-

Statement by Directors

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

We, Dato' Lai Keng Onn and Choong Gaik Seng, being two of the directors of Kejuruteraan Asastera Berhad, do hereby state on behalf of the directors that in our opinion, the financial statements set out on pages 54 to 132 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 state of affairs of the Group and of the Company at 31 December 2020 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date.

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

Dato' Lai Keng Onn

Choong Gaik Seng

Kuala Lumpur,
Date: 25 March 2021

Statutory Declaration

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

I, Hoon Siew Yen, MIA No. 9913, being the officer primarily responsible for the financial management of Kejuruteraan Asastera Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 132, to the best of my knowledge and belief, are correct.

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

Subscribed and solemnly declared at Kuala Lumpur this 25 March 2021

Before me

Hoon Siew Yen
(MIA No. 9913)

Commissioner for Oaths

Datin Hjh Raihela Wanchik
No. W-275

List of Properties

Location and Address of Properties	Brief Description and Existing Use	Land/ Built-Up Area (sq meters)	Age of Building (Years)	Tenure and Year of Expiry	Date of Acquisition (A)/ Valuation (V)	Audited Net Book Value As At 31.12.2020 (RM)
PM 8456, Lot 101280, Mukim of Petaling, Daerah Kuala Lumpur, Wilayah Persekutuan, Kuala Lumpur.	Three-storey shop office currently used as our Company's headquarters	N/A/190	6	99-year leasehold, expiring on 5 April 2110 (i.e. remaining tenure of approximately 89 years as at Dec'20)	23 Mar 2017 (V)	3,499,056
Property address: No.18, Jalan Radin Bagus 9, Bandar Baru Seri Petaling, 57000 Kuala Lumpur.						
HSD 13198, PT 8891, Mukim Kajang, Daerah Ulu Langat, Negeri Selangor Darul Ehsan.	One and half storey terrace factory as warehouse	N/A/222.96	25	Freehold	28 April 2017 (V)	1,204,667
Property address: No. 86, Jalan Taming 5, Taming Jaya Industrial Park, 43300 Balakong, Selangor Darul Ehsan.						
GRN 190203, Lot 128236, Mukim Klang, Daerah Klang Negeri Selangor.	Three storey Shop Office	N/A/153	4	Freehold	12 December 2019 (V)	1,405,562
Property address: Lot No.19 Gravit 8, PT 128236, Kota Bayu Emas/KS9, 42000 Pel. Klang, Selangor Darul Ehsan.						
GRN Mukim 283, Lot 1098, Tempat Batu 8, Jalan Kuala Lumpur, Mukim Cheras, Daerah Hulu Langat, Negeri Selangor.	Residential	N/A/144.65	4	Freehold	1 June 2018 (A)	739,022
Property address: B-19-07, Green Residence Condo, Jalan Sayang 1, Taman Rasa Sayang, 43200 Batu 9 Cheras, Selangor Darul Ehsan.						

List of Properties

Location and Address of Properties	Brief Description and Existing Use	Land/ Built-Up Area (sq meters)	Age of Building (Years)	Tenure and Year of Expiry	Date of Acquisition (A)/Valuation (V)	Audited Net Book Value As At 31.12.2020 (RM)
HSD 156027, PT 148718, Mukim Klang, Daerah Klang, Negeri Selangor.	Residential	N/A/59	3	Freehold	13 June 2016 (A)	335,743
Property address:						
A1-28-11, Blok A1, Gravit 8, Jalan Bayu Laut/KS9, Kota Bayuemas, 41200 Klang, Selangor.						
PN 62395, Lot 57417, Mukim of Bukit Raja, Daerah Petaling, Selangor.	Vacant land held for development	6,015	Not applicable	99-year leasehold, expiring on 3 December 2105 (i.e. remaining tenure of approximately 84 years as at Dec'20)	11 July 2019 (A)	3,398,642

