Pekat

ENGINEERED FOR A

BRIGHTER & SUSTAINABLE FUTURE

ANNUAL REPORT 2021

ENGINEERED FOR A BRIGHTER & SUSTAINABLE FUTURE

Cover Rationale

Pekat Group Berhad reached a significant milestone during the year with a debut on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), which also marked a new journey of growth for the Company.

The initial public offering has enabled us to invest further to expand our capability and position ourselves to capture the vast opportunities emanating from the rapid growth of the solar photovoltaic industry as well as the earthing and lightning protection business.

We are proud to be in businesses that help to make this world a better and safer place for us and our future generations to live in.

The solutions provided by our Solar division promotes the usage of clean renewable energy while the time-proven solutions provided by our Earthing and Lightning division helps to keep people and property safe.

ENGINEERED FOR A BRIGHTER AND SUSTAINABLE FUTURE, we at PEKAT aspire to create a better world for all of us to live in.

Inside This Report

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3 Committed to Strong Governance

4 Financial Performance

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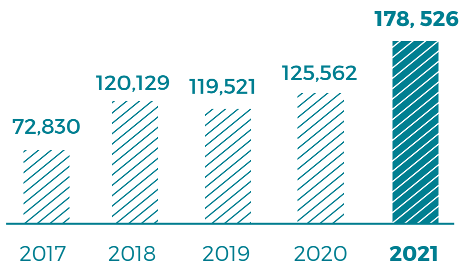
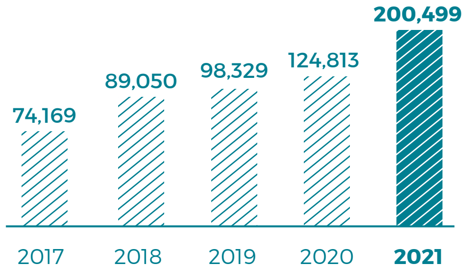
Key Financial Highlights

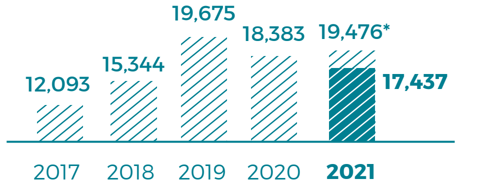
Revenue (RM'000)



Total Assets (RM'000)

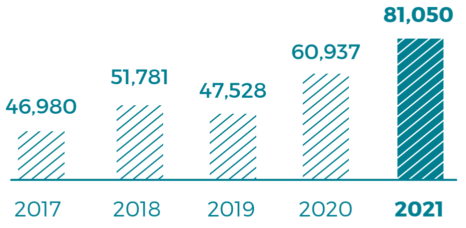


Profit Before Tax (RM'000)

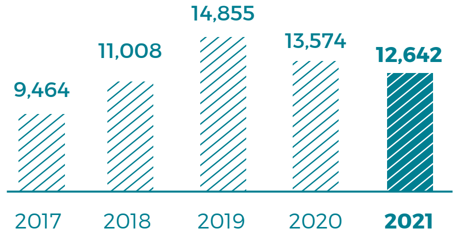


* For year 2021, RM2.04mil growth were used for the one-off listing expenses.

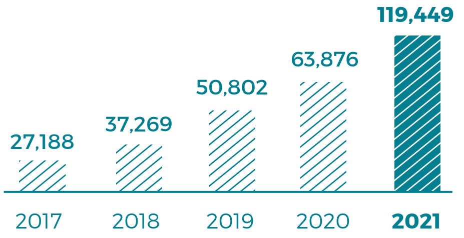
Total Liabilities (RM'000)



Profit After Tax (RM'000)



Total Equity (RM'000)



Who We Are

In the year 1999, just before the world ushered in the much-awaited arrival of a new millennium, Pekat was formed. Driven by a team of deeply passionate and relentless young engineers, Pekat quickly evolved within a span of one year from a distributor of surge protection devices to a specialist in providing Earthing and Lightning Protection ("ELP") devices.

Our distribution business evolved into significant pillar for Pekat Group as a Trading division when we secured the authorised distributorship for Furse ELP products in Malaysia and when we launched our own Pekat brand in the year 2008. Our ELP division in the meantime continued to solidify itself as a CIDB G7 license contractor with the ability to provide complete ELP solutions according to customers' requirements for commercial buildings, mixed developments, infrastructure & industrial buildings. An independent market research conducted recently concluded that our ELP division ranked the largest in Malaysia based on our financial year end 2020 revenue.

Propelled by our desire to grow and realizing existential role of renewable energy, we decided to embark on a path of providing design, supply and installation of solar photovoltaic ("PV") systems in the year 2010. We were one of the first to receive accreditation with respect to "Solar PV Grid Connected System" from Pusat Tenaga Malaysia (which was replaced by SEDA in 2014) and conferred by the Malaysian Book of Records to be the First Solar Photovoltaic installer to receive "ISO 50001:2011 Certification of Energy Management System".

ENGINEERED FOR A BRIGHTER AND SUSTAINABLE FUTURE

Pekat continuously grows though the synergistic relationship of our 3 divisions to provide clean energy though our Solar division, protecting people and physical properties through our ELP division and providing internationally acclaimed as well as high quality products and accessories for solar PV and ELP systems through our Trading division.

Pekat was successfully listed on the ACE Market of Bursa Securities on 23 June 2021 backed by a record breaking 76 times over-subscription for the shares offered to the public.

OUR CORE VALUES

EXCELLENCE

We are committed to providing excellence and delivering high quality products and services in our businesses.

INTEGRITY

We conduct ourselves in an honest and professional manner at all times.

PERSEVERANCE

We have the inner strength to be dedicated to a purpose or mission. Our patience in working hard and moving forward with a positive attitude are what sets us apart.

What We Do

Solar Division

Design, supply and installation of solar PV systems and power plants.

We carry out the design, supply and installation of on-grid and off-grid solar PV systems and power plants, where we are responsible for the entire scope of work (including testing and commissioning, and in some cases operations and maintenance for projects where we are contracted to do so) and delivering them to our customers.

We engage subcontractors to carry out, under our management and supervision, site preparation and earthworks, all installation works, and interconnection to power transmission substations. Solar PV systems and power plants convert sunlight into electricity for use at a facility, supply to the power grid, or storage in a battery pack for later use.

Earthing & Lightning Protection Division

Supply and installation of ELP systems

Our supply and installation of ELP systems for buildings, facilities and structures are to protect people, property and equipment from unintended electric current. We are engaged as a specialist subcontractor for ELP systems by main contractors or mechanical and electrical ("M&E") contractors.

Trading Division

Distribution of electrical products and accessories

The distribution of electrical products and accessories involve the sales and marketing of our own brands and third party brands of electrical products and accessories, namely ELP products and accessories, solar PV related products, surge protection devices and aviation warning light systems.

Our
Key Strengths

SYNERGISTIC BUSINESSES
that complement each other

DEEPLY ROOTED EXPERIENCE
backed by long established track records & uncompromising drive for excellence

AUTHORISED DISTRIBUTORSHIP
for Internationally acclaimed & own brand ELP products

11 years Design, supply & installation of SOLAR systems

21 years in the supply & installation of ELP systems

22 years distribution of electrical products & accessories

DIVERSIFIED REVENUE STREAMS
(SOLAR, ELP & TRADING) which branches across all sectors, industrial, commercial, residential, infrastructure & community properties

Corporate Structure

Pekat

Pekat Teknologi

Investment holding and trading of electrical engineering products and operates as a general contractor

100%

Subsidiaries

Company	Principal activity	Holding
Pekat Solar Sdn Bhd	Design, supply and installation of solar PV systems and power plants and related services	100%
Pekat E & LP Sdn Bhd	Supply and installation of ELP systems	100%
Pekat Engineering Sdn Bhd	Distribution of electrical products and accessories	100%
Solaroo Systems Sdn Bhd (formerly known as Pekat Ledsystems Sdn Bhd)	Design, supply and install smaller scale solar PV systems for residential, commercial and industrial projects	100%
E & LP Engineering Sdn Bhd	Distribution of electrical products and accessories	100%
Solaroo RE Sdn Bhd	Dormant	100%
Pekat RE Maintenance Sdn Bhd	Dormant	100%
Pnexsoft Sdn Bhd	Development and distribution of software applications	70%

Associates

Company	Principal activity	Holding
MFP Solar Sdn Bhd	Build, own and operate solar PV power plants.	45%
MFP Solar International Limited	Dormant	45%
Pekat Energy (Sarawak) Sdn Bhd	Design, supply and installation of solar PV systems and power plants in Sarawak	49%
Sunway Pekat Solar Sdn Bhd	Design, supply and installation of solar PV systems and power plants for Sunway group of companies	40%
UP Solar Sdn Bhd (formerly known as Unimech Solar Sdn Bhd)	Undertake solar photovoltaic business activities	40%
J8K Energy Sdn Bhd	Dormant	49%

Corporate Information

Board of Directors

Kok Kong Chin
Independent Non-Executive Chairman

Chin Soo Mau
Managing Director & CEO

Tai Yee Chee
Executive Director & COO

Wee Chek Aik
Executive Director & CCO

Teh Li King
Non-Independent Non-Executive Director

Yeong Siew Lee
Independent Non-Executive Director

Datin Shelina Binti Razaly Wahi
Independent Non-Executive Director

Ong Keng Siew
Independent Non-Executive Director

Audit And Risk Management Committee

Ong Keng Siew
Chairman

Member
Datin Shelina Binti Razaly Wahi
Yeong Siew Lee

Nominating Committee

Datin Shelina Binti Razaly Wahi
Chairperson

Member
Yeong Siew Lee
Ong Keng Siew

Remuneration Committee

Yeong Siew Lee
Chairperson

Member
Datin Shelina Binti Razaly Wahi
Ong Keng Siew

Company Secretary

Ong Wai Leng
(License No.: MAICSA 7065544)
(SSM PC No.: 202008003219)

Choo Sook Fun
(License No.: LS 0009607)
(SSM PC No.: 202008000567)

Registered Office

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Malaysia
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Fax. No.: +603 2783 9111

Share Registrar

Tricor Investor & Issuing House Services Sdn. Bhd.

Unit 32-01, Level 32, Tower A
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Avenue 3, Bangsar South
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Malaysia
Tel. No.: +603 2783 9299
Fax. No.: +603 2783 9222
Email:
is.enquiry@my.tricorglobal.com

Auditors

Grant Thornton Malaysia PLT

Level 11, Sheraton Imperial
Court Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel. No.: +603 2692 4022
Fax. No.: +603 2732 1010

Principal Bankers

- Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
- Citibank Berhad
- Hong Leong Bank Berhad
- Public Bank Berhad
- Public Investment Bank Berhad
- United Overseas Bank (Malaysia) Berhad

Sponsor

M&A Securities Sdn Bhd

No. 45-11, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel. No.: 03-2284 2911

Stock Exchange

Listed on ACE Market of Bursa Malaysia Securities Berhad on 23 June 2021
Stock Name: PEKAT
Stock Code: 0233

Investor Relations

Yu Siew Ling

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Email:
enquiries@pekatgroup.com

Website

www.pekat.com.my

A View From the Chairman

Dear Valued Shareholders,

I am delighted to welcome you as a fellow shareholder of Pekat Group Berhad. On behalf of the Board of Directors, I am pleased to present our inaugural report, which details our initiatives in creating value for our shareholders as we grow the Company.

2021 was a challenging year in many aspects, but it was also one of great progress. It marked a significant milestone for us as the Company successfully listed on the ACE Market of Bursa Securities on 23 June 2021. In the process, we raised RM44.4 million of new capital.

We thank our shareholders for their support and confidence in our Company.

KOK KONG CHIN

Independent
Non-Executive Director, Chairman

EXPANDING OUR CAPACITY

We seek to expand our operations to take advantage of the upcoming growth of the solar photovoltaic ("PV") industry.

Our listing injected fresh capital into Pekat, which further strengthened our capability to secure more contracts, carry out more projects concurrently, and expand our maintenance services.

For starters, the Group has embarked on a hiring process to increase the manpower in its core businesses – such as solar PV and earthing and lightning protection ("ELP") – to enable us to cover a larger geographical area in Malaysia and to implement more projects concurrently, as we secure more contracts.

In addition, the Group has started developing an integrated monitoring, management and assessment platform for solar PV facilities and ELP systems to improve our service delivery.

Given our proven record of service quality – spanning 11 years in the solar PV industry and 21 years in the supply and installation of ELP systems – and these new measures, the Group believes it is well-positioned to win new contracts and generate income growth.

In 2021, our solar project in Pulau Tioman – the 144-kilowatts peak ("kWp") solar PV system and 274-kilowatt-hour Energy Storage System for the Barat Tioman Beach Resort – was named the second runner-up for the "On Grid – Local Grid" category at the National Energy Awards 2021. The project also received second runner-up in the same category at the ASEAN Energy Awards 2021.

The Group is proud of this achievement and is grateful for the recognition of the quality of our project delivery.

SUSTAINING RESILIENCE

Operationally, the financial year ended 31 December 2021 ("FY2021") was challenging for the Group due to the multiple lockdowns under the Movement Control Order ("MCO") and National Recovery Plan ("NRP"). These restrictive measures, which were meant to contain the spread of COVID-19 in Malaysia, hampered the construction progress of many of our key projects during the year.

Nevertheless, we managed to sustain our growth during this tough period, in no small part thanks to the hard work and commitment of our people.

This year Pekat's revenue increased by 42.2% to RM178.5 million from RM125.6 million in the preceding year. The growth was driven mainly by the solar PV segment, which contributed RM116.7 million to group revenue.

Our profitability, however, was affected by a one-off listing expenses of RM2.0 million. During the year under review, the Group's profit after tax ("PAT") came in at RM12.6 million, which was lower than RM13.6 million in the preceding year.

DRIVING SUSTAINABILITY AGENDA

As a company in the renewable energy business, Pekat continues to keep sustainability at the forefront of our agenda. The Economic, Environmental and Social ("EES") elements form our core strategy and we continuously engage with our vendors, customers, employees and stakeholders to raise greater awareness about climate change and sustainability practices.

During the year under review, we continued to work hard on cultivating sustainability across our business chains.

From the economic perspective, our focus was on promoting business growth and development in our community. This was done by exploring partnerships with other companies to expand our market share locally, before paving the way for us to eventually tap into the foreign market.

To promote environmental awareness, we continued to educate the public and business owners on the benefits of using solar energy and the importance of reducing carbon emissions. Within our organisation, we promoted the use of recycled or recyclable materials that are more eco-friendly, and focused on the efficient management of utilities and waste.

As for the social aspect of our sustainability effort, the Group prioritised equality, diversity and inclusion among our workforce, and created job opportunities to benefit these communities. The Group also carried out corporate social responsibility ("CSR") activities in support of communities, education and health services.

For instance, Pekat contributed donations, food and daily essentials to flood victims in the Klang Valley in 2021. In addition, the Group collaborated with Hextar Global Berhad and Rubberex Corporation (M) Berhad to contribute a 154.4kWp solar PV system to Tung Shin Hospital.

PRIORITISING HEALTH AND SAFETY

The safety and wellbeing of our people and customers are always a priority for the Group, especially during COVID-19.

Throughout the pandemic, the Group took additional steps and measures (on top of the standard operating procedures recommended by the Government) to stem the spread of the virus and protect the health of our employees and clients.

These measures include the routine sanitisation of our office buildings; the installation of novel coronavirus inhibition devices across all of our office buildings; the distribution of face masks, hand sanitisers and COVID-19 Antigen Detection Kits to every employee; the implementation of alternate week work from home arrangements; the encouraging of virtual meetings and minimising frequency of physical meetings; and the making of arrangements for employee vaccination.

The Group achieved 100% vaccination rate at the end of FY 2021 and we are now encouraging all of our employees to get fully boosted.

DEVELOPING OUR PEOPLE

At Pekat, we believe our people are key to our success and growth. To attract and retain the best people, the Group strives to provide competitive compensation and benefits to our employees. We are also committed to providing training programmes to help them expand their skill sets and personal expertise to advance their career in our organisation.

The Group places great emphasis on developing talent for future leadership roles, as succession planning is part of our talent management process and sustainability efforts.

Essentially, our employees, management team and Board are strongly aligned in our commitment to deliver long-term value to our stakeholders.

The current Board was formed on 17 September 2020 with eight members, including myself, and with vast experience in diverse industries such as property, construction, engineering, energy, consultancy, trading and information technology. Pekat's directors come with a strong mix of the necessary skills and knowledge to enhance the Group's competitive strength and drive business sustainability and growth.

PROMISING OUTLOOK

Moving forward, the Group is optimistic about its prospects in financial year ending 2022 as construction and economic activities have rebounded, following the reopening of Malaysia's economy in the fourth quarter of the preceding year.

Backed by our strong order book of RM175.4 million as at end-FY2021, the resumption of economic activities will enable us to deliver sustainable earnings growth in the year ahead.

The Group expects income growth to be supported by the sunny outlook of the solar PV industry, as demand for renewable energy continues to gain momentum in tandem with Malaysia's transition towards a carbon-neutral economy by 2050.

As highlighted in the 12th Malaysia Plan (2021-2025), one of the strategies to achieve net-zero carbon emissions is to increase the usage of renewable energy. The plan envisages renewable energy to constitute approximately 31% of the national energy mix by 2025 and greenhouse gases to be reduced by 45% by 2030.

To achieve their objective of carbon neutrality, the Government has introduced a variety of initiatives to spur the development of the solar PV industry. These include financial incentives and tax breaks such as the Green Technology Financing Scheme and the Green Investment Tax Allowance by the Malaysian Investment Development Authority ("MIDA"). We believe that Pekat is in a good position to benefit from these favourable measures.

However, the Group remains vigilant about potential economic headwinds. As such, we will continue to take precautionary measures to minimise disruptions to our operations and safeguard the well-being of our people as we learn to live with COVID-19.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express our sincerest gratitude to the various regulatory bodies and government agencies, our valued shareholders, customers, vendors, business associates, bankers and employees for your strong support and confidence in the Group.

Your contributions have been instrumental in enabling us to embark on our next stage of growth. To that, we look forward to continuing our shared journey with our stakeholders, as we look to build the business and generate greater value for you.

Management Discussion & Analysis

The Group's resilient performance for the financial year ended 31 December 2021 ("FY2021") was mainly driven by the steady growth in the solar photovoltaic ("PV") industry and the accelerated pace of our project execution following the reopening of Malaysia's economy after the extensive pandemic-induced lockdowns.

CHIN SOO MAU
Managing Director & CEO

Group Performance Highlights

42.2%
increase in revenue to RM178.5 million from RM125.6 million in the preceding year,

25.1%
increase for a four-year compounded annual growth rate

Operational Review

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EXECUTIVE SUMMARY

The Group's resilient performance for FY2021 was mainly driven by the steady growth in the solar photovoltaics ("PV") industry and the accelerated pace of our project execution following the reopening of Malaysia's economy after the extensive pandemic-induced lockdowns.

In line with the ongoing transition towards to a low-carbon economy, our solar PV division saw revenue growth of 61.8 percent over financial year ended 31 December 2020 ("FY2020") as demand for renewable energy increased. Besides that, our earthing and lightning protection ("ELP") division also posted an encouraging growth in revenue of 9.8 percent over FY2020, supported by the mandatory safety standards for lightning protection systems in Malaysia.

The results achieved by the Group demonstrated the effectiveness of our strategy in expanding our capability to seize the growth opportunities presented by the solar PV and ELP divisions.

The Group allocated RM12.7 million from the RM44.4 million gross proceeds raised from our initial public offering ("IPO") to expand the working capital requirements for both the solar PV and ELP divisions. The allocation enabled us to bolster our capability to cater for the rising demand for products and services in the solar PV and ELP businesses.

Among other things, we had increased our headcount by approximately 15 percent during the year to facilitate our growth. To house our expanded team, the Group had rented another unit of office building during FY2021.

Delivering an impressive growth in our solar PV business is not enough for us. We aspire to have a sustainable double digit growth every year and to do this we need to plant seeds to grow new segments through the formation of subsidiaries and partnerships.