Analysis of Shareholdings

as at 31 March 2021

Issued and Fully Paid-up Capital : RM60,799,253 divided into 939,892,310 (excluding 49,388 treasury shares)
 Class of Shares : Ordinary shares
 Voting Rights : One vote per ordinary share

SHAREHOLDING DISTRIBUTION SCHEDULE

(AS PER THE RECORD OF DEPOSITORS)

No. of Shareholders	Size of Shareholdings	No. of Shares Held	% of Shares
550	1 to 99	11,979	0.001
344	100 to 1,000	183,582	0.019
996	1,001 to 10,000	4,867,446	0.517
396	10,001 to 100,000	11,982,032	1.274
128	100,001 to less than 5% of issued shares	498,350,021	53.022
4	5% and above of the issued shares	424,497,250	45.164
2,418	TOTAL	939,892,310	100.000

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS

(As per the record of depositors)

Name of Shareholders	No. of Shares Held	Percentage (%)
1 Dato' Lai Keng Onn	210,280,000	22.37
2 GAT Success (M) Sdn Bhd	100,300,000	10.67
3 MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Lai Keng Onn (MGN-LKO0002M)	58,000,000	6.18
4 UOBM Nominees (Tempatan) Sdn Bhd UOBM for Faith Chow Poh Ten (PBM)	55,917,250	5.95
5 CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Dato' Lai Keng Onn (PB)	35,225,000	3.75
6 Lotus Win Sdn Bhd	30,090,000	3.20
7 CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kington Tong Kum Loong (MY3648)	25,310,623	2.69
8 Choong Gaik Seng	23,090,000	2.46
9 Faith Chow Poh Ten	21,269,395	2.26
10 CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities account for Koh Chen Foong (MY1718)	21,130,098	2.25
11 Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Dato' Lai Keng Onn	20,575,000	2.19
12 CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Koon Poh Kong (PB)	20,000,000	2.13
13 HSBC Nominees (Asing) Sdn Bhd Credit Suisse (Hong Kong) Limited	18,224,300	1.94
14 HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koon Hoi Chun (PJCAC 328903)	18,108,000	1.93
15 HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kington Tong Kum Loong	18,005,500	1.92
16 AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kington Tong Kum Loong	16,903,000	1.80
17 AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Lai Keng Onn	16,500,000	1.76
18 CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yoong Kah Yin (MY2443)	14,050,000	1.49
19 Fastrans Ventures Sdn Bhd	13,000,000	1.38
20 CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Koon Hoi Chun (PB)	9,714,100	1.03
21 Citigroup Nominees (Asing) Sdn Bhd Exempt An for Bank of Singapore Limited (Foreign)	9,500,035	1.01

Analysis of Shareholdings

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D)

(As per the record of depositors)

Name of Shareholders	No. of Shares Held	Percentage (%)
22 Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yu Kuan Chon	9,162,300	0.97
23 Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Eng Sia	9,000,000	0.96
24 Lim Gek Shan	8,996,765	0.96
25 AMSEC Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad (SWAP)	7,000,000	0.74
26 Lee Sook Ching	6,990,000	0.74
27 CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Dato Lai Keng Onn (MY3685)	6,500,000	0.69
28 AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Weng Fui	6,100,000	0.65
29 Amanahraya Trustees Berhad PMB Shariah Aggressive Fund	5,776,600	0.61
30 CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koh Kin Lip (MY0502)	5,516,500	0.59
TOTAL	820,234,466	87.27

DIRECTORS' SHAREHOLDINGS

(As per the register of directors' shareholdings)

Name of Directors	No. of Shares Held			
	Direct	Percentage (%)	Indirect	Percentage (%)
Dato' Lai Keng Onn	351,580,000	37.41	13,000,000 ⁽¹⁾	1.38
Choong Gaik Seng	23,090,000	2.46	-	-
Datin Alicia Chan Pey Kheng	5,230,394	0.56	-	-
Yoong Kah Yin (<i>resigned on 15 April 2021</i>)	14,530,000	1.55	30,000 ⁽²⁾	0.00*
Goh Kok Boon	752,250	0.08	-	-
Lu Chee Leong	-	-	-	-
Tong Siut Moi	-	-	-	-

* Less than 0.01%

Notes:-

- (1) Deemed interest through shares held by Fastrans Ventures Sdn Bhd pursuant to Section 8 of the Act.
- (2) Deemed interest by virtue of Shares held by Yoong Kah Yin's daughter pursuant to Section 8 of the Act.

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(As per the register of substantial shareholders' shareholdings)

Name of Shareholders	No. of Shares Held			
	Direct	Percentage (%)	Indirect	Percentage (%)
Dato' Lai Keng Onn	351,580,000	37.41	13,000,000 ⁽¹⁾	1.38
GAT Success (M) Sdn Bhd	100,300,000	10.67	-	-
Everest Pavilion Sdn Bhd ("EPSB")	-	-	100,300,000 ⁽²⁾	10.67
Cherry Anne Tong Chun Ling	-	-	100,300,000 ⁽³⁾	10.67
Faith Chow Poh Ten	77,186,645	8.21	4,458,335 ⁽⁴⁾	0.47
Kington Tong Kum Loong	79,030,214	8.41	4,458,335 ⁽⁴⁾	0.47

Notes:-

- (1) Deemed interest through shares held by Fastrans Ventures Sdn Bhd pursuant to Section 8 of the Act.
- (2) Deemed interest through shares held by GAT Success (M) Sdn Bhd pursuant to Section 8 of the Act.
- (3) Deemed interest by virtue of her interest in EPSB pursuant to Section 8 of the Act. EPSB is deemed interested in the shares held by GAT Success (M) Sdn Bhd pursuant to Section 8 of the Act.
- (4) Deemed interest through shares held by Regalis Investment Ltd pursuant to Section 8 of the Act.

Notice of Twenty-Fourth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting of **KEJURUTERAAN ASASTERA BERHAD** will be conducted entirely through live streaming from the broadcast venue at KAB's Headoffice at No. 18, Jalan Radin Bagus 9, Bandar Baru Seri Petaling, 57000 Kuala Lumpur on Thursday, 20th May 2021 at 9.30 a.m. to transact the following business:-

AGENDA

Ordinary Business

- | | |
|--|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. | <i>Please refer to Explanatory Note 1</i> |
| 2. To approve the aggregate Directors' fees payable to the Directors of the Company for an amount not exceeding RM399,500.00 per annum for the financial year ending 31 December 2021. | Resolution 1 |
| 3. To re-elect the following directors who retire pursuant to Clause 76(3) of the Constitution of the Company:-
i. Datin Chan Pey Kheng
ii. Lu Chee Leong | Resolution 2
Resolution 3 |
| 4. To re-elect Datuk Dr Ong Peng Su, who retires pursuant to Clause 78 of the Constitution of the Company. | Resolution 4 |
| 5. To re-appoint Messrs Kreston John & Gan as Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 5 |

Special Business

To consider and, if thought fit, to pass the following resolutions with or without modifications, as Ordinary Resolutions of the Company:-

- | | |
|---|---------------------|
| 6. Ordinary Resolution I
Authority to Allot and Issue Shares | Resolution 6 |
|---|---------------------|

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 20% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 20% General Mandate").

THAT such approval on the Proposed 20% General Mandate shall continue to be in force until 31 December 2021.

Notice of Twenty-Fourth Annual General Meeting

THAT with effect from 1 January 2022, the general mandate shall be reinstated from a 20% limit to a 10% limit pursuant to Paragraph 6.03 of the Listing Requirements provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer by the Company from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 10% General Mandate").

THAT such approval on the Proposed 10% General Mandate shall continue to be in force until:

- a) the conclusion of the next Annual General Meeting of the Company held after the approval was given;
- b) the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or
- c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

(The Proposed 20% General Mandate and Proposed 10% General Mandate shall hereinafter refer to as "Proposed General Mandate".)