These include the formalisation of Solaroo Systems Sdn. Bhd., which focuses on the residential and smaller scale commercial and industrial ("C&I") solar PV customers; Solaroo RE Sdn. Bhd., which embarks on solar business investments; and Pekat RE Maintenance Sdn. Bhd., which focuses in providing maintenance services for solar PV systems.

To further encourage the use of solar energy in Malaysia, Pekat partnered with various financial institutions to provide a more holistic package to our customers. Among the institutions that we are working with are Allianz General Insurance Company (Malaysia) Berhad, Alliance Bank Malaysia Berhad, Public Bank Berhad, Hong Leong Bank Berhad, CIMB Bank Berhad, Malayan Banking Berhad and United Overseas Bank (Malaysia) Berhad.

GROUP PERFORMANCE REVIEW

Pekat closed FY2021 with group revenue of RM178.5 million, which represented an increase of 42.2 percent over RM125.6 million in FY2020. The achievement also represented a four-year compounded annual growth rate of 25.1 percent since the financial year ended 31 December 2017.

All our business divisions recorded growth as the Group capitalised on the opportunities that arose following our successful listing on the ACE Market of Bursa Securities on 23 June 2021. This was further supported by the resumption of economic activities after Malaysia's gradual transition into Phase 4 of the National Recovery Plan ("NRP") which allowed businesses to operate at full capacity.

Despite the challenges that came with the pandemic and higher raw material prices, Pekat's operating results remained resilient, with profit before tax ("PBT") excluding the one-off listing expenses of RM2.0 million improving to

RM19.4 million,

from RM18.4 million in FY2020. Inclusive of the one-off expenditure, however, the Group's PBT for FY2021 stood at

RM17.4 million.

As a result, the Group concluded the year with a lower profit after tax ("PAT") of RM12.6 million,

OPERATIONAL REVIEW

SOLAR PV DIVISION

Registering a **robust increase of 61.8 percent** in revenue, our solar PV division remained as the Group's core business and main contributor to growth. In FY2021, **the division's revenue rose to RM116.7 million, accounting for 65.4 percent of total group revenue** in FY2021, as compared to RM72.1 million in FY2020.

During FY2021, the division, led by Pekat Solar Sdn Bhd, secured RM64.1 million worth of solar PV contracts, including government or state-linked projects, as the Group intensifies its effort to expand its solar PV business. Among the notable jobs that the Group secured were the RM18.1 million contract to build solar PV system for Indah Water Konsortium Sdn Bhd's sewerage treatment plants throughout Malaysia, as well as the 15-year power purchase agreement ("PPA") to supply solar-generated electricity to Majlis Bandaraya Seberang Perai.

The Group established a separate arm, Solaroo Systems Sdn Bhd ("Solaroo") to focus on serving residential & smaller C&I customers, in response to the growing demand from this market. The combined system capacity installed by Solaroo for homeowners stood at 0.7 megawatt-peak ("MWp") as at end-FY2021. Through Solaroo, the Group expects to make further inroads into the burgeoning residential consumer market in Malaysia.

Meanwhile, the division saw an increase in earning contributions from PPAs through the Group's associate, MFP Solar Sdn Bhd, as full operations of both the 1.5 MWp solar power plant at VAT Manufacturing Malaysia Sdn Bhd's facility in Penang and the 12.1 MWp solar power plant at Proton's manufacturing facility in Tanjung Malim, Perak had started in FY2021. The power generation by these solar power plants will continue to provide the Group a consistent source of income for next 15 years through their respective PPAs.

In order to provide a comprehensive and complete range of services to our customers, the Group also established another entity, namely Pekat RE Maintenance Sdn Bhd to focus on the provision of maintenance services.

EARTHING AND LIGHTNING PROTECTION DIVISION

Revenue from our ELP division increased by 9.8 percent to RM29.0 million in FY2021 as compared to RM26.4 million in FY2020. The regulatory enforcement of safety standards for lightning protection systems in Malaysia issued by Energy Commission of Malaysia, remained a catalyst for growth in the Group's ELP business.

Led by Pekat E & LP Sdn Bhd, the division secured RM35.5 million worth of ELP contracts during FY2021, comprising of residential, mixed development and C&I projects, as well as infrastructure projects such as a 100MWac large-scale solar ("LSS") power plant at Merchang in Terengganu, a 60MWac floating PV ("FPV") system at Pasir Mas in Kelantan and several sites under the light rail transit 3 ("LRT3") project.

TRADING DIVISION

As the Malaysian construction industry getting back on track after the pandemic and riding on the growth of our other businesses, our trading division, mainly led by Pekat Engineering Sdn Bhd managed to rake in higher sales during FY2021 with an increase in revenue by 21.5 percent to RM32.8 million as compared to RM27.0 million in FY2020.

As the authorised distributor for products under several renowned brands such as Furse, Noark, Solar-Log and Sungrow as well as the Group's own brands of surge protection devices, ELP conductors and accessories, the division will continue to tap into the opportunities that arise from the growth of the solar PV and ELP industries with the extensive range of products that the Group's trading arm carries.

GROUP FINANCIAL PERFORMANCE

The Group achieved revenue of

RM178.5 million

RM52.9 million or 42.2% increase over FY2020 at RM125.6 million /4-years CAGR of 25.1%.

Group's PBT of

RM17.4 million

including one-off listing expenses of RM 2.0 million. Excluding the expenditure, the Group's PBT increased by RM1.1 million as compared RM18.4 million in FY2020.

Total assets increased by

RM75.7 million

or 60.6% over FY2020 due to the

(i) increase in inventories
- to cater to the increase in sales and to avoid disruption arising from uncertainties in supply chain;

(ii) increase in trade receivables and contract assets
- resulting from increase in projection execution since the lift of movement restrictions which resulted in higher billed trade receivables and unbilled contract assets;

(iii) increase in cash and cash equivalents
- result of collections and proceeds from IPO.

Total liabilities increased by

RM20.1 million

or 33.0% due to increase in trade payables and borrowings in tandem with the increase in purchase of inventories of the Group.

Total equity increased by

RM55.6 million

or 87.0% due to enlarged share capital upon listing of the Company and profit after tax recorded in FY2021 of RM12.6 million.

Current ratio and quick ratio of

2.20 times and **1.76 times**

respectively indicating healthy liquidity of the Group.

Recorded growth

in all the business segments as the Group capitalises on growth opportunities since the Group's listing on ACE market of Bursa Securities on 23 June 2021 and the resumption of business operations after the gradual transition into Phase 4 of National Recovery Plan which allows businesses to operate at full capacity.

However, the Group still managed to maintain a low gearing ratio of

0.24 times

as at 31 December 2021. The Group strive to maintain a healthy gearing ratio to enhance borrowings capability to cater for any expansion of capital expenditure requirements in the future.

STRONG FOUNDATIONS

For the year under review, the Group's total assets increased by RM75.7 million, or 60.6 percent, to RM200.5 million mainly due to the increase in the Group's inventories, receivables, contract assets and cash and cash equivalents as the Group resumed its operations at full capacity after the reopening of economic activities in Malaysia.

The increase in inventories was in line with the Group's expansion strategy. As the Group received more projects, the Group increased its inventory level to accommodate for uncertainties in the supply chain and to avoid potential disruptions to project execution.

The pace of project execution is normalised after the easing of the movement restrictions towards the end of 2021. This resulted in higher trade receivables and unbilled contract assets as at the end of FY2021. The injection of funds from the public during the Company's IPO exercise had also provided a strong and healthy level of cash and cash equivalents to the Group as working capital for the next financial year.

Despite the Group's aggressive expansion, it managed to maintain a low gearing ratio of 0.24 times as at 31 December 2021. The Group is resolved to keep a healthy gearing ratio to enhance its borrowing capacity in order to cater for potential capital expenditure requirements in the future.

As for the Group's liquidity, the Group maintained healthy current ratio and quick ratio of 2.20 times and 1.76 times respectively.

Following the additional equity raised from the IPO exercise, the Group's total shareholders' equity grew by RM55.6 million to RM119.4 million as at 31 December 2021, which also represented net assets per ordinary share of RM0.18.

MANAGING RISKS TO SUPPORT GROWTH

Pekat is exposed to certain risks that are common to most businesses as well as those that are inherent in the industries that the Group operates in. These include escalating raw material costs which could erode our profit margins; the availability of raw materials for production; economic slowdown or uncertainty in business sentiment which could affect our order book replenishment; foreign exchange fluctuation risk as well as the impacts triggered by unabated COVID-19 infections which could hamper business activities.

Being aware of these risks enable the Group to plan accordingly and implement mitigating measures to minimise the negative impact.

In managing fluctuations in raw material costs, The Group adopts a flexible pricing structure and is committed to identify areas for cost efficiency improvements to minimise the adverse impacts caused by rising raw material costs. In addition, the Group manages its inventory level from time to time taking into consideration the global supply and demand of raw materials, in order to minimise the risk of interruption in the supply chain.

The Group enters into forward exchange contracts in order to hedge against foreign exchange rate risk. The process involves constant monitoring on daily exchange rates and keeping ourselves abreast of global development news.

During FY2021, we have implemented several measures within the Group in response to the COVID-19 situation in Malaysia. Among the measures in minimising the risk arising from COVID-19 are bi-weekly RTK Antigen tests to be conducted by our employees before entering office premises, routine sanitisation of office premises and the use of virtual meetings which involve a larger group of participants.

As for risks that are beyond the Group's control, we count on our diligent and committed employees to deliver results and grow the Group's orderbook. This is supported by our ongoing efforts in developing cutting-edge products and services for our customers.

INNOVATION TO STAY AHEAD

At Pekat, innovation is the cornerstone of our development strategy to stay ahead of the competition. The Group continuously undertakes research and development to upgrade and innovate its range of products to support business growth.

Our efforts resulted in an advanced solar PV system marketed through Solaroo, that incorporates a micro inverter which packs 10%-30% more energy harvest compared to a regular string inverter. This innovative system is marketed to residential homes, small factories, shop lots, and petrol stations.

In addition, the Group plans to roll out more in-house products and software systems through its subsidiary Pnexsoft Sdn Bhd ("Pnexsoft"), which has already produced a suite of smart solutions such as the smart grid cloud solar monitoring platform and energy management system for solar energy storage systems.

Pnexsoft is currently developing an earthing and lightning monitoring system as well as a solar PV monitoring system that allows online observation of both on-grid and off-grid solar PV facilities.

Through these initiatives, the Group aims to strengthen its profitability and to deliver greater value to our stakeholders for the years to come.

FUTURE OUTLOOK

Looking ahead, the Group expects to see a better financial performance for the financial year ending 2022 ("FY2022"), given the resumption of economic and construction activities in Malaysia after a series of lockdowns to curb COVID-19 during FY2021.

The Group plans to accelerate the execution of our order book, which stood at RM175.4 million as at end-December 2021. The outstanding order book balance will underpin our medium-term prospects from FY2022 onwards.

For longer term, the Group is optimistic about the prospects of our solar PV business, as demand for renewable energy is set to surge in the coming years, driven by the Government's commitment to achieving net-zero carbon emissions by 2050.

As highlighted in the 12th Malaysia Plan, the Government's target is to have renewable energy accounts for 31% of total energy capacity in the country by 2025, and to reduce greenhouse gases by 45% by 2030 to pave the way for carbon neutrality by 2050.

This agenda provides Pekat with ample room for growth in the coming years.

Through our residential solar PV business unit, headed by Solaroo, the Group is looking to equip an average of 6,000 houses per year over the next five years with solar PV systems for the secondary property market in Malaysia. On top of that, the Group is also working with several property developers to install solar PV systems for their new residential projects.

The industries that the Group operates in remain competitive, as such the Group will continue to intensify its efforts and resources to extend its range and offering of services and products. Supported by the recent wins in LSS and FPV projects, the Group will not cease its continuing efforts in exploring new business opportunities that can deliver greater value to our shareholders.

Nevertheless, the Group remains cognisant of the prevailing risks in the economy, and will continue to take precautionary measures to safeguard the well-being of our people, whilst minimising disruptions to our operations.

Sustainability Statement

The history of our Group can be traced back to the incorporation of Pekat Teknologi Sdn. Bhd. ("Pekat Teknologi") back in 1999 where we commenced our business in the same year as a distributor of surge protection devices.

OUR HISTORY

In 2000, Pekat Teknologi expanded the business to provide complete earthing and lightning protection ("ELP") solutions and had slowly built up our track records in the industry upon the completion of the projects that have been awarded to us. The trading and ELP business remained as our core business activities until our Group ventured into solar photovoltaic ("PV") industry in 2010 when we have received our first contract to design, supply and install an on-grid solar PV system. As the Government constantly implements programmes to promote the use of renewable energy in the nation, our Group had gradually built up the solar PV business and we have now become one of the key players in the industry. Nevertheless, we continue to strengthen our core business activities and at the same time identify new business opportunities to ensure the long-term growth and longevity of our business.

OUR COMMITMENT TO SUSTAINABILITY

Sustainability has always been a core value in Pekat's cultural environment as we strive to achieve continuing growth and profitability while maintaining a safe, caring and sustainable environment. The Group's sustainability management is focused on ensuring that the risks and opportunities of our activities are aligned with and tied to our governance structure and corporate responsibilities. As a public listed entity, the Group recognises the importance of maintaining high standards of governance across our business operations while we are conducting our business activities and pursuing sustainability.

OUR SUSTAINABILITY APPROACH

Pekat's approach to sustainable developments in FY2021 remained centred on a triple bottom-line approach: manage environmental impacts and meet the social needs and ultimately contribute to the realisation of economics and financial values for the Group and its stakeholders. As part of this process, the Group conducted stakeholder engagements to better understand their expectations followed by a materiality assessment to determine the material matters that are important to our stakeholders. In doing so, we are better-positioned in creating long-term sustainable value by addressing matters that are important and relevant to the business and our stakeholders.

SCOPE, BOUNDARIES AND REPORTING FRAMEWORK

Information disclosed in this statement encompasses our core business activities related to the supply and installation of solar PV systems and power plants, ELP systems as well as distribution of electrical products and accessories. This statement covers data which had been compiled internally from 1 January 2021 to 31 December 2021. Historical data of preceding year has been included for comparison where available and relevant. In this statement, we have aligned our reporting with the Bursa Securities Sustainability Reporting Guide and United Nations Sustainable Development Goals ("SDGs").

SUSTAINABILITY GOVERNANCE

Sustainability at Pekat is overseen by Board of Directors ("Board") who provides guidance to the Management of the Group in executing sustainability strategies and initiatives. The Board consists of eminent individuals that are highly experienced in multi-disciplinary fields to ensure the diversity of opinions in crafting the sustainability strategies and decision-making process.

The Board is supported by Board Committees comprising the Audit and Risk Management Committee, Nominating Committee and Remuneration Committee.

Audit and Risk Management Committee oversees the financial and operational controls and procedures, establish and maintain internal controls within the Group, and provide assurance to the Board that the internal controls and risk management of the Group are in place and in order.

Nominating Committee is in charge of identifying, assessing and nominating suitable candidates to the Board and ensuring the Board and Board Committees have an effective and balanced composition with a diverse mix of knowledge, skills, experience, qualifications and backgrounds to discharge their responsibilities effectively.

Remuneration Committee, on the other hand, assesses the performance of each individual Director against respective key performance indicators set and designs appropriate and competitive remuneration packages for each of the Directors.

The Senior Management is responsible in driving and monitoring the implementation of the sustainability strategies and initiatives and ensure targets are being met for each sustainability matter and proper records are kept for its activities and outcome. In this regard, a sustainability working group consisting of departmental representatives from project, supply chain, operations, marketing and finance has been formed to take accountability on the implementation of sustainability strategies and initiatives set by the Board.

The Group recognises the importance of a good corporate governance structure and has established the Code of Conduct and Ethics ("Code") and Anti-Bribery and Corruption ("ABC") Policy to promote and shape ethical behaviours within the Group while we conduct our business. The Group is committed to maintain a high level of transparency by establishing sufficient reporting structures and channels to address stakeholder's concerns in a timely and professional manner. Whistleblowing Policy has also been established to provide guidelines and a platform for various stakeholders to report misconducts that contradict the Code, ABC Policy and/or any other non-compliance to laws and regulations. Our ABC Policy and Whistleblowing Policy is made available on our corporate website at https://www.pekat.com.my/.

STAKEHOLDERS ENGAGEMENT

The Group works closely with internal and external stakeholders in a timely and open manner as the Group believes that our stakeholders play an integral role in ensuring the sustainability of our business. The Group manages and cultivates strong relationships with stakeholders which enables us to understand their concerns and interests better so that we can make informed decisions in achieving our sustainability objectives.

Stakeholder Group	Expectations and Concerns	Mode of Engagement
Shareholders	• Business performance • Business strategy and plans • Sustainable growth and investment returns • Corporate governance	• Annual General Meeting • Annual Report • Quarterly announcements • Company website • Analyst briefing/roadshows
Customers	• Product variety • Product pricing and quality • Technological innovation and advancement • Customer experience	• Direct engagements • On-site/virtual meetings • Customer satisfaction surveys • Exhibitions/Advertisements • Company website/Social media platforms
Suppliers	• Relationship management • Favourable terms of payment/contract • Fair and transparent procurement process	• Direct engagements • On-site/virtual meetings
Government/Regulatory authorities	• Compliance to legal and regulatory authorities • Licenses and permits • Sustainability practices and reporting	• On-site inspections • Participation in seminars, dialogues, forums organised • Meetings/discussions
Employees	• Career development and opportunities • Fair employment practices • Workplace conduciveness • Safe and secure working environment • Competitive compensation and benefits	• Learning and development programmes • Performance appraisals • Company activities • Internal communicationss
Media/Analyst	• Business performance • Business developments and strategic plans • Ethical business practices	• Media interview/press releases • Analyst briefings • Corporate events
Local communities	• Corporate social responsibilities ("CSR") • Employment and business opportunities	• CSR activities • Sponsorship and welfare programmes

MATERIALITY MATTERS

The development of our strategy is led by the identification of our material matters. The Group conducted a materiality assessment to identify the matters that are of most significance to our business operations and to the influence on our stakeholders. The Group's sustainable developments are guided based on three sustainability pillars: Economic, Environmental and Social. In order to plan and execute our sustainability strategies and initiatives, we have performed an evaluation of the identified material matters and produced a list of matters and a corresponding materiality matrix which prioritising the matters that are of most relevance to the Group and our stakeholders, which was then endorsed by the Board.

Economic

What It Means to Us

1. Business growth and developments
2. Corporate governance
3. Technology advancement and digital transformation
4. Supply chain management

Environmental

What It Means to Us

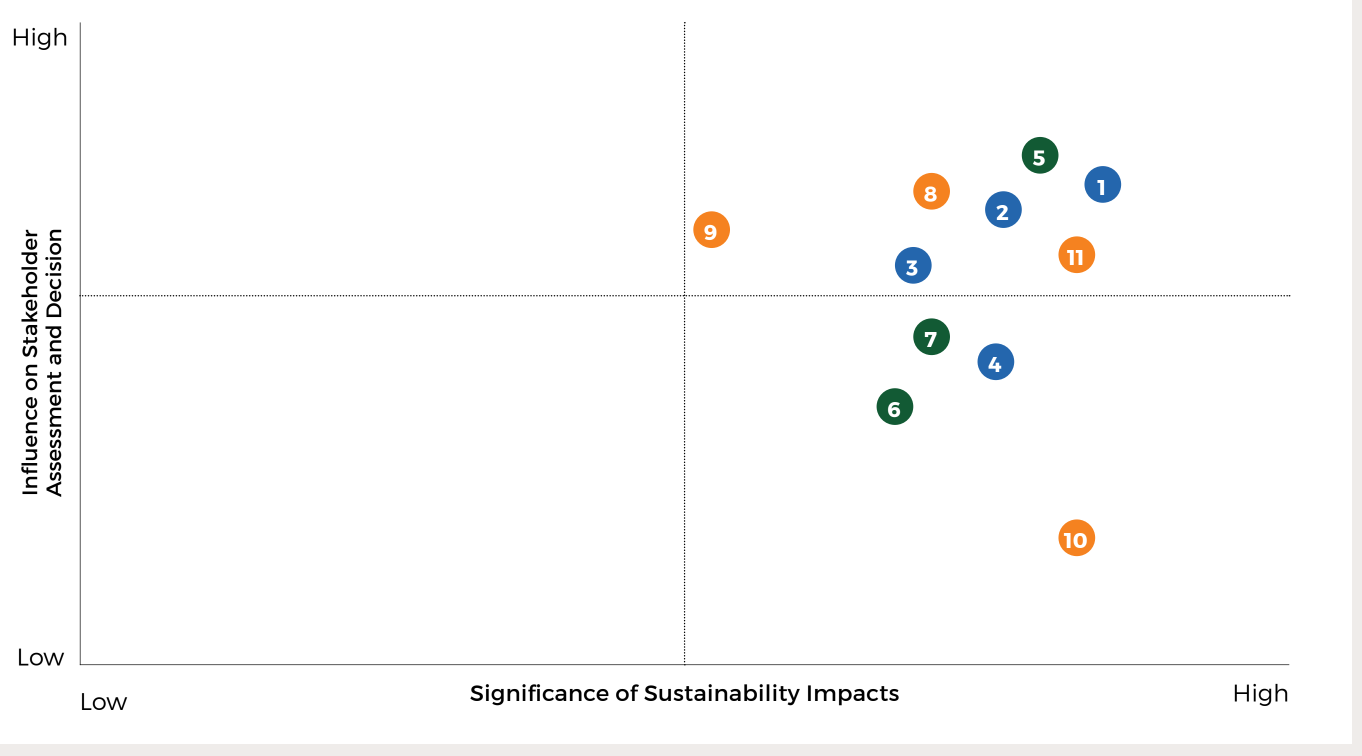
5. Business impact to environment
6. Utilities and waste management
7. Reduce, reuse and recycle

Social

What It Means to Us

8. Corporate social responsibilities
9. Diversity and equal opportunity
10. Employee trainings and developments
11. Employee health and safety

MATERIALITY MATRIX



Each sustainability matter that had been identified was then mapped against their influence on different stakeholder groups and their respective impact with reference to SDGs.

Stakeholder Group	Shareholders	Customers	Suppliers	Government/ Regulatory authorities	Employees	Media/ Analyst	Local communities	Contribution to SDGs
Sustainability Matters								
Economic								
Business growth and developments	●	●	●		●	●		8 DECENT WORK AND ECONOMIC GROWTH; 17 PARTNERSHIPS FOR THE GOALS
Corporate governance	●	●	●	●	●			16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Technology advancement and digital transformation	●	●				●		9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Supply chain management			●					17 PARTNERSHIPS FOR THE GOALS
Environmental								
Business impact to environment	●	●	●	●	●	●	●	7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION
Utilities and waste management				●				12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Reduce, reuse and recycle				●			●	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Social								
Corporate social responsibilities	●	●	●			●	●	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Diversity and equal opportunity				●	●		●	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES
Employee trainings and developments					●			4 QUALITY EDUCATION
Employee health and safety				●	●	●		3 GOOD HEALTH AND WELL-BEING

ECONOMIC

BUSINESS GROWTH AND DEVELOPMENTS

With the excellent leadership, supervision and management by the Board of Directors and the collective efforts by all the Pekat's employees, the Group had achieved applaudable economic growth over the past few years. The Group's revenue had grown over the years, from RM72.8 million in 2017 to RM178.5 million in 2021, which represents a compound annual growth rate of 25.1%. The growth would not be possible if there isn't an on-going exercise in place to identify business opportunities constantly.

The Group believes that strategic partnerships will provide opportunities to venture into different businesses and achieve growth in its market share. Some of our business growth initiatives and developments during FY2021 are as follows:-

1 Joint Venture with Unimech Capital Sdn. Bhd.

On July 2021, we have entered into a Joint Venture Agreement with Unimech Capital Sdn. Bhd., a subsidiary of Unimech Group Berhad, to invest in the joint venture company, namely UP Solar Sdn. Bhd. (formerly known as Unimech Solar Sdn. Bhd.). The partnership would open doors to more business opportunities in Malaysia.

2 Collaborations with Financial Institutions

The Group had entered into collaborations with United Overseas Bank Limited ("UOB") and Hong Leong Bank Berhad ("HLB") in conjunction with the introduction of Net Energy Metering 3.0 Rakyat Program with a quota allocation of 100MW. The financing packages offered by UOB and HLB would help to encourage the uptake or installation of solar PV systems by homeowners or small and medium enterprises.

3 Memorandum of Understanding with Allianz General Insurance

On December 2021, the Group had through its subsidiary Solaroo Systems Sdn. Bhd. (formerly known as Pekat Ledsystems Sdn. Bhd.), entered into a memorandum of understanding (MoU) with Allianz General Insurance Company (Malaysia) Bhd ("Allianz General") to provide all its residential solar PV systems with five year or SolarPro insurance, powered by Allianz General. The all-risks protection under the SolarPro insurance will ensure a hassle-free experience for all its residential customers as the Group believes that excellent customers' experience would be beneficial to the Group's brand image in the long run.

4 Expansion to Overseas Market

The Group had also set foot to expand to overseas market by entering into a joint venture with Mega First C&I Solar Sdn. Bhd. The joint venture company MFP Solar International Limited will help us to tap into foreign markets through the business' investing activities outside Malaysia.

TECHNOLOGY ADVANCEMENT AND DIGITAL TRANSFORMATION

Our subsidiary Pnexsoft Sdn. Bhd. is currently developing a solar PV monitoring system to provide online monitoring of solar PV facilities. This system allows the monitoring of both on-grid and off-grid solar PV facilities in the southeast Asia region on a single system.

The system comprises integrated application and communications software and hardware including sensors and monitoring equipment which will be installed on-site. The application software will receive, store and analyse data from the connected solar PV facilities and allow the users to get real time information of activities, performance and management reports, eliminating the needs to be physically present at solar PV facilities and hence improving operational effectiveness and efficiency.

SUPPLY CHAIN MANAGEMENT

Pekat is committed to sourcing responsibly by selecting suppliers who uphold high standards in key sustainability areas such as ethical conduct, human rights and environmental management. Preliminary assessment on the supplier's company background, product quality, track records, delivery performance, terms and pricing will be performed prior to our placement of orders to ensure the Group practices sustainable and responsible procurement process. With the assistance of enterprise resource planning software, we manage our supply chain processes in a more effective and efficient manner from minimising order lead time, maintaining optimal inventory level to facilitating the delivery of goods to our customers.

While we are sourcing materials from overseas suppliers for materials such as solar panels, we are supporting our local economy at the same time as well. Our local purchases accounted for 36.6% of the Group's total purchases for FY2021, comprising materials such as cables, copper tapes, accessories, etc.

ENVIRONMENTAL

BUSINESS IMPACT TO ENVIRONMENT

As a public listed company, the Group acknowledges the importance of fostering good corporate citizenship. As the global warming issue is becoming more alarming, the Group has taken initiatives such as collaborations with financial institution to give our customers financing packages in order to encourage the uptake of solar PV systems and the use of renewable energy with a vision to reduce the greenhouse gas ("GHG") emissions. As at the end of FY2021, our installation of solar PV systems for our customers has reached a cumulative installed capacity of 83MWp. This translates to an avoidance in carbon dioxide ("CO2") emission of approximately 86,350 tonnes annually.

	FY2021	FY2020
Cumulative Installed Capacity of Solar PV Systems (MWp)	83	60
Estimated Annual Electricity Generated by the Systems (MWh)[1]	121,846	88,169
Avoidance in CO2 Emission (tonne)[2]	86,350	62,484
Number of Tree Seedlings Grown for 10 Years[2]	1,427,818	1,033,183

1. *Based on estimated annual power generation of 1,460MWh per 1MWp solar PV systems*
2. *Conversion with reference to U.S. Environmental Protection Agency*

Based on our existing solar PV segment's order book on hand, we expect to achieve cumulative installed capacity of 134MWp within the next two financial years, which will help to reduce the global carbon footprint further.

UTILITIES AND WASTE MANAGEMENT

Our office premises are equipped with energy-saving measures such as motion sensor lights at certain places and energy-efficient LED lights across the buildings to reduce the electricity consumption. We also practice simple acts such as switching off electric appliances after each use session and ensure responsible water consumption within the Group's operations. We believe that these small steps that we have initiated and practise can help to minimise the adverse impact of irresponsible consumption such as excess CO2 emission during electricity generation, reduction in clean water supply, etc.

We have achieved an average reduction of RM93 in water and electricity consumption per employee as compared to FY2020, thanks to our employees' collective effort in practising these good habits at work.

	FY2021	FY2020
Water and electricity consumption (RM)	122,291	112,769
Total number of employees	180	146
Average water and electricity consumption per employee (RM)	679	772

Pekat seeks to reduce as far as possible the waste generated from our daily operations while managing any waste produced efficiently with minimal impact on the surrounding communities and the environment. We promote the practice of 3Rs in our offices through a waste management plan. Our employees at Pekat are practicing reduce, reuse and recycle at all times e.g., reducing the usage of one-time food packaging by using reusable containers, using recycle bags in replacement of plastic bags, etc. All waste generated daily is segregated according to types of waste, inventorised and stored safely in dedicated areas before being transported to third party waste management facility for appropriate treatment.

SOCIAL

COMMUNITY ENGAGEMENT

Corporate Social Responsibilities Activities

Despite the COVID-19 pandemic that has affected most businesses in the country, Pekat continues to play its part in giving back to the society as we believe that the well-being of the society is the core of business sustainability. During FY2021, we have:-

- Together with Hextar Global Berhad and Rubberex Corporation (M) Berhad, contributed a 154.4kWp solar PV system to Tung Shin Hospital

- Distributed donations, contribution of food and daily supplies to flood victims in Klang Valley

INTERNSHIP PROGRAMME

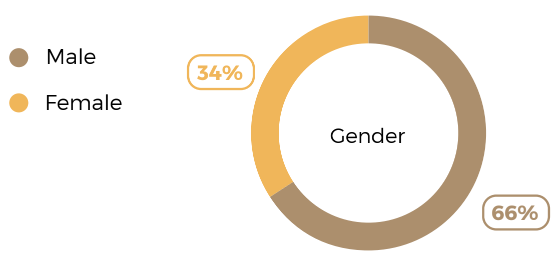
The Group also opens its doors to accept interns from various universities as an effort to nurture and mentor our young generation in preparation for their eventual employment in the Earthing and Lightning Protection and Solar Photovoltaic industry. During FY2021, we have provided internship opportunities to several departments within the Group.

Departmental	FY2021
Accounting and Finance	1
Engineering	3
Administrative and Business Support	3
Total	7

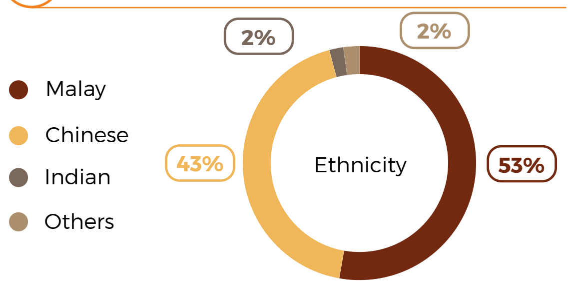
DIVERSITY AND EQUAL OPPORTUNITY

The Group acknowledges the importance of human capital assets to its success and is committed to the diversity of its workforce as well as promoting equality at work. Creation of a conducive work environment is also our focus as we strive to promote mutual respect and teamwork within the Group. As at the end of FY2021, the Group has a total number of 180 employees consist of individuals from different background as below:-

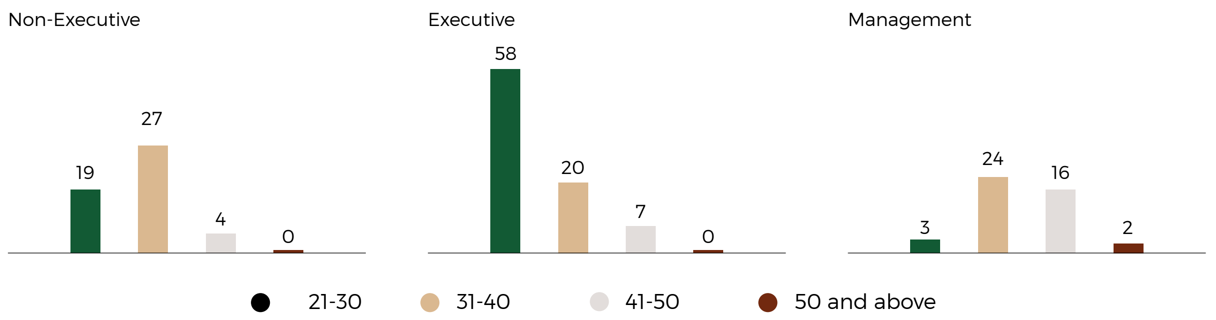
Gender



Ethnicity



Age



SOCIAL

EMPLOYEE DEVELOPMENT AND SUCCESSION PLANNING

Pekat is committed to providing training programmes for its employees' development as we understand that the contributions of our employees are the bedrock to the growth and success of the Group. We believe that consistent and continuing development is integral to maintain competency of our employees in order for them to excel at work. Through the annual employee evaluation process, we identify training needs of our employees and engage various organisations and training providers to tailor and design training programmes that are best suited for our employees. During the difficult time in this COVID-19 pandemic, the Group had still managed to arrange several external virtual trainings and internal trainings for its employees. The training programmes that we have provided to our employees during FY2021 are summarised below:-

List of Trainings
FY2021
Battery Storage & EV (Energy Storage Certification)
Malaysian Standards MS 2692:2020 Testing & Commissioning of Grid- Connected Photovoltaics
Forklift Training – Operation Method & Safety
The Sustainability Accelerator
General Knowledge of Lightning
Surge Protection Devices Testing Workshop
Lightning Protection Technology
Surge Protection Devices Installation Workshop
Suruhanjaya Tenaga Letter on Lightning Protection
Type Test
SPD Presentation
IEC 62305 Lightning Protection System
Training on Earthing System
Lightning General Phenomenon and Its Threats
Risk Assessment – Galvanic Corrosion & Its Impact
Extra-low voltage Surge Protection Devices
Metal Coating
Earth

In Pekat, it is an on-going exercise to identify, develop and groom talents as the future leaders as succession planning is also essential to the Group's sustainability efforts. The Group consistently conducts assessment and market research to ensure it offers attractive and competitive remuneration and benefits to recruit potential talents as well as to retain its employees.

EMPLOYEE HEALTH AND SAFETY

The health and safety of our employees is always of the top priority to the Group as a healthy and safe working environment is essential in ensuring the longevity of our business operations. The Group has a Health and Safety Committee in place who is in charge of every aspect of Occupational Health and Safety ("OHS") of the Group. All employees are required to comply with the Standard Operating Procedures ("SOP") set by the Committee with references to the SOP measures as outlined by the Ministry of Health in discharging their daily duties and responsibilities. For FY2021, the Group recorded zero work-related injuries thanks to the active monitoring by the Committee and the collective efforts of our employees in adhering to the SOP. Further information on the Group's health and safety performance measures for FY2021 is illustrated below:-

WORK-RELATED INJURIES

Type of Injuries	FY2021	FY2020
Number of fatalities	-	-
Number of high consequences work-related injuries	-	-
Number of recordable work-related injuries	-	-

In order to mitigate the risks arising from the COVID-19 pandemic, the Group took additional steps and measures during the pandemic to protect the health and well-being of its employees. Some of the steps and measures that the Group had undertaken includes:-

- Routine sanitisation of our office buildings
- Arrangement for employees' COVID-19 vaccination/booster shot
- Installation of Novel Coronavirus inhibition devices – Panasonic Air-e Ceiling Mounted nanoeTMX Generator across all of our office buildings
- Distribution of face masks, hand sanitisers and COVID-19 Antigen Detection Kits to our employees
- Encouraging virtual meetings and minimising the frequency of physical meetings

We have pleasure to announce that with the additional safety measures that we have practiced as illustrated above, we have successfully prevented the spread of COVID-19 within our organisation. During FY2021, the total number of recorded COVID-19 cases within the organisation is controlled to 17 cases.

Board of Directors' Profile

Mr. Kok Kong Chin is our Independent Non-Executive Chairman. He was appointed to our Board on 17 September 2020.

Mr. Kok graduated from the National University of Malaysia with a BBA (Hons) degree and holds an MBA from Schulich School of Business, York University, Canada. He has over 30 years of experience in the areas of strategy, general management, private equity, corporate and investment banking. The key positions he has held include Head of Equity Markets and Derivatives, Co-Head of Investment Banking, Head of International Banking & Transaction Services of CIMB Investment Bank Berhad, Head of Regional Banking of CIMB Group Berhad, Independent Non-Executive Director of Ping Petroleum Ltd and Group Managing Director of Tropicana Corporation Berhad. Currently he is an Executive Director of ENRA Group Berhad.

Mr. Kok has attended all 5 Board meetings held during the financial year under review.

KOK KONG CHIN

Malaysian

Male/ 56

Independent Non-Executive Chairman

Mr. Chin Soo Mau, ("Mr. Chin") is our Promoter, Managing Director and Chief Executive Officer (CEO) who is responsible for our Group's strategic direction and planning. He was appointed to our Board on 17 September 2020.

In 1995, he obtained a Higher National Diploma in Engineering (Electrical/Electronic) from the Nottingham Trent University, United Kingdom.

Mr. Chin founded Pekat Teknologi in August 1999 and was appointed as the Managing Director of Pekat Teknologi, a position he continues to hold till today. Leading the Malaysian Photovoltaic industry Association (MPiA) as Vice-President from 2013 to 2015 and as President from 2017 to 2020. Having in-depth knowledge and experience in solar pv systems, he has made many contributions towards the forming of our nation's solar PV policies and as well as to the development of the industry. He currently retains an advisory role to MPiA.

Mr. Chin has attended all 5 Board meetings held during the financial year under review.

CHIN SOO MAU

Malaysian

Male/ 48

Managing Director & CEO

Mr. Tai Yee Chee ("Mr. Tai") is our Promoter, Executive Director and Chief Operating Officer (COO). He is responsible for overseeing the operations of our ELP Division and Trading Division. He was appointed to our Board on 17 September 2020.

He graduated with a Bachelor of Engineering (Honours) in Electrical and Electronic at University of Hertfordshire, United Kingdom in July 1996.

Upon graduation, Mr. Tai joined Tokai Engineering (M) Sdn Bhd as a Sales and Project Engineer in July 1996 where he was involved in the marketing and sales of ELP systems and supervising the implementation of the ELP projects. He was promoted to Assistant Sales and Project Manager in August 1997. In April 2000, he left Tokai Engineering (M) Sdn Bhd and joined Pekat Teknologi in May 2000 as the Technical Manager where he was involved in sales of surge protection devices.

In June 2006, Mr. Tai was appointed as the Executive Director of Pekat Teknologi, a position he continues to hold. He was also appointed as Directors in a number of companies within our Group.

Mr. Tai has attended all 5 Board meetings held during the financial year under review.

TAI YEE CHEE

Malaysian

Male/ 49

Executive Director & COO

Mr. Wee Chek Aik ("Mr. Wee") is our Promoter, Executive Director and Chief Commercial Officer (CCO). He is responsible for overseeing the operations of our Solar Division. He was appointed to our Board on 17 September 2020.

He graduated with a Bachelor of Science (Honours) in Electrical Engineering at Tri-state University (now known as TRINE University), USA in May 1997.

Upon graduation, Mr. Wee joined Tokai Engineering (M) Sdn Bhd as Sales and Project Engineer in June 1997 where he was involved in the marketing and sales of ELP systems and supervising the implementation of the ELP projects.

In April 2000, he left Tokai Engineering (M) Sdn Bhd and joined Pekat Teknologi in May 2000 as the Marketing Manager where he was involved in the marketing of surge protection devices.

In June 2006, Mr. Wee was appointed as the Executive Director of Pekat Teknologi, a position he continues to hold. He was also appointed as Directors in a number of companies within our Group.

Mr. Wee has attended all 5 Board meetings held during the financial year under review.

WEE CHEK AIK

Malaysian

Male/ 50

Executive Director & CCO

Mr. Teh Li King ("Mr. Teh") was appointed to the Board of Pekat on 17 September 2020.