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate.

Notice of Twenty-Fourth Annual General Meeting

7. Ordinary Resolution II Proposed Renewal of Authority for Share Buy-Back

Resolution 7

“THAT subject always to the Companies Act 2016 (“the Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities (“Listing Requirements”) and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- i. the aggregate number of issued shares in the Company (“Shares”) purchased (“Purchased Shares”) and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and
- ii. the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

(“Proposed Share Buy-Back”).

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

- a. the conclusion of the next Annual General Meeting (“AGM”) of the Company following this AGM at which this resolution was passed, at which time the said authority shall lapse unless by an ordinary resolution passed at that next AGM, the authority is renewed, either unconditionally or subject to conditions;
- b. the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
- c. revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

- i. To cancel all or part of the Purchased Shares;
- ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;

Notice of Twenty-Fourth Annual General Meeting

- iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
- iv. To resell all or part of the treasury shares;
- v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
- vi. To transfer all or part of the treasury shares as purchase consideration;
- vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or
- viii. To deal with the treasury shares in any other manner as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities.”

- 8. To transact any other business of the Company of which due notice is given in accordance with the Act and the Constitution of the Company.

BY ORDER OF THE BOARD

JOANNE TOH JOO ANN

SSM PC NO. 202008001119 (LS 0008574)

SIA EE CHIN

SSM PC NO. 202008001676 (MAICSA 7062413)

Company Secretaries

Kuala Lumpur

Date: 21 April 2021

Notice of Twenty-Fourth Annual General Meeting

1. APPOINTMENT OF PROXY

- a. The broadcast venue **is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016**, which requires the Chairperson of the Annual General Meeting (“General Meeting”) to be present at the main venue of the meeting.

Shareholders **WILL NOT BE ALLOWED** to attend this General Meeting in person at the broadcast venue on the day of the Company’s General Meeting. Therefore, shareholders are strongly advised to participate and vote remotely at this General Meeting through live streaming and online remote voting using the Remote Participation and Voting facilities provided by the Company’s Share Registrar, namely Tricor Investor & Issuing House Services Sdn Bhd.

Please read these Notes carefully and follow the Procedures in the Administrative Notes for this General Meeting in order to participate remotely.

- b. For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 12 May 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.
- c. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
- d. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
- e. Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- f. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (“Central Depositories Act”) which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- g. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- h. The appointment of a proxy may be made in a hard copy form and submit to the Company’s Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of an appointment made via TIIH Online, the proxy form must be deposited at <https://tiih.online>. Please refer to the Administrative Notes for further information on submission via TIIH Online. All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote.
- i. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company’s Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- j. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
- k. Last date and time for lodging the proxy form is Tuesday, 18 May 2021 at 9.30 a.m.

Notice of Twenty-Fourth Annual General Meeting

EXPLANATORY NOTES

1. **Item 1 of the Agenda – Ordinary Business**
Audited Financial Statements for the financial year ended 31 December 2020

The Audited Financial Statements is meant for discussion only as an approval from shareholders is not required pursuant to the provision of Section 340(1)(a) of the Companies Act, 2016. Hence, this item on the Agenda is not put forward for voting by shareholders of the Company.

2. **Item 2 of the Agenda – Ordinary Business**
Payment of Directors' Fees

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

The Proposed Ordinary Resolution 1 is to facilitate the payment of Directors' fees on a current financial year basis, calculated based on the current board size. In the event the Directors fees proposed are insufficient (due to enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

3. **Item 3(ii) of the Agenda – Ordinary Business**
Re-election of Independent Director

The Nominating Committee and the Board had undertaken an annual assessment on the independence of Mr Lu Chee Leong, who is seeking for re-election at the forthcoming Twenty-Fourth Annual General Meeting. The annual assessments had been disclosed in the Corporate Governance Overview Statement of the Company's 2020 Annual Report.

4. **Item 6 of the Agenda – Special Business**
Ordinary Resolution I
Authority to Allot and Issue Shares

The proposed ordinary resolution, if passed, will empower the Directors of the Company to issue and allot ordinary shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Proposed 20% General Mandate") up to 31 December 2021. With effect from 1 January 2022, the Proposed 20% General Mandate will be reinstated to a 10% limit ("Proposed 10% General Mandate") according to Paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The authority for the Proposed 10% General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting ("AGM") or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

This proposed Resolution is a renewal of the previous year's mandate. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time.

The Board of Directors of the Company is of the view that the Proposed 20% General Mandate is in the best interest of the Company and its shareholders as the 20% General Mandate will give the Directors the flexibility and cost effectively to raise funds quickly and efficiently during this challenging time to ensure the long term sustainability of the Company and safeguard the interest of the Company and the shareholders.

Notice of Twenty-Fourth Annual General Meeting

The proposed ordinary resolution, if passed, will empower the Directors of the Company to issue and allot ordinary shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Proposed 20% General Mandate") up to 31 December 2021. With effect from 1 January 2022, the Proposed 20% General Mandate will be reinstated to a 10% limit ("Proposed 10% General Mandate") according to Paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The purpose of this general mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, acquisitions and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this notice, the Company did not implement its proposal for new allotment of shares under the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 which was approved by the shareholders at the 23rd AGM held on 22 June 2020 and will lapse at the conclusion of the 24th AGM to be held on 20 May 2021. As at the date of this notice, there is no decision to issue new shares. Should there be a decision to issue new shares after the general mandate is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.

5. **Item 7 of the Agenda – Special Business**
Ordinary Resolution II
Proposed Renewal of Authority for Share Buy-Back

This proposed Resolution 7, if passed, will empower the Company to purchase up to ten per centum (10%) of the issued share capital of the Company through Bursa Malaysia Securities Berhad.

For further information, please refer to the Statement to Shareholders dated 21 April 2021 in relation to the Proposed Renewal of authority for Share Buy-Back.

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KEJURUTERAAN ASASTERA BERHAD
[Company No. 199701005009 (420505-H)]
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.	No. of Shares held

I/We, _____ Tel. No.: _____
(Full name in block and NRIC No./Company No.)

of _____
(Address)

being a member of Kejuruteraan Asastera Berhad, hereby appoint(s):-

Full Name (in Block) and NRIC/Passport No.	Address	Proportion of Shareholdings	
		No. of Shares	%

and/or* (*delete as appropriate)

Full Name (in Block) and NRIC/Passport No.	Address	Proportion of Shareholdings	
		No. of Shares	%

or failing him, the Chairperson of the meeting as my/our proxy to vote for me/us on my/our behalf at the Twenty-Fourth Annual General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at KAB's Headoffice at No. 18, Jalan Radin Bagus 9, Bandar Baru Seri Petaling, 57000 Kuala Lumpur on Thursday, 20th May 2021 at 9.30 a.m. or any adjournment thereof, and to vote as indicated below:-

Item	Agenda	Resolution	FOR	AGAINST
1.	Payment of Directors' Fees for the financial year ending 31 December 2021.	Ordinary		
2.	Re-election of Datin Chan Pey Kheng as Director.	Ordinary		
3.	Re-election of Lu Chee Leong as Director.	Ordinary		
4.	Re-election of Datuk Dr Ong Peng Su as Director.	Ordinary		
5.	Re-appointment of Messrs Kreston John & Gan as auditors of the Company and authorise the Board of Directors to fix their remuneration.	Ordinary		
6.	Authority for Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.	Ordinary		
7.	Proposed Renewal of Authority for Share Buy-Back	Ordinary		

Please indicate with an 'X' in the space provided whether you wish your votes to be cast for or against the resolution. In the absence of specific direction, your proxy may vote or abstain as he thinks fit.