He graduated with a Bachelor of Science from New Hampshire College (now known as Southern New Hampshire University), USA in May 2000. He also obtained a Master of Business Administration (Electronic Commerce) from Charles Sturt University, Australia in April 2003.

Mr. Teh joined Hong Leong Bank Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad in August 2000, as an Account Relationship Executive, managing and developing portfolio of business banking clients. He then moved on to the metal and steel industries from October 2003 to November 2007, as Marketing Manager and Sales Manager of P.P. Steel Service Centre Sdn Bhd and Rex Metal Packaging Berhad, leading and managing the marketing and sales divisions before joining Sunimetal Industries (Malaysia) Sdn Bhd as a Business Development Senior Manager where he was responsible in formulating the business strategy and implementing business plans for sales of metal products.

In December 2007, Mr Teh joined the chemicals manufacturing industry as the Assistant General Manager of Hextar Chemicals Sdn Bhd and is currently the Group Chief Operating Officer of Hextar Group of Companies. He oversees the corporate development, business strategies, human capital development as well as legal and compliance matters of the Group. His industry experience includes corporate management, banking and manufacturing.

Mr. Teh is an Executive Director of SWS Capital Berhad. He is also a Non-Independent Non-Executive Director of Opcom Holdings Berhad and Complete Logistic Services Berhad.

Mr. Teh has attended all 5 Board meetings held during the financial year under review.

TEH LI KING

Malaysian

Male/ 43

Non-Independent Non-Executive Director

Mr. Ong Keng Siew ("Mr. Ong") was appointed to the Board of Pekat on 17 September 2020.

Mr. Ong is a Fellow member of the Association of Chartered Certified Accountants, United Kingdom, and a member of the Malaysian Institute of Accountants (MIA).

Mr. Ong had an impressive career spanning over 30 years at Paramount Corporation Berhad ("Paramount"), a company listed on the Main Market of Bursa Malaysia Securities Berhad. Mr. Ong joined Paramount as an Accountant in 1981 and he rose through the ranks of Finance and Administration Manager and General Manager.

He was appointed to the Board of Paramount on 14 November 1994. He assumed the posts of Deputy Group Managing Director & Deputy Group CEO in 1997 and was appointed as Managing Director & CEO of Paramount on 1 December 2008. Mr. Ong retired as the Managing Director & CEO of Paramount on 18 June 2012.

Mr. Ong is also an independent Non-Executive Director of Paramount Corporation Berhad and United Malacca Berhad.

Mr. Ong has attended all 5 Board meetings held during the financial year under review.

ONG KENG SIEW

Malaysian

Male/ 65

Independent Non-Executive Director
Chairman, Audit and Risk Management Committee
Member, Nominating Committee
Member, Remuneration Committee

Ms. Yeong Siew Lee ("Ms. Yeong") was appointed to the Board of Pekat on 17 September 2020.

Ms. Yeong graduated from University of Wales College (UK) with a degree of Bachelor of Science (Hons) (Accounting and Finance) in 1999 and completed her Association of Chartered Certified Accountants (UK) in 2001.

She is a Chartered Accountant and also a member of the Malaysian Institute of Accountants (MIA). She began her career with GHL Systems Berhad ("GHL"), a company listed on the Main Market of Bursa Malaysia Securities Berhad, as an Assistant Accountant in 2003 and moved up the ranks and became Head/Assistant General Manager of Finance in 2008 to supervise the company's local and overseas accounting teams. She left GHL in August 2009 to venture into business in the consumer and architectural industry and was working as a finance adviser for SMR HR Group Sdn Bhd.

Ms. Yeong is also an independent Non-Executive Director of TFP Solutions Berhad.

Ms. Yeong has attended all 5 Board meetings held during the financial year under review.

YEONG SIEW LEE

Malaysian

Female/ 44

Independent Non-Executive Director
Chairperson, Remuneration Committee
Member, Audit and Risk Management Committee
Member, Nominating Committee

Datin Shelina Binti Razaly Wahi ("Datin Shelina") was appointed to the Board of Pekat on 17 September 2020.

Datin Shelina graduated from the University of Bristol with a Bachelor of Laws (Honours). She completed her Bar Vocational course at Lincoln's Inn, London in 1996 and was called to the Malaysian Bar in 1998.

Datin Shelina began her legal career as a litigation lawyer, then moved in-house as corporate counsel with a large multinational Oil & Gas company, followed by stints at a leading media, content & consumer service provider, a start-up airline and F&B start up, before returning to corporate legal practice.

In addition to legal practice, Datin Shelina is currently the founding Secretary of the Malaysia Aerospace Industry Association and assists member companies in their dealings with Government agencies, banks and other industry stakeholders.

Datin Shelina is also an independent Non-Executive Director of Marine & General Berhad and Alcom Group Berhad, which are both listed entities. She is a Non-Independent Non-Executive Director of Lam Soon (M) Berhad, a public company.

Datin Shelina has attended all 5 Board meetings held during the financial year under review.

DATIN SHELINA BINTI RAZALY WAHI

Malaysian

Female/ 48

Independent Non-Executive Director
Chairperson, Nominating Committee
Member, Audit and Risk Management Committee
Member, Remuneration Committee

Other information in respect of the Directors:

1) Family Relationship with any Director and/or Major Shareholder of the Company: None of the Directors have any family relationship with any Director and/or major shareholder of the Company.
2) Disclosure of Conflict of Interest with the Company: None of the Directors have interest for similar business which carry on a similar trade as that of the Group.
3) Conviction for offences within the past 5 years (other than traffic offences, if any) or have any public sanction or penalty imposed on them by any regulatory bodies during the financial year ended 31 December 2021: None of the Directors have any conviction for offences within the past 5 years (other than traffic offences, if any) or have any public sanction or penalty imposed on them by any regulatory bodies during the financial year ended 31 December 2021.

Key Senior Management's Profile

CHEW TEIK SIANG

General Manager and a Director of Pekat Solar Sdn Bhd

Male/ 45/ Malaysian

Mr Chew Teik Siang ("Mr Chew") is the General Manager and a Director of Pekat Solar. He is responsible for the day-to-day operations of our Solar Division.

Mr Chew graduated with a Bachelor in Electrical and Electronics Engineering (Honours) from Loughborough University, United Kingdom in July 1998.

Upon graduation, he joined AMP Corporation Sdn Bhd as a System Engineer in September 1998, where he was involved in the maintenance of sea surveillance systems. In June 2000, he left AMP Corporation Sdn Bhd and joined Electcoms Sdn Bhd in July 2000, as a Supervising Engineer where he supervised the maintenance of base transmitter stations for paging and radio systems.

He left Electcoms Sdn Bhd in February 2002 to join Huawei Technologies Sdn Bhd in March 2002, as a Technical Support Engineer where he was involved in the coordination work for implementing telecommunication system projects.

In March 2003, Mr Chew left Huawei Technologies Sdn Bhd and joined Pekat Teknologi in June 2003, as a Sales Engineer where he was involved in the marketing and sales of ELP systems. He was appointed as a Director of Pekat Solar in November 2010. He was subsequently appointed as the General Manager of Pekat Solar in February 2011, a position he continues to hold.

WONG BOON KWANG

General Manager and a Director of Pekat E & LP Sdn Bhd

Male/ 46/ Malaysian

Mr Wong Boon Kwang ("Mr Wong") is the General Manager and a Director of Pekat E & LP. He is responsible for the day-to-day operations of our E & LP Division and Trading Division.

Mr Wong obtained a Diploma of Civil Engineering from the Federal Institute of Technology, Malaysia in December 1997 and graduated with a Bachelor in Civil Engineering (Honours) from University of Portsmouth, United Kingdom in June 1999.

Upon graduation, he joined Perunding Mahareka in October 1999 as a Design Engineer where he was involved in the design of civil and structures for residential projects. In February 2000, he left Perunding Mahareka and joined Hoyuen (M) Sdn Bhd in March 2000 as a Project Engineer, where he was involved in a school construction project. He left Hoyuen (M) Sdn Bhd in February 2001 and joined Icomar Jaya Sdn Bhd in March 2001 as a Project Engineer where he was involved in the residential and commercial construction projects.

He left Icomar Jaya Sdn Bhd in February 2002 and joined Jetson Construction Sdn Bhd, a wholly-owned subsidiary of Kumpulan Jetson Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad in April 2002, as a Site Engineer where he was involved in the planning, site coordination and supervision of the Electrified Double Tracking Project and residential construction projects. In March 2004, he left Jetson Construction Sdn Bhd and joined Wira Syukur (M) Sdn Bhd in July 2004, as a Project Engineer, where he was involved in the planning, coordination and supervision of residential construction projects.

In May 2005, he left Wira Syukur (M) Sdn Bhd and joined Cempaka Sdn Bhd in July 2005, as a Resident Engineer where he was involved in the planning, coordination and supervision of commercial construction projects. In June 2007, he left Cempaka Sdn Bhd to join Purcon (M) Sdn Bhd in July 2007, as a Project Manager where he was in charge of the commercial construction projects.

In August 2008, Mr Wong left Purcon (M) Sdn Bhd and joined Pekat Teknologi in September 2008, as a Project Manager where he was involved in implementing ELP projects. In January 2012, he was transferred to Pekat E & LP where he resumed his position as a Project Manager. In January 2015, he was promoted to General Manager of Pekat E&LP. He was appointed as a Director of Pekat E & LP in May 2020.

OH KENG JIN

Chief Financial Officer

Male/ 51/ Malaysian

Mr Oh Keng Jin ("Mr Oh") is our Chief Financial Officer. He is responsible for all financial, accounting and administrative functions of our Group.

Mr Oh obtained a Diploma in Accounting from London of Chamber Commerce and Industry Examination Board in 1990. He was certified as a member of the Association of Chartered Certified Accountants in January 2001 and fellow member of the Association of Chartered Certified Accountants in November 2005. He was certified as a chartered accountant and has been a member of Malaysian Institute of Accountants since November 2000.

In December 1994, Mr Oh joined Thiang & Co as an Audit Junior where he was involved in statutory audit of private and public companies. He was promoted to Audit Senior in December 1995. In June 1997, Mr Oh left Thiang & Co and joined Star Cruises Administrative Services Sdn Bhd as an Assistant Accountant, and was promoted to Accountant in February 2001, where he was responsible for the management accounting and annual budgeting. In September 2001, he left Star Cruises Administrative Services Sdn Bhd and joined Dumex (Malaysia) Sdn Bhd (now known as Danone Dumex (Malaysia) Sdn Bhd) as an Accountant, and was promoted to Senior Accountant in January 2004, where he was responsible for budget forecasting as well as finance analysis, until April 2005.

In April 2005, Mr Oh joined F&N Dairies (M) Sdn Bhd ("F&N Dairies"), a wholly-owned subsidiary of Fraser & Neave Holdings Bhd, a company listed on the Main Market of Bursa Malaysia Securities Berhad as a Finance Manager, where he was responsible for the management accounting and annual budgeting. In December 2007, he left in F&N Dairies to join Dutch Lady Milk Industries Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad as a Senior Management Accountant for 6 months before returning to F&N Dairies as Finance Manager in July 2008. In April 2014, Mr Oh left F&N Dairies and joined Shaklee Products (Malaysia) Sdn Bhd, a company involved in multilevel marketing of health products as Financial, Planning and Analysis Director, where he was responsible for the strategic planning and annual budgeting of the company.

In April 2017, Mr Oh left Shaklee Products (Malaysia) Sdn Bhd and joined F&N Beverages Marketing Sdn Bhd, a wholly-owned subsidiary of Fraser & Neave Holdings Bhd as a Commercial Financial Controller, where he was involved in the finance and accounting matters as well as sales planning.

In December 2018, he left F&N Beverages Marketing Sdn Bhd and joined our Group as Chief Financial Officer, a position he continues to hold.

Other information in respect of the Key Senior Management ("KSM"):

1) None of the KSM have any family relationship with any Director and/or major shareholder of the Company.
2) None of the KSM have any conflict of interest with the Company.
3) None of the KSM have any conviction for offences within the past 5 years (other than traffic offences, if any) or have any public sanction or penalty imposed on them by any regulatory bodies during the financial year ended 31 December 2021.
4) None of the KSM have any directorship in listed or non-listed public companies.

Corporate Governance Overview Statement

The Board of Directors ("the Board") of Pekat Group Berhad ("Pekat" or "the Company") recognises the importance of upholding good corporate governance practices in discharging its duties to enhance shareholders' values, protecting stakeholders' interests, managing and directing the board matters and business conduct throughout the Company and its subsidiaries ("the Group").

Pursuant to Rule 15.25 of ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board is pleased to present this Corporate Governance Overview Statement ("CG Statement") which sets out the Group's application of principles and guidelines of the Malaysian Code on Corporate Governance 2021 ("MCCG") during the financial year ended 31 December 2021. The CG Statement is to be read together with the Corporate Governance Report which is available on the Company's website at https://ir2.chartnexus.com/pekat/corporate-governance.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

PART I : BOARD RESPONSIBILITIES

1.1 Board Leadership

The Group is led and managed by an effective and experienced Board comprising members with wide range of experience and qualifications. The Board is collectively responsible for setting and leading the strategic direction and overseeing the overall management of the Group within a framework of effective controls to enable risks to be appropriately assessed and managed. The Board also ensures proper resource allocation within the Group in order to deliver sustainable performance to enhance shareholders' value and provides leadership in good corporate governance and ethical practices throughout the Group.

The Board amongst others, assumes the following key roles and responsibilities:

(a) Provide leadership and oversee the overall conduct of the Group's businesses to ensure that the businesses are being properly managed;

(b) Strategic planning for the Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;

(c) Set and promote ethical conducts and good corporate governance practices in relation to risk management, legal and compliance management and internal control systems to safeguard the Group's reputation, and the employees and assets and ensure compliance with applicable laws and regulations;

(d) Review and adopt the Group's annual business plans and proposals and their implementation by Management, annual budget, financial statements and annual reports; and

(e) Monitor the relationship with shareholders and stakeholders, and develop and implement effective communication channel and mode of engagement with stakeholders.

In order to optimize operational efficiencies, limits of authority have been established for business activities while delegating authority to Management for transactions below those limits. To assist in the execution of Board's responsibilities, the Board had established relevant Board Committees, namely the

(i) Audit and Risk Management Committee;
(ii) Nominating Committee; and
(iii) Remuneration Committee and had delegated some of the responsibilities to the Board Committees in accordance to their respective Terms of Reference ("TOR").

The Board Charter and the TOR of the Board Committees, which clearly set out the fundamental responsibilities of the Board and the Board Committees, is published on the Company's website at https://ir2.chartnexus.com/pekat/corporate-governance.

1.2 Separation of Roles Between Chairman and Chief Executive Officer

There is a clear distinction and separation of roles between the Chairman and the Chief Executive Officer ("CEO") in order to ensure an appropriate balance of power and authority.

Kok Kong Chin is the Chairman of the Board who is responsible for spearheading the effective and orderly functioning of the Board, including the collective oversight of management, as well as instilling good corporate governance practices within the Group.

Meanwhile, the CEO position is held by Chin Soo Mau, who is responsible for the Group's business plans and strategies, day-to-day management and running of the Group as well as the implementation of the policies and strategies approved by the Board.

The roles and responsibilities of the Chairman and CEO can be referred to the Board Charter which is published on the Company's website at https://ir2.chartnexus.com/pekat/corporate-governance.

1.3 Qualified and Competent Company Secretaries

The Board is supported by two (2) qualified Company Secretaries who are members of a professional body and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016 and have the requisite experience and competency in company secretarial services.

The Company Secretaries attended all the Board and Board Committee meetings and ensure the meetings are properly convened and all deliberations and decisions made by the Board are accurately minuted, recorded and kept. The Company Secretaries constantly advise the Board and ensure the compliance to relevant legislation and regulations on matters related to corporate governance and the Directors' responsibilities.

The Company Secretary continuously attends relevant professional development and training programmes to keep themselves abreast with the regulatory changes and corporate governance development.

1.4 Access to Information and Advice

Both the Board and Board Committees meet on a quarterly basis to review the business of the Group, including operational and financial performance. Ad hoc meetings are held as and when urgent matters and important decisions are required between the quarterly meetings.

In order to facilitate the discussion flow and to enable all the Directors to make informed decision, notice of meetings setting out the agenda and the accompanying Board papers are circulated to all the Directors at least five (5) calendar days from the date of the Board and Board Committee meetings. By doing so, all the Directors have sufficient time to review issues that will be deliberated at the Board and Board Committee meetings. For the financial year ended 31 December 2021, (5) Board meetings were held.

The Board has unrestricted access to all information and may seek advice from Management if necessary. The Board is also entitled to obtain independent professional advice at the cost of the Company, if necessary, in order for them to carry out their duties.

Upon conclusion of the Board and Board Committee meetings, the draft meeting minutes are prepared by Company Secretaries and circulated to all the Directors in a timely manner for their review and the final meeting minutes are tabled for confirmation at subsequent Board and Board Committee meetings.

2. Demarcation of Responsibilities between Board, Board Committees and Management

2.1 Board Charter

The Board had on 17 September 2020 adopted a Board Charter which sets out the responsibilities and functions reserved for the Board, Board Committees and Management. It also acts as guidelines and a basis for the Board to assess its own performance and that of its individual Directors in the areas of strategic intent as well as respective roles and responsibilities.

The Board reviews the Board Charter periodically to ensure that it is updated regularly to be consistent with the Board's objective, the Group's business direction and the applicable laws and practices. The Board Charter is available on the Company's website at https://ir2.chartnexus.com/pekat/corporate-governance.

3. Ethical Business Conduct and Good Corporate Culture

3.1 Code of Conduct and Ethics for Directors

The Board is guided by the Code of Conduct and Ethics for Directors which sets out the Directors' oversight responsibility in the best interests of the Company within the scope of their authority and fiduciary duties as well as the high standards of corporate governance that are to be observed by the Directors at all times. With a principal objective of protecting shareholders and stakeholders' interests, the Code governs the business conducts and ethical behaviours of Directors and ensure adherence to the fundamental principles of integrity, objective, accountability, openness, honesty and leadership.

The Code of Conduct and Ethics for Directors is made available on the Company's website at https://ir2.chartnexus.com/pekat/corporate-governance.

3.2 Anti-Bribery and Corruption Policy

In efforts to foster a business environment that is free from bribery and corruption, the Board has adopted an Anti-Bribery and Corruption Policy ("ABC Policy") in order to commit to high standards of business integrity, ethical conduct and accountability following the enforcement of Section 17A of the Malaysian Anti-Corruption Commission (Amendments) Act 2018.

The ABC Policy provides information and acts as a guidance to the Group in combating improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business. The ABC Policy is available on the Company's website at https://ir2.chartnexus.com/pekat/corporate-governance.

3.3 Whistleblowing Policy

The Group's Whistleblowing Policy, on the other hand, aims to facilitate the whistleblowing process through a proper and confidential channel. Through well-defined procedures as set out in the Whistleblowing Policy, the Group's stakeholders and employees are enabled to channel independent and confidential feedback on a legitimate concern or suspected improprieties without the fear of being interfered with, intimidated or retaliated against.

The Whistleblowing Policy is made available on the Company's website at https://ir2.chartnexus.com/pekat/corporate-governance.

PART II : BOARD COMPOSITION

4.1 Composition of the Board

The Board currently has eight (8) Directors comprising three (3) executive members and five (5) non-executive members, four (4) of whom are Independent Directors, representing 50% of the Board members which is in line with Paragraph 15.02 of Listing Requirements and Practice 5.2 of MCCG.

The Board is made up of individuals with diverse backgrounds and experience in the areas of management, financial, legal, banking, corporate finance and commercial experience. The current composition of the Board provides an appropriate mix of skills, qualifications, knowledge and experience to ensure it meets the present scope and nature of the Group's business operations as well as to facilitate effective decision-making and management of the Board.

The profile of each of the Directors is presented in the Directors' Profile on page 34 to 41 in this Annual Report.