Signed this _____

Signature*
Member

*** Manner of execution:**

- If you are an individual member, please sign where indicated.
- If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
- If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
 - at least two (2) authorised officers, of whom one shall be a director; or
 - any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

- Notes:-**
1. For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 12 May 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.
 2. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
 3. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
 4. Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
 5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
 6. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
 7. The appointment of a proxy may be made in a hard copy form and submit to the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of an appointment made via TIIH Online, this proxy form must be deposited at <https://tiih.online>. Please refer to the Administrative Notes for further information on submission via TIIH Online. All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote.
 8. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
 9. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
 10. Last date and time for lodging the proxy form is Tuesday, 18 May 2021 at 9.30 a.m.

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AFFIX
STAMP

Kejuruteraan Asastera Berhad
[Company Registration No. 199701005009 (420505-H)]
c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur,
Wilayah Persekutuan, Malaysia.

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Administrative Notes for Twenty-Fourth Annual General Meeting

Date : Thursday, 20 May 2021
Time : 9.30 a.m.
Broadcast Venue : KAB's Headoffice
No. 18, Jalan Radin Bagus 9,
Bandar Baru Seri Petaling
57000 Kuala Lumpur, Malaysia

Precautionary Measures Against the Coronavirus Disease ("COVID-19")

- In view of the COVID-19 outbreak and as part of the safety measures, the Company will conduct the 24th AGM on **a virtual basis through live streaming and online remote voting** via Remote Participation and Voting ("RPV") facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's ("Tricor") **TIIH Online** website at <https://tiih.online>.
- The venue of the 24th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue of the meeting. No shareholders/proxy(ies) from the public will be physically present at the meeting venue.
- We strongly encourage you to attend the 24th AGM via the RPV facilities. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 24th AGM.
- Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 24th AGM at short notice. Kindly check the Company's website or announcements for the latest updates on the status of the 24th AGM.
- The Company will continue to observe the guidelines issued by the Ministry of Health and will take all relevant precautionary measures as advised.

Remote Participation and Voting

- The RPV facilities are available on Tricor's TIIH Online website at <https://tiih.online>.
- Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 24th AGM using RPV facilities from Tricor.
- Kindly refer to Procedures for RPV as set out below for the requirements and procedures.

Administrative Notes for Twenty-Fourth Annual General Meeting

Procedures to Remote Participation and Voting via RPV Facilities

Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 24th AGM using the RPV facilities:

Before the 24th AGM Day

Procedure	Action
i. Register as a user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access to website at https://tiih.online. Register as a user under the “e-Services” select “Create Account by Individual Holder”. Refer to the tutorial guide posted on the homepage for assistance. Registration as a user will be approved within one (1) working day and you will be notified via e-mail. If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
ii. Submit your request to attend 24 th AGM remotely	<ul style="list-style-type: none"> Registration is open from 10.00 a.m. Wednesday, 21 April 2021 until the day of 24th AGM on Thursday, 20 May 2021. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 24th AGM to ascertain their eligibility to participate the 24th AGM using the RPV. Login with your user ID (i.e. e-mail address) and password and select the corporate event: (Registration) Kejuruteraan Asastera Berhad 24th AGM Read and agree to the Terms & Conditions and confirm the Declaration. Select “Register for Remote Participation and Voting”. Review your registration and proceed to register. System will send an e-mail to notify that your registration for remote participation is received and will be verified. After verification of your registration against the Record of Depositors as at 12 May 2021, the system will send you an e-mail after 18 May 2021 to approve or reject your registration for remote participation. <i>(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).</i>

On the 24th AGM Day

Procedure	Action
i. Login to TIIH Online	<ul style="list-style-type: none"> Login with your user ID and password for remote participation at the 24th AGM at any time from 9.00 a.m. i.e. 30 minutes before the commencement of meeting at 9.30 a.m. on Thursday, 20 May 2021
ii. Participate through Live Streaming	<ul style="list-style-type: none"> Select the corporate event: (Live Stream Meeting) Kejuruteraan Asastera Berhad 24th AGM to engage in the proceedings of the 24th AGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the 24th AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
iii. Online remote voting	<ul style="list-style-type: none"> Voting session commences from 9.30 a.m. on Thursday, 20 May 2021 until a time when the Chairman announces the end of the session. Select the corporate event: (Remote Voting) Kejuruteraan Asastera Berhad 24th AGM or if you are on the live stream meeting page, you can select “GO TO REMOTE VOTING PAGE” button below the Query Box. Read and agree to the Terms & Conditions and confirm the Declaration. Select the CDS account that represents your shareholdings. Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes.
iv. End of remote participation	<ul style="list-style-type: none"> Upon the announcement by the Chairman on the conclusion of the 24th AGM, the Live Streaming will end.

Administrative Notes for Twenty-Fourth Annual General Meeting

Note to users of the RPV facilities:

1. Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
3. In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616/011-40803168/011-40803169/011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

Entitlement to Participate and Appointment of Proxy

- Only members whose names appear on the Record of Depositors as at 12 May 2021 shall be eligible to attend, speak and vote at the 24th AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to attend and vote on his/her behalf.
- In view that the 24th AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Proxy Form.
- If you wish to participate in the 24th AGM yourself, please do not submit any Proxy Form for the 24th AGM. You will not be allowed to participate in the 24th AGM together with a proxy appointed by you.
- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 24th AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than Tuesday, 18 May 2021 at 9.30 a.m:

i. In Hard copy:

By hand or post to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur;

ii. By Electronic form:

All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> • Using your computer, please access the website at https://tiih.online. Register as a user under the “e-Services”. Please refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of proxy form	<ul style="list-style-type: none"> • After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: Kejuruteraan Asastera Berhad 24th AGM - “Submission of Proxy Form”. • Read and agree to the Terms and Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. • Review and confirm your proxy(s) appointment. • Print the form of proxy for your record.

Administrative Notes for Twenty-Fourth Annual General Meeting

Procedure	Action
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> • Access TIIH Online at https://tiih.online • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects “Create Account by Representative of Corporate Holder”. • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by email within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the email and re-set your own password. <p>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.</p>
Proceed with submission of proxy form	<ul style="list-style-type: none"> • Login to TIIH Online at https://tiih.online • Select the corporate exercise name: “Kejuruteraan Asastera Berhad 24th AGM: Submission of Proxy Form” • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for “Submission of Proxy Form” in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Submit the proxy appointment file. • Login to TIIH Online, select corporate exercise name: “Kejuruteraan Asastera Berhad 24th AGM: Submission of Proxy Form”. • Proceed to upload the duly completed proxy appointment file. • Select “Submit” to complete your submission. • Print the confirmation report of your submission for your record.

Voting at Meeting

- The voting at the 24th AGM will be conducted on a poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The Company has appointed Tricor to conduct the poll voting electronically (“e-voting”) via Tricor e-Vote application (“Tricor e-Vote App”).

No Breakfast/Lunch Pack, Door Gift or Food Voucher

- There will be no distribution of breakfast/lunch packs, door gifts or food vouchers during the 24th AGM since the meeting is being conducted on a virtual basis.

Pre-Meeting Submission of Questions to the Board of Directors

- The Board recognises that the 24th AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the 24th AGM, shareholders may in advance, before the 24th AGM, submit questions to the Board of Directors via Tricor’s TIIH Online website at <https://tiih.online>, by selecting “e-Services” to login, post your questions and submit it electronically no later than Tuesday, 18 May 2021. The Board of Directors will endeavor to address the questions received at the 24th AGM.

Enquiry

- If you have any enquiry prior to the meeting, please call our Share Registrar, Tricor at +603-2783 9299 during office hours i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday).



KEJURUTERAAN ASASTERA BERHAD

[199701005009 (420505-H)]

No. 18, Jalan Radin Bagus 9,
Bandar Baru Sri Petaling,
57000 Kuala Lumpur, Malaysia.

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Email: asastera@asastera.com



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