The Board is also satisfied that all its members are able to devote sufficient time to discharge their duties effectively. The Directors remain fully committed in carrying out their duties and responsibilities as reflected by their attendance at the five (5) Board meetings held during the financial year ended 31 December 2021 as follows:

Name of Director	Number of Meetings Attended
Kok Kong Chin	5/5
Chin Soo Mau	5/5
Tai Yee Chee	5/5
Wee Chek Aik	5/5
Ong Keng Siew	5/5
Teh Li King	5/5
Datin Shelina binti Razaly Wahi	5/5
Yeong Siew Lee	5/5

4.2 Directors' Trainings and Professional Development

The Board acknowledges that continuous training is vital to keep the Board members abreast with latest developments in the law and regulations, business environment, corporate governance, accounting standards etc., in enabling them to discharge their duties effectively. The Company Secretaries will bring to the Board's attention training and development programmes that may be of relevance to the Board members while the Company will fund their participation at industry conferences, seminars/workshops or any training and development programmes in connection with their duties and responsibilities.

The training and development programmes participated by the Directors of the Company during the financial year ended 31 December 2021 are as follows:

Name of Director	Courses/Seminar/Training/Conference	Date
Kok Kong Chin	• Anti-Corruption Policy & Procedure • Webinar on Sustainability for your Company • Webinar on Understanding Increasing Investor Expectations for Climate Governance • Joint Ventures • Virtual Tax Conference 2021 • Related Party Transaction • Revised Malaysia Code on Corporate Governance • Understanding Listing Requirements & Guidance on Corporate Disclosure Policy with Case Studies	11 January 2021 3 February 2021 11 February 2021 17 February 2021 2 March 2021 30 March 2021 18 May 2021 25 June 2021

Name of Director	Courses/Seminar/Training/Conference	Date
Chin Soo Mau	• Understanding Listing Requirements & Guidance on Corporate Disclosure Policy with Case Studies	25 June 2021
Tai Yee Chee	• Understanding Listing Requirements & Guidance on Corporate Disclosure Policy with Case Studies	25 June 2021
Wee Chek Aik	• Understanding Listing Requirements & Guidance on Corporate Disclosure Policy with Case Studies	25 June 2021
Ong Keng Siew	• Digital Literacy for Senior Programme on e-AGM (Part 1) • Digital Literacy for Senior Programme on e-AGM (Part 2) • Economic Outlook 2021 – Investing at the Right Time & Sector • Navigating Ways Through Tax Audit & Investigation: Good Practices when dealing with Inland Revenue Board • Sustainable Finance: Making Better Financial Decision • Asia-Pacific Board Leadership Centre Board and Audit Committee Priorities 2021 • Understanding Listing Requirements & Guidance on Corporate Disclosure Policy with Case Studies • Business Foresight Forum 2021 – Transformative Innovation Reshaping Business Realities in Extraordinary Time • 14th Malaysia Property Summit – Property Market Outlook for 2021 "EYE on 2022" • Securities Commission Malaysia's Oversight Board Conversation with Audit Committees	27 January 2021 24 February 2021 17 March 2021 29 March 2021 9 April 2021 7 May 2021 25 June 2021 22-23 September 2021 15 October 2021 29 November 2021
Teh Li King	• Understanding Listing Requirements & Guidance on Corporate Disclosure Policy with Case Studies • Sustainability Reporting Workshops for Practitioners: Scope & Materiality in Sustainability Reporting • Increasing Productivity by Optimizing Work Life Balance • Implementing ESG Practices in the Organization	25 June 2021 21 September 2021 24 September 2021 14-15 October 2021
Datin Shelina binti Razaly Wahi	• Bank Negara Dialogue on the High-tech Fund: National Infrastructure Aspirations • HRDF Webinar 2021 Series 1, The Current Workforce Scenario • Ethics & Integrity (E&I) - Preparations for corporate liability under S17A of MACC Act • Economic Outlook 2021 • ASBAA Malaysia Virtual Safety Forum	26 January 2021 25 February 2021 10 March 2021 17 March 2021 31 March - 1 April 2021

Name of Director	Courses/Seminar/Training/Conference	Date
Datin Shelina binti Razaly Wahi	• Understanding Listing Requirements & Guidance on Corporate Disclosure Policy with Case Studies • PNB Knowledge Forum 2021 - Rising above COVID-19: Reimagining Work in Malaysia and Beyond • PNB Knowledge Forum 2021 – Climate Change: A New Green Deal for Malaysia • PNB Knowledge Forum 2021 - Shariah Awareness: Strengthening Shariah Culture • Fraud Risk Management Workshop	25 June 2021 14 July 2021 25 October 2021 11 November 2021 13 December 2021
Yeong Siew Lee	• 2021 Budget Seminar • Understanding Listing Requirements & Guidance on Corporate Disclosure Policy with Case Studies	26 February 2021 25 June 2021

All Directors appointed to the Board have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

4.3 Independence of the Board

The presence of Independent Non-Executive Directors ("INEDs") ensures that views, consideration and judgment exercised by the Board in decision-making process remain independent and objective as well as assures the interests of minority shareholders are addressed and protected with due consideration.

The Board conducts assessment on the INEDs annually in order to assess their ability to continue to bring unbiased and objective judgment to the Board's deliberations. The Board is satisfied that INEDs are independent of management and free from any business or relationships which could interfere with their independent judgment and ability to act in the best interest of the Company. All INEDs are required to sign a Declaration of Independence to reconfirm their status of independence.

4.4 Tenure of Independent Directors

The Board adopted the recommendation of Practice 5.3 of MCCG that sets out the tenure of an independent director should not exceed a cumulative term of nine (9) years. An independent director may continue to serve on the board after such a period subject to the director's re-designation as a non-independent non-executive director and annual shareholders' approval. Annual shareholders' approval through a two-tier voting process in accordance to MCCG is required for the retention of independent director who serves more than nine (9) years.

As at 31 December 2021, none of the Independent Directors of the Company has served more than nine (9) years cumulatively.

4.5 Gender Diversity

The Board is supportive of gender diversity in the Board composition as it recognises that a diversified Board could bring greater depth and breadth of perspectives in the decision-making process. The current composition of the Board includes two (2) women directors which represents 25% gender diversity within the Board. The Board endeavours to recruit an additional woman director by 31 December 2022 to comply with Practice 5.9 of MCCG by having at least 30% of women directors on the Board. The Board also strives to achieve and maintain a culture of diversity not limited to only gender, but also skillsets, qualifications, experiences, ethnicity, age, background and other personal attributes in selection of Board representatives in the future.

4.6 New Candidates for Board Appointment

In the process of identifying potential candidates for the appointment of directors, the Board primarily relies on the recommendations from existing Board members and Management given that internal recommendations often take into consideration the suitability of candidates in terms of understanding, knowledge and experiences of the Group's industries and businesses as well as speed up the appointment process. Nevertheless, the Board will not rule out the use of independent sources in identifying suitably qualified candidates.

4.7 Nominating Committee

The Nominating Committee ("NC") is entrusted by the Board to assist the Board in assessing the right mix of skills, knowledge, experience, independence and diversity required collectively for the effective functioning of the Board.

The current composition of NC of the Company is set out below:

Name of Director	Designation
Datin Shelina Binti Razaly Wahi, Chairperson	Independent Non-Executive Director
Ong Keng Siew, Member	Independent Non-Executive Director
Yeong Siew Lee, Member	Independent Non-Executive Director

The NC is primarily responsible to review the size, structure and composition of the Board, as well as to assess the performance of the Directors on an ongoing basis and to propose new candidates with the necessary skills, experience and competencies to the Board as and when necessary. The NC will deliberate in-depth appointment matters prior to the Board making the final decision on new appointments. The Terms of Reference of NC which set outs its authority and duties is published on the Company's website at https://ir2.chartnexus.com/pekat/corporate-governance.

During the financial year ended 31 December 2021 and up to the date of inclusion of this statement in the Annual Report, NC undertook the following activities as follows:

- Reviewed and recommended the composition of Board Committees in reference to the updated MCCG 2021;
- Assessed the performance of the Board as a whole, Board Committees as well as individual Directors, via self-assessment and peer assessment, and facilitated internally by the Company Secretary;
- Reviewed and assessed the independence of Independent Non-Executive Directors;
- Reviewed and recommended on the re-election of retiring Directors at the forthcoming Annual General Meeting ("AGM"); and
- Reviewed the training programmes attended by all Directors during the financial year ended 31 December 2021 and determined the training needs of the Directors.

5. Overall Board Effectiveness

5.1 Annual Board Effectiveness Evaluation

The NC supports and assists the Board in assessing and evaluating the performance and effectiveness of the Board and Board Committees in terms of their roles and responsibilities as well as discharge of their duties. The assessment criteria for Board and Board Committees includes composition of the Board, quality of information, time commitment to Board and Board Committees' meetings as well as quality of information and decision making. The assessment criteria for individual directors, on the other hand, ranges from skillset, qualifications, experiences, independence, contribution to interaction, knowledge and quality of input.

The annual assessment on the effectiveness of the Board, Board Committees and individual directors is conducted via self-assessment and peer evaluation. The assessment results were then compiled and tabled to the NC and Board for review. The NC will also make reference to the assessment results in recommending the re-election/re-appointment of Directors and Board Committee members to the Board as well as in identifying further training and development programmes for the Board members.

The Board did not engage external party to undertake an independent assessment of Directors as the Board is of the view that the current evaluation framework is adequate and effective. Based on the assessment conducted for financial year ended 31 December 2021, the Board, with the assistance from NC, was satisfied with the current size, composition and well-balanced mix of individuals with necessary skills, qualifications and experience amongst the Board as well as the independence of our INEDs. The Board after due consideration, concluded that the Board, Board Committees and individual Directors had discharged their duties and responsibilities effectively.

PART III : REMUNERATION

6. Board Remuneration

6.1 Remuneration Committee

The Remuneration Committee ("RC") is responsible for advising and supporting the Board in establishing a formal remuneration policy and recommending appropriate remuneration packages for the Directors and the Key Senior Management.

A key element of the remuneration policy is to structure the remuneration components for Executive Directors by linking rewards to the Group's financial performance and long-term objectives. As such, the remuneration package for Executive Directors will include components such as basic salary, fees, allowances, bonuses and other benefits-in-kind payments. Remuneration components for Non-Executive Directors, on the other hand, is linked to their level of contribution and their respective responsibilities, including attendance and time spent at Board meetings and Board Committee meetings held during the financial year.

The RC comprises three (3) members who are exclusively INEDs and the composition of the RC is as follows:

- Yeong Siew Lee, Chairperson
- Ong Keng Siew, Member
- Datin Shelina Binti Razaly Wahi, Member

The RC meets at least once a year and whenever necessary. During financial year ended 31 December 2021, the RC held one (1) meeting on November 2021 and all the members have attended the meeting where the RC reviewed the recommendations of the remuneration packages for Non-Executive Directors, Executive Directors and Key Senior Management for the approval by the Board, with each individual Director or Key Senior Management abstaining from the deliberation and decision of their own remuneration.

The roles and responsibilities of the RC are governed by the Terms of Reference and is available on the Company's website at https://ir2.chartnexus.com/pekat/corporate-governance.

7 Remuneration of Directors and Key Senior Management

7.1 Details of Directors' Remuneration

The remuneration of the Directors of the Group for financial year ended 31 December 2021 are as follows:

A The Company

Name of Directors	Fees RM'000	Salaries RM'000	Benefits in Kind RM'000	Allowance RM'000	Bonus RM'000	Others RM'000	Total RM'000
Kok Kong Chin	66.0	-	-	25.5	-	-	91.5
Chin Soo Mau	-	-	-	-	-	-	-
Tai Yee Chee	-	-	-	-	-	-	-
Wee Chek Aik	-	-	-	-	-	-	-
Ong Keng Siew	42.0	-	-	18.5	-	-	60.5
Teh Li King	36.0	-	-	15.5	-	-	51.5
Datin Shelina binti Razaly Wahi	42.0	-	-	17.5	-	-	59.5
Yeong Siew Lee	42.0	-	-	18.5	-	-	60.5
Total	**228.0**	**-**	**-**	**95.5**	**-**	**-**	**323.5**

B The Group

Name of Directors	Fees RM'000	Salaries RM'000	Benefits in Kind RM'000	Allowance RM'000	Bonus RM'000	Others RM'000	Total RM'000
Kok Kong Chin	66.0	-	-	25.5	-	-	91.5
Chin Soo Mau	60.0	534.8	-	97.6	-	103.5	795.9
Tai Yee Chee	60.0	511.8	-	56.0	-	101.1	728.9
Wee Chek Aik	60.0	511.8	-	56.0	-	100.0	727.8
Ong Keng Siew	42.0	-	-	18.5	-	-	60.5
Teh Li King	36.0	-	-	15.5	-	-	51.5
Datin Shelina binti Razaly Wahi	42.0	-	-	17.5	-	-	59.5
Yeong Siew Lee	42.0	-	-	18.5	-	-	60.5
Total	**408.0**	**1,558.4**	**-**	**305.1**	**-**	**304.6**	**2,576.1**

7.2 Remuneration of Key Senior Management

The remuneration of the Key Senior Management ("KSM") of the Group for financial year ended 31 December 2021 are as follows:

Range of Remuneration	Group Number of KSM
RM300,001 to RM350,000	2
RM450,001 to RM500,000	1
Total	3

Due to confidentiality and sensitivity of the KSM's remuneration package, the Board opts not to disclose the remuneration components of the KSM on a named basis.

The Board is of the view that the disclosure of the KSM's remuneration components on a named basis would not be in the best interests of the Company given the competitive industries that the Group operates in as such disclosure may result in recruitment and talent retention issues. The Board is of the opinion that disclosure of the KSM's aggregated remuneration on an unnamed basis in the bands of RM50,000 is adequate.

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I : AUDIT AND RISK MANAGEMENT COMMITTEE

8. Effective and Independent Audit and Risk Management Committee

8.1 Members and Chairman of Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") assists and supports the Board in the areas of the Group's financial reporting, system of risk management and internal controls and the review of related party transactions as well as conflict of interest situations.

The ARMC comprises three (3) members, all of whom are INEDs. In terms of expertise and experience, the ARMC has two members who are qualified accountants and another member who is experienced in the legal field. All three members have extensive commercial experiences from various industries and this is deemed to be sufficient for the ARMC to fulfil their duties and responsibilities effectively pursuant to the Terms of Reference of the ARMC published on the Company's website at https://ir2.chartnexus.com/pekat/corporate-governance.

The members of the ARMC of the Company are as follows:

Name of Director	Designation
Ong Keng Siew, Chairman	Independent Non-Executive Director
Datin Shelina Binti Razaly Wahi, Member	Independent Non-Executive Director
Yeong Siew Lee, Member	Independent Non-Executive Director

The performance of individual ARMC members was evaluated as part of the annual Board effectiveness evaluation. Based on the results of the evaluation, the Board is satisfied that the ARMC and the individual ARMC members have discharged their responsibilities according to its Terms of Reference and be able to exercise objective and independent judgment.

8.2 Assessment of External Auditors

The Company has established a transparent and appropriate relationship with its External Auditors in seeking their professional advice and to ensure compliance with applicable approved accounting standards in Malaysia. The ARMC met with External Auditors twice in April 2021 and February 2022 without the presence of the Executive Directors and Management to ensure an unbiased discussion on issues requiring attention.

With the comments and assistance from the Chief Financial Officer ("CFO") who will be directly involved throughout the audit process, the ARMC conducts assessment on the suitability and independence of the External Auditors annually, taking into consideration their performance, adequacy and quality of the audit, independence and non-audit services. The CFO will subsequently compile results of the assessment for the ARMC Chairman who will then report to the Board. Having assessed their performance on the audit for the financial year ended 31 December 2021, the ARMC will recommend the re-appointment of External Auditors to the Board, upon which shareholders' approval will be sought at the forthcoming AGM.

The ARMC had obtained written assurance from the External Auditors on their independence throughout the conduct of the audit engagement with the Company in accordance with the relevant professional code of ethics and by-laws.

Further information on the ARMC and its activities during the financial year ended 31 December 2021 are set out in the ARMC Report in this Annual Report.

PART II : RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9. Effective Risk Management And Internal Control Framework

The Board recognises its responsibilities in maintaining a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets while achieving its business objectives. The ARMC assists and support the Board in discharging its roles and responsibilities to oversee the adequacy and effectiveness of the risk management and internal control system of the Group.

The Board has established a risk management framework within the Group as an ongoing process for identifying, evaluating, managing and monitoring the significant risks faced by the Group. With the assistance of an independent outsourced professional firm, the Group conducts regular reviews on the adequacy and effectiveness of its risk management and internal control systems, including financial, operational and IT controls. Risks arose from inadequate and ineffective system are assessed by the outsourced professional firm in accordance to the Group's risk profile. The ARMC, together with the Management, will review the reports before presenting matters requiring attention to the Board for deliberation and action on the mitigating measures.

With the assurance from the Management and relevant service providers, the Board is of the opinion that the Group's risk management and internal control system is adequate and effective to safeguard shareholders' interest and the Group's assets.

Further details of the Group's risk management and internal control system are elaborated in the Statement on Risk Management and Internal Control in this Annual Report.

10. Internal Audit Function

For the financial year ended 31 December 2021, the Group's internal audit function has been outsourced to an external professional firm, PKF Risk Management Sdn. Bhd. The Internal Auditors are tasked to audit the Group's system of internal controls and the processes that the Group has put in place to identify, evaluate, manage and report risks.

The Internal Auditors have declared to the Board that they have no direct operational responsibility and authority over the activities audited and are free from any relationships or conflict of interest that could affect their objectivity and independence.

The Internal Auditors conduct internal audit review regularly on different business functions according to the internal audit plan approved by the ARMC to assess and evaluate the adequacy and effectiveness of the governance, risk management and internal controls of the Group. This is done by monitoring, analysing and assessing the risks and mitigating controls within the Group as well as reviewing the Group's compliance with both internal policies and statutory/regulatory requirements.

Audit reports prepared by the Internal Auditors are presented to the ARMC for review and deliberation with the Board being informed of any significant audit findings. The internal audit function of the Group is further elaborated in the Statement of Risk Management and Internal Control in this Annual Report.

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

PART I : COMMUNICATION WITH STAKEHOLDERS

11. Continuous Communication Between the Company and Stakeholders

The Board recognises the importance of timely and equal dissemination of information on major developments of the Group to the shareholders as well as a constructive and effective relationship with other stakeholders.

The Company engages its shareholders and other stakeholders through various platforms such as company announcements in Bursa Securities, corporate website, general meetings , media releases as well as briefings to analysts and media.

In order to ensure high degree of transparency, the Company makes use of online channels to disseminate a wide range of corporate and financial disclosures that are essential to its shareholders, stakeholders and the general investing public. Relevant corporate information such as announcements made by the Company, annual reports, minutes of general meetings, Board Charter, Board Committees' Term of Reference and relevant Board policies can be found at the "Investor Relations" section on the Company's website.

Additionally, the Board has also made available other channels of communication whereby shareholders, stakeholders and the general public can e-mail their queries to enquiries@pekatgroup.com.

PART II : CONDUCT OF GENERAL MEETINGS

12. Shareholders Participation at General Meeting

General meetings remain as the principal forum for dialogue between the Board and the shareholders on any arising concern. The Company complies with the requirements to send the notice of Annual General Meeting ("AGM") at least twenty-eight (28) days before the meeting. This provides shareholders with ample time to review the financial and operational performance of the Group and to evaluate proposed resolutions to be approved at the AGM, thus enabling them to make informed decisions.

In consideration of the health and safety of the shareholders and employees, the forthcoming 3rd AGM which is also the Company's first AGM as a public listed company, will be held virtually via Remote Participation and Voting Facilities on 9 June 2022.

Pursuant to the recommendation of MCCG, all directors of the Company will attend general meetings. In addition, Management of the Company and the External Auditors are also invited and present at the AGM to answer questions from shareholders pertaining the information in the Annual Report.

Pursuant to Paragraph 8.31A(1) of the Listing Requirements, all resolutions set out in the notice of general meetings will be put to vote by way of poll. The votes cast at general meetings will be validated by an independent scrutineer appointed by the Company. The results of each resolution and the name of the independent scrutineer will be made known to Bursa Securities on the same day of the general meeting.

STATEMENT BY THE BOARD ON CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board shall continue to comply and remain committed to high standards of corporate governance and the highest level of integrity and ethical standards in all of its business dealings. The Company has in all aspects satisfactorily complied with the principles and best practices set out in the MCCG 2021, except for the departures set out in the Corporate Governance Report.

Audit and Risk Management Committee Report

The Audit Committee ("AC") was established by the Board on 17 September 2020 as part of its preparation for listing of the Company on the Bursa Securities and subsequently on 30 September 2021, both the Audit Committee and Risk Management Committee merged to become Audit and Risk Management Committee ("ARMC").

Composition And Meeting Attendance Of The AC

The AC comprises of three (3) members, all of whom are Independent Non-Executive Directors.

The AC held a total of three (3) meetings during the financial year ended 31 December 2021. The details of members and the attendance of the AC members are as follows:

Name	Designation	Number of AC meetings attended
Ong Keng Siew	Chairman (Independent Non-Executive Director)	3/3
Kok Kong Chin	Member (Independent Non-Executive Director)	3/3
Yeong Siew Lee	Member (Independent Non-Executive Director)	3/3

Composition And Meeting Attendance Of The ARMC

The ARMC comprises of three (3) members, all of whom are Independent Non-Executive Directors.

The ARMC held a total of one (1) meeting during the financial year ended 31 December 2021. The details of members and the attendance of the ARMC members are as follows:

Name	Designation	Number of AC meetings attended
Ong Keng Siew	Chairman (Independent Non-Executive Director)	1/1
Yeong Siew Lee	Member (Independent Non-Executive Director)	1/1
Datin Shelina Binti Razaly Wahi	Member (Independent Non-Executive Director)	1/1

None of the members of AC and ARMC were former key audit partners of our existing External Auditors. The Chairman of the AC and ARMC is appointed by the Board and is not the Chairman of the Board. The Chairman is a member of the Malaysian Institute of Accountants since 1983. The composition of the AC and ARMC meets the requirements of paragraph 15.09 and 15.10 of the AMLR of Bursa Securities and the MCCG. No alternate director is appointed as a member of the ARMC,

The Company Secretary acts as the Secretary of the AC and ARMC.

The AC and ARMC members are provided with the agenda and relevant Committee papers before each meeting. Minutes of each meeting were recorded and tabled for confirmation at the next meeting and subsequently presented to the Board for notation.

Term Of Reference ("TOR")

The AC and ARMC have discharged its function and carried out its duties as set out in the TOR.

The detailed TOR of the merged ARMC outlining the composition, duties and functions, authority and procedures of the ARMC is published and available on the Company's website at https://ir2.chartnexus.com/pekat/corporate-governance.php

Summary Of Activities

During the financial year ended 31 December 2021, the AC and ARMC conducted the following activities to discharge its functions and duties:

Financial Statements

Prior to the listing of the Company on the ACE Market of Bursa Securities on 23 June 2021, the Accountant's Report and proforma financial statements were reviewed by the AC for inclusion in the Company's Prospectus in conjunction with the Company's Initial Public Offering.

After the listing, the AC and ARMC had 10 June 2021, 24 August 2021, 22 November 2021 and 21 February 2022, reviewed the unaudited quarterly financial reports of the Group for the quarterly reports for the quarterly ended 31 March 2021, 30 June 2021, 30 September 2021 and 31 December 2021 respectively to ensure that the quarterly financial results complied with Malaysian Financial Reporting Standards and Appendix 9B of the AMLR of Bursa Securities. The key senior management was present during the meetings to present and explain the financial performance of the Group to the members of AC and ARMC.

Risk Management and Internal Control

i. Reviewed and approved the guideline for managing risk within the Group as well as monitor and assess the risk appetite and risk tolerance for the Group.

ii. Reviewed the principal risk and ensure implementation of appropriate risk management systems to effectively identify, analyse, evaluate, manage, monitor, treat and mitigate the risks impacting the Group.

iii. Reviewed the Statement on Risk Management and Internal Control for disclosure in the 2021 Annual Report.

Internal Audit

i. Reviewed the annual internal audit plan including the adequacy of the audit scope, approach, methodology, resources and authority of the internal audit function in carrying out its audit activities and provided input on key areas to be included in the plan.

ii. Reviewed the quarterly internal audit reports which encompassed the audit issues, audit recommendations, Management's responses to these recommendations and improvement actions in the area of internal controls, systems and efficiency enhancements suggested by the Internal Auditors.

iii. Reviewed the progress of the implementation of Internal Auditors' recommendations on outstanding audit findings on a quarterly basis to ensure all key risks and control issues were addressed.

iv. Reviewed the ARMC Report to be published in the Annual Report.

External Audit

i. Reviewed the audited financial statements with the External Auditors and Management before recommending them to the Board for adoption.

ii. Reviewed the External Auditors' audit plan, which outlined the audit scope, areas of audit emphasis and the auditors' independence.

iii. Evaluated the performance of the External Auditors for the financial year ended 31 December 2021 assessing the suitability, objectivity and professionalism of the External Auditors.

iv. Met with the External Auditors without the presence of the Management on 21 February 2022 to discuss key issues within their responsibilities and to ensure there were no restrictions on their scope of audit.

Compliance and Whistleblowing

i. Reviewed and approved the Term of References for Board committees, Board Charter, Anti-Bribery and Corruption Policy, and Whistleblowing Policy.

ii. Obtained updates from the Management regarding regulatory compliance matters.

Internal Audit Function

The internal audit function of the Group is outsourced and reports directly to the AC and ARMC. The scope and responsibilities of the function include the evaluation of the adequacy and effectiveness of the governance, risk management and internal controls. All the internal audit team members are free from any relationship or conflict of interest that could impair their objectivity and independence as Internal Auditors.

Reviews are carried out based on the approved internal audit plan for 2021, which was developed using a risk-based approach and in line with the Group's direction. The internal audit plan was assessed on a quarterly basis in alignment with the business and risk environment.

For the financial year ended 31 December 2021, internal audit function carried out audit assignments covering Trade Receivables and Credit Control Management and Supply Chain Management. All audit findings were highlighted to relevant Management team members responsible for ensuring that corrective actions on reported weaknesses are taken within the required timeframe. Summary of the audit reports were issued to the ARMC quarterly incorporating findings and Management's remediation actions.

The total cost incurred in maintaining the internal audit function for the financial year ended 31 December 2021 was RM64,000.

The ARMC Report was endorsed by the ARMC on 15 April 2022.

Statement on Risk Management and Internal Control

The Board of Directors ("the Board") of Pekat Group Berhad ("the Company") is pleased to present the Statement on Risk Management and Internal Control of the Company and its subsidiaries ("the Group") which outlines the nature and scope of risk management and the internal control systems of the Group for the financial year ended 31 December 2021. The Statement is provided pursuant to Paragraph 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("AMLR"), the Malaysian Code on Corporate Governance and the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

The disclosures in this Statement exclude the risk management and internal control practices of the Group's associates.

Board Responsibility

The Board has overall responsibility for establishing a sound risk management and internal control system to safeguard shareholders' interests and the Group's assets as well as for reviewing its adequacy and effectiveness on a regular basis.

In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage risks and monitor controls rather than to eliminate the risk of failure on the achievement of corporate objectives. Accordingly, it provides reasonable but not absolute assurance against material misstatements or losses.

The Board is assisted by the Audit and Risk Management Committee ("ARMC") in implementing the risk management and internal control practices within the Group. This includes an ongoing process of identifying, analysing, evaluating, managing and monitoring significant risks faced by the Company in achieving its business objectives and where appropriate, the Management is required to implement pertinent controls to address emerging issues and areas of control deficiencies. The Board confirms that this process has been in place for the financial year under review and up to the date for the inclusion in the Annual Report.

Risk Management

The Board recognises the importance of a risk management system in business sustainability and has put in place a risk management framework within the Group as an ongoing process for identifying, evaluating, managing and monitoring the significant risks faced by the Group. The framework details information on the Group's risk profile, risk register and appropriate control measures to manage the risks. The corporate risk register is constantly updated by the Management and Heads of Department to manage identified risks within defined parameters and standards.

The risk identification process involves reviewing and identifying the possible risk exposure arising from changes in both external business environment and internal operating conditions. The analysis and measurement of risks are guided by both quantitative and qualitative measures based on the rating of risk likelihood and the risk impact. Risk control actions are then implemented and prioritised based on the risk analysis and measurement conducted. The Group constantly monitors and reviews the risks affecting the Group to ensure timely responses to emerging risks.

The ARMC, together with the Chief Executive Officer and Executive Directors, held four (4) meetings in the financial year ended 31 December 2021 to discuss key risks and the relevant mitigating controls on a quarterly basis. Outcome of ARMC meetings is subsequently tabled to the Board for notation. The Board is of the view that there is a risk management system in place within the Group to manage the risks affecting the achievement of its business objectives throughout the financial year and up to the date of approval of the Annual Report.

Internal Audit Function

The internal audit function is outsourced to an external service provider ("Internal Auditors") to provide assurance on the Group's internal control system and reports directly to the ARMC on quarterly basis. The scope and responsibilities of the function include the evaluation of adequacy and effectiveness of risk management and internal control system. The Internal Auditors is free from any relationship or conflict of interest that could impair their objectivity and independence as Internal Auditors.

Internal audit reviews were carried out based on Internal Audit Plan approved by the ARMC, which was developed using a risk-based approach and in line with the Group's direction. The Internal Audit Plan was assessed on a quarterly basis to align with the business and risk environment that the Group operates in.

During the financial year ended 31 December 2021[To define in full if it is not defined earlier], two (2) internal audit reviews were conducted on Receivables and Credit Control and Supply Chain Management of the Group. All audit findings were presented by the Internal Auditors, together with Management's response and recommendations for improvement, to the ARMC during the quarterly ARMC meetings.

Internal Control

Internal controls are embedded into the operational policies and procedures of the Group's business functions. The key elements of the Group's internal controls which have been in place are described below:

- The Board is supported by several committees, namely the Nominating Committee, Remuneration Committee and ARMC. Regular Board meetings and Board Committee meetings are held to discuss business, financial and operational matters including potential risk and control mitigations;
- Anti-Bribery and Corruption Policy and Whistleblowing Policy which serve as the primary guidance in shaping the ethical and behavioral conduct within the Group;
- Organisational structure with a clearly defined line of responsibility and delegated authority that is aligned to business and operational requirements. Strategic business direction is entrusted to the Executive Directors, while the management of respective business functions are delegated to the Heads of Department;
- Defined Limits of Authority which set out the approval limits have been assigned and delegated to each approving authority within the Group;
- Documentation of Standard Operating Procedures ("SOPs") and policies to serve as a guiding principle for daily operations. The procedures and policies are reviewed as and when necessary to reflect changing business and operational requirements or to resolve any operational deficiencies;
- Regular management and operational meetings involving the Chief Executive Officer, Executive Directors and Heads of Department to discuss and review the business plans, financial and operational matters;
- Provision of training and development programmes to our employees to ensure competitiveness in adaptation to the changing environment. Continuous identification of training needs is performed through employees' performance evaluation processes; and
- Additional COVID-19 measures to safeguard the health and safety of our employees and to minimise the disruption to the Group's operations.

Review Of This Statement By The External Auditors

As required by Paragraph 15.23 of the AMLR, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Company for the financial year ended 31 December 2021 and have reported to the Board that nothing has come to their attention that cause them to believe that this Statement is inconsistent with their understanding of the process that the Board has adopted in the review of the adequacy and integrity of the systems of internal control of the Group.

Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

Assurance From Management

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating effectively, in all material aspects for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

Conclusion

The Board through the ARMC has reviewed the adequacy and effectiveness of the risk management and internal control system for the financial year ended 31 December 2021 and is of the view that the controls are operating adequately and effectively in all material aspects. The Board will continue to monitor all risks affecting the Group and take necessary measures to mitigate them and continue to enhance the adequacy and effectiveness of the risk management and internal control systems of the Group.

Additional Compliance Information

Utilisation Of Proceeds Raised From Corporate Proposal

Pekat Group Berhad ("the Company") was listed on the ACE Market of Bursa Malaysia Securities Berhad on 23 June 2021 ("Listing"). In conjunction with the Listing, the Company undertook a public issue of 138,668,000 new ordinary shares at an issue price of RM0.32 per share, raising gross proceeds of approximately RM44.4 million ("IPO Proceeds"). The status of the utilisation of the IPO Proceeds for the financial year ended 31 December 2021 is as follows:

Details of use of proceeds	Proposed Utilisation RM'000	Deviation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Percentage of utilisation %	Estimated timeframe for use from the date of Listing
Construction of new head office and operational facility	18,000	-	-	18,000[1]	0.0	March 2023
Working Capital	12,674	173	(12,443)	404	96.9	Within 12 months
Repayment of bank borrowings	10,000	-	(10,000)	-	100.0	Within 3 months
Listing expenses	3,700	(173)	(3,527)	-	100.0	Within 1 month
	44,374	-	(25,970)	18,404	58.5	

Note:
(1) There is a proposed variation in the use of proceeds in relation to the RM18,000,000 initially allocated for the construction of new head office and operational facility to working capital purpose, subject to the approval of the Company's shareholders in the forthcoming Extraordinary General Meeting to be held on 9 June 2022.

The utilisation of proceeds as disclosed above should be read in conjunction with the Company's Prospectus dated 2 June 2021.

Audit & Non-Audit Fees

The amount of fees paid/payable to Grant Thornton Malaysia PLT, External Auditors, and its member firm and affiliate for the audit and non-audit services rendered to the Company and its subsidiaries ("Group") for the financial year ended 31 December 2021 are as follows:

	Group 2021 RM'000	Company 2021 RM'000
Statutory audit	120	20
Non-statutory audit	2	-
Total Fees	122	20

The non-statutory audit fees include services performed in connection with the review of Statement on Risk Management and Internal Control.

Material Contracts

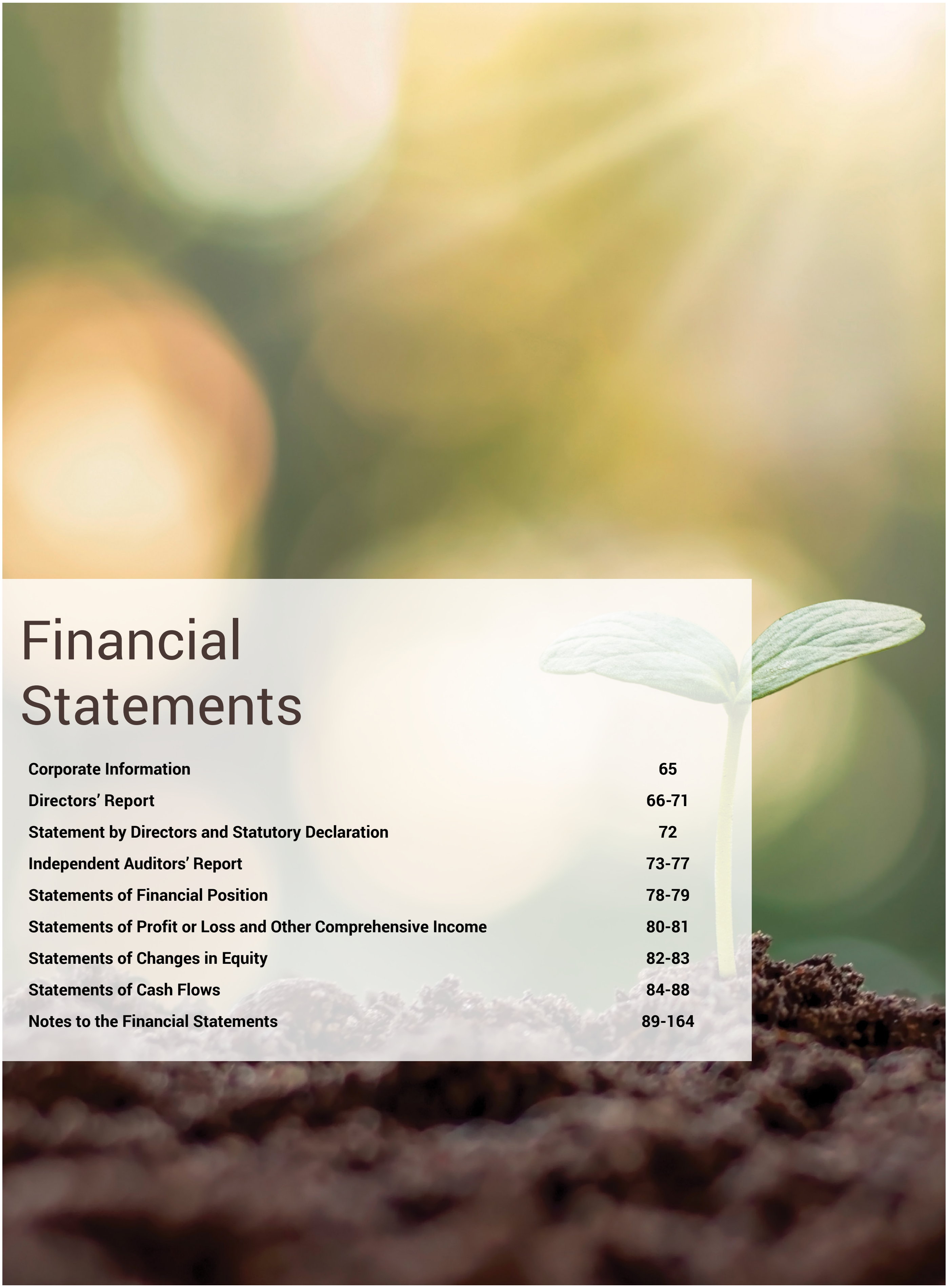
There were no material contracts entered into by the Group involving the interests of the Directors and/or major shareholders during the financial year ended 31 December 2021 or still subsisting at the end of the financial year ended 31 December 2021.

Employees' Share Option Scheme ("ESOS")

There was no ESOS established since the date of listing.

Recurrent Related Party Transactions

The Company will be seeking its first shareholders' mandate for the Recurrent Related Party Transactions ("RRPTs"), following its listing on 23 June 2021, in its forthcoming Third Annual General Meeting to be held on 9 June 2022. The details of the proposed shareholders' mandate for RRPTs to be entered by the Company and/or its subsidiaries with the related parties are disclosed in the Circular to Shareholders dated 29 April 2022 to be issued together with this Annual Report 2021.



Financial Statements

Corporate Information

DIRECTORS	Kok Kong Chin (Independent Non-Executive Chairman) Chin Soo Mau (Non-Independent Managing Director) Tai Yee Chee (Non-Independent Executive Director) Wee Chek Aik (Non-Independent Executive Director) Teh Li King (Non-Independent Non-Executive Director) Ong Keng Siew (Independent Non-Executive Director) Yeong Siew Lee (Independent Non-Executive Director) Datin Shelina Binti Razaly Wahi (Independent Non-Executive Director)
AUDIT AND RISK MANAGEMENT COMMITTEE	Ong Keng Siew (Chairman) Yeong Siew Lee Datin Shelina Binti Razaly Wahi (Appointed on 30 September 2021) Kok Kong Chin (Resigned on 30 September 2021)
SECRETARIES	Choo Sook Fun (Appointed on 22 March 2022) Ong Wai Leng (Appointed on 22 March 2022) Wong Yoke Fun (Resigned on 22 March 2022) Rebecca Kong Say Tsui (Resigned on 22 March 2022)
AUDITORS	Grant Thornton Malaysia PLT (Member Firm of Grant Thornton International Ltd.) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 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
PRINCIPAL PLACE OF BUSINESS	3A, 5 & 6 Teknologi Kubik, No. 6, Jalan Teknologi 3/4, Taman Sains Selangor 1 Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan
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
STOCK EXCHANGE LISTING	ACE Market of Bursa Malaysia Securities Berhad

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are described in Note 7 to the financial statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	12,642,496	(2,362,422)
Attributable to:-		
Owners of the Company	12,659,061	(2,362,422)
Non-controlling interest	(16,565)	-
	12,642,496	(2,362,422)

RESERVES AND PROVISIONS

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

DIVIDENDS

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

DIRECTORS

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

Kok Kong Chin
Chin Soo Mau*
Tai Yee Chee*
Wee Chek Aik*
Teh Li King*
Ong Keng Siew
Yeong Siew Lee
Datin Shelina Binti Razaly Wahi

* *Directors of the Company and certain subsidiaries.*

In accordance with Clause 128 of the Company's Constitution, Chin Soo Mau, Datin Shelina Binti Razaly Wahi and Ong Keng Siew will retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Directors of the subsidiaries since the beginning of the financial year to date of this report, not including those Directors listed above are as follows:-

Chew Teik Siang
Chong Lena
Wong Boon Kwang
Johann Sze Wei Qiang (Appointed on 3 August 2021)
Yong Boon Chuan (Appointed on 28 December 2021)

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.1.2021	Bought	Sold	At 31.12.2021
Interests in the Company				
Direct interests				
Kok Kong Chin	-	150,000	-	150,000
Chin Soo Mau	-	225,061,800	-	225,061,800
Tai Yee Chee	-	66,776,900	-	66,776,900
Wee Chek Aik	-	55,638,300	-	55,638,300
Teh Li King	-	100,000	-	100,000
Ong Keng Siew	-	100,000	-	100,000
Yeong Siew Lee	-	100,000	-	100,000
Datin Shelina Binti Razaly Wahi	-	100,000	-	100,000

DIRECTORS' INTERESTS (CONT'D)

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

	Number of ordinary shares			
	At 1.1.2021	Bought	Sold	At 31.12.2021
Interests in the Company (cont'd)				
Deemed interest				
Wee Chek Aik*	-	609,000	-	609,000

** Deemed interest by virtue of his shareholdings in Best Shine Avenue Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.*

By virtue of the direct interest of Chin Soo Mau in the Company, he is also deemed to has interest in shares of all the subsidiaries to the extent that the Company has an interest under Section 8 of the Companies Act 2016.

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

DIRECTORS' REMUNERATIONS

During the financial year, the remunerations received and receivables by the Directors of the Company and its subsidiaries are as follows:-

	Incurred by the Company RM	Incurred by the subsidiaries RM	Total RM
Directors' fee	228,000	180,000	408,000
Salaries, wages and other emoluments	95,500	2,334,120	2,429,620
Defined contribution plan	-	356,832	356,832
Social security contribution	-	10,157	10,157
	323,500	2,881,109	3,204,609

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains Directors' and Officers' liabilities insurance for the purpose of Section 289 of the Companies Act 2016, throughout the financial year which provides appropriate insurance coverage for the Directors and Officers of the Company and its subsidiaries. The amount of insurance premium paid during the financial year amounted to RM2,250.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued:-

(a) 138,668,000 new ordinary shares at an issue price of RM0.32 per ordinary shares for a total cash consideration of RM44,373,760 for cash pursuant to its Initial Public Offering exercise.

(b) 506,300,000 new ordinary shares at an issue price of RM0.10 per ordinary shares, in total RM50,630,000 as the purchase consideration for an acquisition of a subsidiary during the financial year.

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

There was no issuance of debentures during the financial year.

OTHER STATUTORY INFORMATION

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

(a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, the Directors are not aware of any circumstances (cont'd):-

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

(a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the year of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due;

(b) the results of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

AUDITORS

The Auditors' remuneration of the Group and of the Company are disclosed in Note 26 to the financial statements.

The Company has agreed to indemnify the Auditors, Grant Thornton Malaysia PLT, as permitted under Section 289 of the Companies Act 2016 in Malaysia. No payment has been made to indemnify Grant Thornton Malaysia PLT for the financial year ended 31 December 2021.

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

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

....	)	
CHIN SOO MAU	)	
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	)	
	)	DIRECTORS
	)	
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	)	
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	)	
....	)	
WEE CHEK AIK		

Kuala Lumpur
15 April 2022

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 78 to 164 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and their cash flows for the financial year then ended.

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

....	....
CHIN SOO MAU	WEE CHEK AIK

Kuala Lumpur
15 April 2022

Statutory Declaration

I, Oh Keng Jin, being the Officer primarily responsible for the financial management of Pekat Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 78 to 164 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by	)	
the abovenamed at Kuala Lumpur in	)	
the Federal Territory this day of	)	
15 April 2022	)	....
		OH KENG JIN
		(MIA NO.: 16866)

Before me:

Commissioner for Oaths

Independent Auditors' Report

To The Members Of PEKAT GROUP BERHAD (Incorporated in Malaysia)
Registration No: 201901011563 (1320891-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Pekat Group Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 78 to 164.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Impairment Losses on Trade Receivables and Contract Assets

The Risk

Referring to Notes 9 and 12 to the financial statements. We focused on these areas because the Group has trade receivables that are past due but not impaired and contract assets. Management judgement is required in determining the completeness of the provision for the trade receivables and contract assets and assessing their adequacy through considering the expected recoverability.

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

Key Audit Matters (Cont'd)

Impairment Losses on Trade Receivables and Contract Assets (cont'd)

Our Response

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

Inventories - Valuation Net

The Risk

Referring to Note 11 to the financial statements. The Group holds a significant amount of inventories which are subject to a risk that the inventories become slow-moving or obsolete, such that they could not be sold or only be sold for selling prices that are less than the carrying value. There is inherent subjectivity and estimation required in determining the accuracy of inventory obsolescence provision and in making an assessment of its adequacy due to risks such as inventories prices not valid and inventories not stated at the lower of cost and net realisable value.

Our Response

For inventories, we tested the methodology for calculating the provisions, challenged the appropriateness and consistency of judgements and assumptions, and considered the nature and suitability of historic data used in estimating the provisions. In doing so, we obtained understanding on the ageing profile of inventories, the process for identifying specific problem inventories and historic loss rates.

Revenue Recognition

The Risk

Referring to Note 23 to the financial statements. There are significant accounting judgements involved including determining the stage of completion, the timing of revenue recognition and the calculation under the percentage of completion method made by management in applying the Group's revenue recognition policies to installation contract entered into by the Group. The nature of these judgements resulted in them being susceptible to management override.

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

Our Response

We performed a range of audit procedures including obtained a sample of contracts or letter of awards, reviewed variation orders, reviewed estimated profit and costs to complete and enquired key personnel regarding adjustments for job costing and potential contract losses.

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

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

If, based on the work we have performed on the other information obtained prior to the date of the auditors' report, 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.

However, if after reading the other information when available and we conclude there is a material misstatement therein, we will communicate same to the Directors of the Company.

Responsibilities of 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 of 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 intend either to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements 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 communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

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

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

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.

Other Matters

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

GRANT THORNTON MALAYSIA PLT	LIM CHOOI LING
(201906003682 & LLP0022494-LCA)	(NO.: 03537/11/2022(J))
CHARTERED ACCOUNTANTS (AF 0737)	CHARTERED ACCOUNTANT

Kuala Lumpur
15 April 2022

Statements of Financial Position

As at 31 December 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**20,839,311**	20,072,877	**-**	-
Investment property	5	**150,400**	-	**-**	-
Intangible assets	6	**443,292**	640,408	**-**	-
Investment in subsidiaries	7	**-**	-	**79,139,980**	-
Investment in associates	8	**8,588,881**	2,149,479	**-**	-
Trade receivables	9	**-**	245,953	**-**	-
Amount due from a subsidiary	7	**-**	-	**4,725,000**	-
Total non-current assets		**30,021,884**	23,108,717	**83,864,980**	-
Current assets					
Other investment	10	**21,517,809**	1,158,588	**-**	-
Inventories	11	**34,276,476**	11,018,942	**-**	-
Trade receivables	9	**33,146,208**	28,920,735	**-**	-
Contract assets	12	**33,838,140**	23,970,695	**-**	-
Other receivables	13	**2,230,116**	3,183,179	**6,750**	6,360
Amount due from associates	8	**2,152,789**	9,240,536	**-**	-
Tax recoverable		**412,739**	-	**-**	-
Fixed deposits with licensed banks	14	**14,703,701**	9,135,078	**-**	-
Cash and bank balances		**28,198,911**	15,076,049	**7,457,840**	20
Total current assets		**170,476,889**	101,703,802	**7,464,590**	6,380
TOTAL ASSETS		**200,498,773**	124,812,519	**91,329,570**	6,380

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	15	**93,515,918**	550,040	**93,515,918**	20
Merger deficit	16	**(50,079,980)**	-	**-**	-
Retained earnings/(Accumulated losses)		**75,914,680**	63,255,619	**(2,400,209)**	(37,787)
		119,350,618	63,805,659	**91,115,709**	(37,767)
Non-controlling interest		**98,532**	70,097	**-**	-
TOTAL EQUITY		**119,449,150**	63,875,756	**91,115,709**	(37,767)
LIABILITIES					
Non-current liabilities					
Lease liabilities	17	**899,194**	391,984	**-**	-
Borrowings	18	**2,468,483**	13,330,885	**-**	-
Deferred tax liabilities	19	**263,000**	237,000	**-**	-
Total non-current liabilities		**3,630,677**	13,959,869	**-**	-
Current liabilities					
Trade payables	20	**34,790,924**	20,184,381	**-**	-
Contract liabilities	12	**10,628,115**	8,716,278	**-**	-
Other payables	21	**4,887,043**	2,758,656	**213,861**	44,147
Amount due to a related party	22	**20,250**	-	**-**	-
Lease liabilities	17	**300,952**	260,795	**-**	-
Borrowings	18	**25,303,021**	13,718,231	**-**	-
Tax payable		**1,488,641**	1,338,553	**-**	-
Total current liabilities		**77,418,946**	46,976,894	**213,861**	44,147
TOTAL LIABILITIES		**81,049,623**	60,936,763	**213,861**	44,147
TOTAL EQUITY AND LIABILITIES		**200,498,773**	124,812,519	**91,329,570**	6,380

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

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Revenue	23	**178,526,053**	125,561,856	**-**	-
Cost of sales		**(133,039,100)**	(87,439,495)	**-**	-
Gross profit		**45,486,953**	38,122,361	**-**	-
Other income		**1,970,884**	1,685,190	**29,932**	-
Administration expenses		**(28,295,585)**	(20,738,178)	**(2,475,488)**	(25,042)
Net impairment (loss)/ gain on financial assets		**(774,040)**	173,282	**-**	-
Other expenses		**(808,626)**	(1,090,249)	**-**	-
Operating profit/(loss)		**17,579,586**	18,152,406	**(2,445,556)**	(25,042)
Finance income	24	**350,234**	380,137	**83,134**	-
Finance costs	25	**(980,466)**	(887,474)	**-**	-
Share of profit of associates	8	**487,498**	737,832	**-**	-
Profit/(Loss) before tax	26	**17,436,852**	18,382,901	**(2,362,422)**	(25,042)
Tax expense	27	**(4,794,356)**	(4,808,667)	**-**	-
Profit/(Loss) for the financial year		**12,642,496**	13,574,234	**(2,362,422)**	(25,042)
Other comprehensive income for the financial year, net of tax		**-**	-	**-**	-
Total comprehensive income/(loss) for the financial year		**12,642,496**	13,574,234	**(2,362,422)**	(25,042)

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Profit/(Loss) for the financial year attributable to:-					
Owners of the Company		**12,659,061**	13,576,172	**(2,362,422)**	(25,042)
Non-controlling interest		**(16,565)**	(1,938)	**-**	-
		12,642,496	13,574,234	**(2,362,422)**	(25,042)
Total comprehensive income/(loss) attributable to:-					
Owners of the Company		**12,659,061**	13,576,172	**(2,362,422)**	(25,042)
Non-controlling interest		**(16,565)**	(1,938)	**-**	-
		12,642,496	13,574,234	**(2,362,422)**	(25,042)
Earnings per share					
Basic earnings per share (sen)	28	**2.66**	2,467.41		
Diluted earnings per share (sen)	28	**-**	-		

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

Statements of Changes in Equity

For the financial year ended 31 December 2021

		Attributable to owners of the Company					
		Non-distributable		Distributable			
	Note	Share capital RM	Merger deficit RM	Retained earnings RM	Total RM	Non-controlling interest RM	Total equity RM
Group							
At 1 January 2020		550,040	-	50,179,447	50,729,487	72,035	50,801,522
Transactions with owners:-							
Dividend paid	29	-	-	(500,000)	(500,000)	-	(500,000)
Total comprehensive income for the financial year		-	-	13,576,172	13,576,172	(1,938)	13,574,234
At 31 December 2020		550,040	-	63,255,619	63,805,659	70,097	63,875,756
Transactions with owners:-							
Share issued pursuant to acquisition of subsidiaries under common control		50,630,000	(50,079,980)	-	550,020	-	550,020
Adjustment on the acquisition of subsidiaries		(550,020)	-	-	(550,020)	-	(550,020)
Issuance of shares		44,373,760	-	-	44,373,760	-	44,373,760
Subscription of shares in a subsidiary by non-controlling interest		-	-	-	-	45,000	45,000
Total transactions with owners		94,453,740	(50,079,980)	-	44,373,760	45,000	44,418,760
Share issuance expenses		(1,487,862)	-	-	(1,487,862)	-	(1,487,862)
Total comprehensive income for the financial year		-	-	12,659,061	12,659,061	(16,565)	12,642,496
At 31 December 2021		**93,515,918**	**(50,079,980)**	**75,914,680**	**119,350,618**	**98,532**	**119,449,150**

	Share capital RM	Accumulated losses RM	Total RM
Company			
At 1 January 2020	20	(12,745)	(12,725)
Total comprehensive loss for the financial year	-	(25,042)	(25,042)
At 31 December 2020	20	(37,787)	(37,767)
Transactions with owners:-			
Share issued pursuant to acquisition of subsidiaries under common control	50,630,000	-	50,630,000
Issuance of shares	44,373,760	-	44,373,760
Total transactions with owners	95,003,760	-	95,003,760
Share issuance expenses	(1,487,862)	-	(1,487,862)
Total comprehensive loss for the financial year	-	(2,362,422)	(2,362,422)
At 31 December 2021	**93,515,918**	**(2,400,209)**	**91,115,709**

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

Statements of Cash Flows

For the financial year ended 31 December 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
OPERATING ACTIVITIES					
Profit/(Loss) before tax		**17,436,852**	18,382,901	**(2,362,422)**	(25,042)
Adjustments for:-					
Amortisation of intangible assets		**192,828**	179,937	**-**	-
Bad debts written off		**192,469**	12,671	**-**	-
Depreciation of property, plant and equipment		**799,133**	723,079	**-**	-
Dividend income		**(345,563)**	(55,466)	**(29,932)**	-
Fair value gain on other investment		**(953)**	(5,608)	**-**	-
Gain on disposal of associates		**-**	(32)	**-**	-
Gain on disposal of property, plant and equipment		**-**	(2,000)	**-**	-
Gain on disposal of subsidiaries		**-**	(18,160)	**-**	-
Gain on termination of lease contracts		**-**	(31,206)	**-**	-
Impairment loss on contract assets		**412,862**	637,598	**-**	-
Impairment loss on intangible assets		**92,750**	-	**-**	-
Impairment loss on trade receivables		**1,491,462**	221,308	**-**	-
Interest expenses		**980,466**	887,474	**-**	-
Interest income		**(350,234)**	(380,137)	**(83,134)**	-
Inventories written down		**565**	-	**-**	-
Property, plant and equipment written off		**-**	3,585	**-**	-
Reversal of impairment loss on contract assets		**(413,641)**	-	**-**	-
Reversal of impairment loss on trade receivables		**(717,422)**	(394,590)	**-**	-
Reversal of inventories written down		**(110,622)**	(179,397)	**-**	-
Reversal of provision for foreseeable losses		**(410,139)**	(1,432,315)	**-**	-
Share of profit of associates		**(487,498)**	(737,832)	**-**	-
Unrealised (gain)/loss on foreign exchange		**(172,478)**	66,212	**-**	-
Operating profit/(loss) before working capital changes		**18,590,837**	17,878,022	**(2,475,488)**	(25,042)
Changes in working capital:-					
Inventories		**(23,147,477)**	566,622	**-**	-
Receivables		**(3,773,416)**	(5,215,458)	**(390)**	-
Payables		**16,786,269**	6,534,220	**169,714**	25,042
Contract assets/liabilities		**(7,544,690)**	(7,204,505)	**-**	-
Associates		**7,311,353**	(3,442,638)	**-**	-
Cash generated from/(used in) operations		**8,222,876**	9,116,263	**(2,306,164)**	-
Interest received		**27,833**	34,636	**12,300**	-
Tax paid		**(5,031,007)**	(5,210,107)	**-**	-
Net cash from/(used in) operating activities		**3,219,702**	3,940,792	**(2,293,864)**	-

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
INVESTING ACTIVITIES					
Acquisition of a subsidiary, net of cash		**-**	-	**(79,139,980)**	-
Acquisition of associates		**(1,001,904)**	-	**-**	-
Additional investment in an associate		**(4,950,000)**	-	**-**	-
Advance to a subsidiary		**-**	-	**(4,725,000)**	-
Advance to associates		**(223,606)**	(898,546)	**-**	-
Dividend received		**345,563**	55,466	**29,932**	-
Interest received		**63,006**	142,344	**70,834**	-
Net inflow on disposal of a subsidiary		**-**	1,001	**-**	-
Proceeds from disposal of associates		**-**	32	**-**	-
Proceeds from disposal of other investment		**-**	8,910,000	**-**	-
Proceeds from disposal of property, plant and equipment		**-**	2,000	**-**	-
Purchase of intangible assets		**(88,462)**	(33,377)	**-**	-
Purchase of other investment		**(20,358,268)**	(555,442)	**-**	-
Purchase of property, plant and equipment	A	**(779,067)**	(4,766,896)	**-**	-
Repayment from related parties		**-**	10,226,919	**-**	-
Subscription of shares in a subsidiary by non-controlling interest		**45,000**	-	**-**	-
Net cash (used in)/from investing activities		**(26,947,738)**	13,083,501	**(83,764,214)**	-

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
FINANCING ACTIVITIES					
Advances from a related party		**20,250**	-	**-**	-
Repayment to associates		**-**	(207,855)	**-**	-
Dividend paid		**-**	(500,000)	**-**	-
Drawdown of bankers' acceptance		**64,893,020**	18,620,276	**-**	-
Drawdown of term loan		**50,374**	483,867	**-**	-
Drawdown of trust receipt		**1,922,000**	-	**-**	-
Fixed deposits pledged with licensed banks		**(5,568,623)**	(3,394,912)	**-**	-
Interest paid		**(980,466)**	(852,527)	**-**	-
Interest received		**160,984**	162,061	**-**	-
Proceed from issue of share capital, net of share issuance expense		**42,885,898**	-	**93,515,898**	-
Repayment to a Director		**-**	(500,000)	**-**	-
Repayment of bankers' acceptance		**(54,895,848)**	(16,783,004)	**-**	-
Repayment of lease liabilities		**(389,533)**	(448,927)	**-**	-
Repayment of term loan		**(10,547,158)**	(8,410,723)	**-**	-
Repayment of trust receipt		**(700,000)**	-	**-**	-
Net cash from/ (used in) financing activities		**36,850,898**	(11,831,744)	**93,515,898**	-
CASH AND CASH EQUIVALENTS					
Net changes		**13,122,862**	5,192,549	**7,457,820**	-
Brought forward		**15,076,049**	9,883,500	**20**	20
Carried forward	B	**28,198,911**	15,076,049	**7,457,840**	20

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Total purchase of property, plant and equipment	**1,715,967**	18,524,896	**-**	-
Less: Financed by lease liabilities	**(936,900)**	(70,000)	**-**	-
Less: Financed by borrowings	**-**	(13,688,000)	**-**	-
	779,067	4,766,896	**-**	-

B. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash and bank balances	**28,198,911**	15,076,049	**7,457,840**	20
Fixed deposits with licensed banks	**14,703,701**	9,135,078	**-**	-
	42,902,612	24,211,127	**7,457,840**	20
Less: Fixed deposits pledged with licensed banks	**(14,703,701)**	(9,135,078)	**-**	-
	28,198,911	15,076,049	**7,457,840**	20

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2021 RM	Drawdown RM	Repayment RM	Termination RM	31 December 2021 RM
Group					
Bankers' acceptance	**13,225,277**	64,893,020	(54,895,848)	-	**23,222,449**
Lease liabilities	**652,779**	936,900	(389,533)	-	**1,200,146**
Term loan	**13,823,839**	50,374	(10,547,158)	-	**3,327,055**
Trust receipt	**-**	1,922,000	(700,000)	-	**1,222,000**
Amount due to a related party	**-**	20,250	-	-	**20,250**
	27,701,895	67,822,544	(66,532,539)	-	**28,991,900**

	1 January 2020 RM	Drawdown RM	Repayment RM	Termination RM	31 December 2020 RM
Group					
Bankers' acceptance	11,388,005	18,620,276	(16,783,004)	-	13,225,277
Lease liabilities	1,202,850	70,000	(448,927)	(171,144)	652,779
Term loan	8,062,695	14,171,867	(8,410,723)	-	13,823,839
	20,653,550	32,862,143	(25,642,654)	(171,144)	27,701,895

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

Notes to the Financial Statements

31 December 2021

1. GENERAL INFORMATION

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

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located at 3A, 5 & 6 Teknologi Kubik, No. 6, Jalan Teknologi 3/4, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are described in Note 7 to the financial statements.

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

The financial statements were authorised for issue by the Directors in accordance with a resolution of the Board of Directors on 15 April 2022.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, except for equity financial assets that have been measured at fair value.

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

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

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

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

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

2.2 Basis of measurement (cont'd)

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

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

The Group and the Company have established control framework in respect of measurement of fair values of financial instruments. The Board of Directors has overall responsibility for overseeing all significant fair value measurements. The Board of Directors regularly reviews significant unobservable inputs and valuation adjustments.

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

2.3 Functional and presentation currency

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

2.4 MFRSs

2.4.1 Adoption of new standards/amendments/improvements to MFRSs

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

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2021.

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

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

2.4 MFRSs (cont'd)

2.4.2 Standards issued but not yet effective

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

Effective for the financial period beginning on or after 1 April 2021:-

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

Effective for the financial period beginning on or after 1 January 2022:-

Amendments to MFRS 3	Business Combinations: Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment: Proceeds Before Intended Use
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts Cost of Fulfilling a Contract

Annual improvements to MFRS standards 2018-2020 (MFRS 1*, MFRS 9 and MFRS 141*)

Effective for the financial period beginning on or after 1 January 2023:-

*MFRS 17**	*Insurance Contracts*
*Amendments to MFRS 17**	*Insurance Contracts*
*Amendments to MFRS 17**	*Initial Application of MFRS 17 and MFRS 9 - Comparative Information*
*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*
Amendments to MFRS 101	*Presentation of Financial Statements: Disclosure of Accounting Policies*
Amendments to MFRS 108	*Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*
Amendments to MFRS 112	*Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

2.4 MFRSs (cont'd)

2.4.2 Standards issued but not yet effective (cont'd)

Amendments to MFRSs – effective date deferred indefinitely:-

Amendments to MFRS 10 and MFRS 128	Consolidated Financial Statements and Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* *Not applicable to the Group and the Company.*

The initial application of the above new and amended standards are not expected to have any financial impact to the financial statements.

2.5 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management and will seldom equal the estimated results.

2.5.1 Key sources of estimation uncertainty

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

Useful lives of depreciable assets

The management assesses that the useful lives represent the expected utility of the assets to the Group. The management estimates the useful lives of the property, plant and equipment and right-of-use assets to be within 3 to 50 years and reviews the useful lives of the depreciable assets at the end of each reporting year. Actual results, however, may vary due to change in the expected level of usage and technological developments which resulting the adjustment to the Group's assets.

Amortisation of intangible assets

The software licenses are amortised on a straight-line basis over their useful lives of 5 years. The Group assesses annually the useful lives of the intangible assets and if the expectation differs from the original estimate, such difference will impact the amortisation expenses in the period in which such estimate had been charged.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in the future.

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

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Key sources of estimation uncertainty (cont'd)

Provision for expected credit losses ("ECLs") of trade receivables and contract assets

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

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

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

Impairment of non-financial assets

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

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

Revenue from contracts with customers

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

Significant judgment is required in determining the progress based on the certified work-to-date corroborated by the level of completion of the construction and installation based on actual costs incurred to-date over the estimated total construction and installation costs. The total estimated costs are based on approved budgets, which require assessments and judgments to be made on changes in, for example, work scope, changes in costs and costs to completion. In making these judgments, management relies on past experience and the work of specialists. A change in the estimates will directly affect the revenue to be recognised.

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

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Key sources of estimation uncertainty (cont'd)

Income taxes/Deferred tax liabilities

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters result is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses, unabsorbed capital allowances and unused tax credits to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences, unutilised tax losses and unabsorbed capital allowances 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.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

2.5.2 Significant management judgement

The following are significant management judgements made in applying the accounting policies of the Group and of the Company that have the most significant effect on the financial statements.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's and the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

3.1.1 Subsidiaries

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

Investment in subsidiaries is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs. Where an indication of impairment exist, the carrying amount of the subsidiaries is assessed and written down immediately to their recoverable amount.

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

3.1.2 Basis of consolidation

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.21 of the financial statements.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Business combinations

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

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

If business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.4 Merger method

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by same party or parties both before or after the business combination, and that control is not transitory. The acquisition of Pekat Teknologi Sdn. Bhd. and its subsidiaries resulted in a business involving common control entities since the management of all the entities which took part in the acquisition were controlled by common Directors and under common shareholders before and immediately after the acquisition, and accordingly the accounting treatment is outside the scope of MFRS 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements. The merger method of accounting on a retrospective basis and restated its comparative as if the consolidation had taken place before the state of the earliest period presented in the financial statements.

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

3.1.5 Loss of control

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

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

3.1.6 Non-controlling interest

Non-controlling interest 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 statements of financial position and statements of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interest in the results of the Group is presented in the consolidated statements of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between non-controlling interest and the owners of the Company.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.7 Eliminations on consolidation

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated on consolidation.

3.1.8 Associates

Associates are entities in which the Group has significant influence, but no control, over their financial and operating policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, investment in an associate is carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate is reflected in profit or loss. This is the profit attributable to equity holders of the associate and therefore is the profit after tax and non-controlling interests in the subsidiaries of the associate. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Where there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associates are prepared as of the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each end of the reporting period whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

Upon loss of significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency transactions and balances

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

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

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

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

3.3 Property, plant and equipment

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

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

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

Buildings	17% - 33%
Leasehold building	2%
Solar systems	4% - 20%
Furniture and fittings	20%
Office equipment	20%
Plant and machinery	20%
Renovations	20%
Motor vehicles	20%

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

Freehold land is not depreciated but is subject to impairment test if there is indication of impairment.

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

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

3.4 Investment properties

Investment properties are properties which are owned or held under a freehold interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use.

Investment properties are initially measured at cost. The cost of investment properties includes expenditure that is directly attributable to the acquisition of the assets. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of building is provided for on a straight line basis to write off the cost over its estimated useful life at 2% per annum.

Investment properties are derecognised when either they have been disposed off or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on retirement or disposal of an investment property are recognised in the statements of profit or loss in the financial year in which they arise.

3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss in the period in which it incurred.

The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite life are amortised on straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by charging the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets (cont'd)

Intangible assets with indefinite useful life are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at cash-generating unit level. Such intangibles are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

3.5.1 Software licenses

Software licences that is embedded in computer-controlled equipment, including operating system that cannot operate without that specific software is an integral part of the related hardware and is treated as property, plant and equipment.

Application software that is being used on a computer that is generally easily replaced and is not an integral part of the related hardware is classified as intangible asset.

Due to the risk of technological changes, the useful lives of all software licences are generally assessed to be finite. Software licences that are classified as intangible assets are amortised on a straight-line basis over its estimated useful life of 5 years.

3.6 Leases

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

3.6.1 As a lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

3.6.1 As a lessee (cont'd)

3.6.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:-

Office building	17% - 33%
Motor vehicles	20%

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

The right-of-use assets are also subject to impairment. The accounting policies for impairment of non-financial assets is set out in Note 3.7 to the financial statements.

3.6.1.2 Lease liabilities

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

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

3.6.1.3 Short-term leases and leases of low-value assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

3.6.2 As a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.7 Impairment of non-financial assets

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

Note 2.5 - Significant accounting estimates and judgements
Note 3.3 - Property, plant and equipment
Note 3.4 - Investment properties
Note 3.5 - Intangible assets
Note 3.6.1.1 - Right-of-use assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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

An impairment loss is recognised as expense in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of non-financial assets (cont'd)

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

Intangible assets with indefinite useful lives are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3.8 Financial instruments

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

3.8.1 Financial assets

Initial recognition and measurement

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

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

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

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (cont'd)

3.8.1 Financial assets (cont'd)

Initial recognition and measurement (cont'd)

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

Subsequent measurement

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

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

At the reporting date, the Group and the Company only have financial assets at amortised cost and financial assets at fair value through profit or loss.

Financial assets at amortised cost

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statements of profit or loss when the right of payment has been established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (cont'd)

3.8.1 Financial assets (cont'd)

Derecognition

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

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

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Impairment

The Group and the Company recognise an allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost, contract assets, and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (cont'd)

3.8.1 Financial assets (cont'd)

Impairment (cont'd)

Impairment for trade receivables and contract assets

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

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

*Impairment for financial assets other than trade receivables and contract asse*ts

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

Credit impaired

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

An impairment loss in respect of debt investments measured at fair value through 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 the financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (cont'd)

3.8.2 Financial liabilities

Initial recognition and measurement

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

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

The Group's and the Company's financial liabilities at amortised cost included trade payable, most of other payables, amount due to a related party and borrowings.

Subsequent measurement

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

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

Financial liabilities at amortised cost

Trade payables, most of other payables, amount due to a related party and borrowings are recognised initially at fair value plus transaction costs and thereafter, at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss.

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statements of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (cont'd)

3.8.2 Financial liabilities (cont'd)

Subsequent measurement (cont'd)

Financial liabilities at fair value through profit or loss (cont'd)

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

Derecognition

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

3.8.3 Offsetting of financial instruments

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

3.8.4 Financial guarantee contracts

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

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on weighted average basis and includes invoices of goods purchased and expenditure incurred in acquiring the inventories and 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.

Write-down to net realisable value and inventory losses are recognised as expense when it occurred and any reversal is recognised in the profit or loss in the year in which it occurs.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise fixed deposits with licensed banks, cash in hand, bank balances and bank overdraft which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Cash and cash equivalents (cont'd)

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

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

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

3.11 Equity, reserves and distribution to owners

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

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

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grants the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

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

3.12 Revenue and other income

3.12.1 Sales of goods

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group and the Company recognise revenue when (or as) it transfers control over a product or services to the customer. An asset is transferred when (or as) the customer obtains control of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Revenue and other income (cont'd)

3.12.1 Sales of goods (cont'd)

The Group and the Company transfer control of a good or service at a point in time unless one of the following overtime criteria is met:-

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

3.12.2 Installation services

Revenue from the installation of on-grid and off-grid photovoltaic systems and earthing and lighting protection system is recognised by reference to the stage of completion. Stage of completion is measured by reference to actual cost incurred to date as a percentage of total budgeted cost for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

3.12.3 Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.12.4 Interest income

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

3.12.5 Rental income

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

3.12.6 Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which is in the case of quoted securities is the ex-dividend date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Revenue and other income (cont'd)

3.12.7 Management fee income

Management fees are recognised when services are rendered.

3.13 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.

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

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

3.14 Tax expense

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

3.14.1 Current tax

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

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

3.14.2 Deferred tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Tax expense (cont'd)

3.14.2 Deferred tax (cont'd)

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences 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.

3.15 Sales and service tax ("SST")

Expenses and assets are recognised net of the amount of SST, except:

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

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

3.16 Employee benefits

3.16.1 Short-term employee benefits

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

3.16.2 Defined contribution plans

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

Such contributions are recognised as expenses in the profit or loss incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF").

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Provisions

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

If the effect of the time of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.18 Contingencies

3.18.1 Contingent liabilities

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

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.18.2 Contingent assets

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

3.19 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the board of directors that makes strategic decisions.

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, results, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, results, assets and liabilities are determined after elimination of intragroup balances and intragroup transactions as part of the consolidation process.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company based on the weighted average number of ordinary shares in issue during the financial year.

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

3.21 Related parties

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

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

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

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

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

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Leasehold building RM	Solar systems RM	Furniture and fittings RM	Office equipment RM	Plant and machinery RM	Renovations RM	Buildings RM	Motor vehicles RM	Total RM
Group										
Cost										
At 1 January 2020	-	160,000	1,554,714	572,711	1,636,095	-	3,174,170	1,117,362	2,430,974	10,646,026
Additions	17,821,681	-	-	-	351,749	250,321	24,252	-	76,893	18,524,896
Disposal	-	-	-	-	-	-	-	-	(76,950)	(76,950)
Written off	-	-	-	(187,650)	(407,135)	-	-	-	-	(594,785)
Termination of lease contracts	-	-	-	-	-	-	-	(852,890)	-	(852,890)
At 31 December 2020	17,821,681	160,000	1,554,714	385,061	1,580,709	250,321	3,198,422	264,472	2,430,917	27,646,297
Additions	-	-	-	31,989	431,021	-	107,825	-	1,145,132	1,715,967
Transfer to investment property	-	(160,000)	-	-	-	-	-	-	-	(160,000)
At 31 December 2021	**17,821,681**	**-**	**1,554,714**	**417,050**	**2,011,730**	**250,321**	**3,306,247**	**264,472**	**3,576,049**	**29,202,264**
Accumulated depreciation										
At 1 January 2020	-	3,200	1,424,329	504,185	1,049,201	-	2,850,462	668,529	1,731,537	8,231,443
Charge for the financial year	-	3,200	5,274	20,935	201,429	6,400	94,625	127,101	264,115	723,079
Disposal	-	-	-	-	-	-	-	-	(76,950)	(76,950)
Written off	-	-	-	(187,650)	(403,550)	-	-	-	-	(591,200)
Termination of lease contracts	-	-	-	-	-	-	-	(712,952)	-	(712,952)
At 31 December 2020	-	6,400	1,429,603	337,470	847,080	6,400	2,945,087	82,678	1,918,702	7,573,420
Charge for the financial year	-	3,200	5,274	20,364	275,368	51,036	96,747	44,079	303,065	799,133
Transfer to investment property	-	(9,600)	-	-	-	-	-	-	-	(9,600)
At 31 December 2021	**-**	**-**	**1,434,877**	**357,834**	**1,122,448**	**57,436**	**3,041,834**	**126,757**	**2,221,767**	**8,362,953**
Net carrying amount										
At 31 December 2021	**17,821,681**	**-**	**119,837**	**59,216**	**889,282**	**192,885**	**264,413**	**137,715**	**1,354,282**	**20,839,311**
At 31 December 2020	17,821,681	153,600	125,111	47,591	733,629	243,921	253,335	181,794	512,215	20,072,877

The freehold land is pledged to licensed bank for banking facilities granted to the Group as disclosed in Note 18 to the financial statements.

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

Leased assets

Included in the net carrying amount of property, plant and equipment are right-of-use assets as below:-

	Leasehold building RM	Buildings RM	Motor vehicles RM	Total RM
Group				
Cost				
At 1 January 2020	160,000	1,770,537	1,787,694	3,718,231
Additions	-	-	76,893	76,893
Transfer to property, plant and equipment	-	-	(61,887)	(61,887)
Termination of lease contract	-	(1,506,065)	-	(1,506,065)
At 31 December 2020	160,000	264,472	1,802,700	2,227,172
Additions	-	-	1,100,132	1,100,132
Transfer to property, plant and equipment	-	-	(789,951)	(789,951)
Transfer to investment property	(160,000)	-	-	(160,000)
At 31 December 2021	**-**	**264,472**	**2,112,881**	**2,377,353**
Accumulated depreciation				
At 1 January 2020	3,200	1,158,411	1,120,827	2,282,438
Charge for the financial year	3,200	181,533	245,356	430,089
Transfer to property, plant and equipment	-	-	(61,887)	(61,887)
Termination of lease contract	-	(1,257,266)	-	(1,257,266)
At 31 December 2020	6,400	82,678	1,304,296	1,393,374
Charge for the financial year	3,200	44,079	290,856	338,135
Transfer to property, plant and equipment	-	-	(739,758)	(739,758)
Transfer to investment property	(9,600)	-	-	(9,600)
At 31 December 2021	**-**	**126,757**	**855,394**	**982,151**
Net carrying amount				
At 31 December 2021	**-**	**137,715**	**1,257,487**	**1,395,202**
At 31 December 2020	153,600	181,794	498,404	833,798

The above motor vehicles are under finance lease arrangement and are pledged as security for the related lease liabilities.

5. INVESTMENT PROPERTY

	Leasehold building RM
Group	
Cost	
At 1 January 2020/At 31 December 2020	-
Transfer from property, plant and equipment	160,000
At 31 December 2021	**160,000**
Accumulated depreciation	
At 1 January 2020/At 31 December 2020	-
Transfer from property, plant and equipment	9,600
At 31 December 2021	**9,600**
Net carrying amount	
At 31 December 2021	**150,400**
At 31 December 2020	-

During the financial year, a property has been transferred from property, plant and equipment to investment property, since the leasehold building was no longer used by the Group and would be leased to a third party.

Fair value information

The fair value of investment property of the Group is categorised as follows:-

	Group Level 3 2021 RM
Leasehold building	**180,000**

The valuation of level 3 of investment property of the Group as at 31 December 2021 was based on information available through internet research and the Directors' best estimate by reference to indicative market price of similar properties in the vicinity and replacement cost model.

Income and expenses recognised in profit or loss

	Group 2021 RM
Rental income from investment property	**3,600**
Direct operating expenses:	
- Income generating investment property	**1,144**

6. INTANGIBLE ASSETS

	Software licenses RM
Group	
Cost	
At 1 January 2020	883,777
Additions	33,377
At 31 December 2020	917,154
Additions	88,462
At 31 December 2021	**1,005,616**
Accumulated amortisation	
At 1 January 2020	96,809
Amortisation for the financial year	179,937
At 31 December 2020	276,746
Amortisation for the financial year	192,828
At 31 December 2021	**469,574**
Accumulated impairment	
At 1 January 2020/At 31 December 2020	-
Impairment loss for the financial year	92,750
At 31 December 2021	**92,750**
Net carrying amount	
At 31 December 2021	**443,292**
At 31 December 2020	640,408

Impairment loss on intangible assets of the Group had been recognised due to the recoverable amount of the intangible assets was lower than the carrying amount.

The recoverable amount of the intangible assets is assessed based on value-in-use and compared to the carrying amount of the intangible assets to determine whether any impairment exists.

7. SUBSIDIARIES

Investment in subsidiaries

	Company	
	2021 RM	2020 RM
Unquoted shares, at cost	**79,139,980**	-

Details of the subsidiaries are as follows:-

Name of Company	Principal place of business	Effective interest 2021 %	Effective interest 2020 %	Principal activities
Held by the Company:-				
Pekat Teknologi Sdn. Bhd.	Malaysia	**100**	-	Investment holding and trading of electrical engineering products and operates as a general contractor.
Held by Pekat Teknologi Sdn. Bhd.:-				
Solaroo Systems Sdn. Bhd. (formerly known as Pekat Ledsystems Sdn. Bhd.)	Malaysia	**100**	100	Design, supply and install smaller scale solar PV systems for residential and commercial and industrial projects.
E & LP Engineering Sdn. Bhd.	Malaysia	**100**	100	Distribution of electrical products and accessories.
Pekat Solar Sdn. Bhd.	Malaysia	**100**	100	Design, supply and installation of solar PV system and power plants and related services.
Pekat Engineering Sdn. Bhd.	Malaysia	**100**	100	Distribution of electrical products and accessories.
Pekat E & LP Sdn. Bhd.	Malaysia	**100**	100	Supply and installation of ELP systems.
Solaroo RE Sdn. Bhd.	Malaysia	**100**	-	Dormant.
Pnexsoft Sdn. Bhd.	Malaysia	**70**	70	Development and distribution of software applications.
Pekat RE Maintenance Sdn. Bhd.	Malaysia	**100**	-	Dormant.

7. SUBSIDIARIES (CONT'D)

2021

Acquisition of subsidiaries

(a) On 17 March 2021, the Company had acquired 506,300,000 ordinary shares representing 100% equity interest in Pekat Teknologi Sdn. Bhd., for a total cash consideration of RM50,630,000. After the acquisition, Pekat Teknologi Sdn. Bhd. become a wholly-owned subsidiary of the Company.

(b) On 12 May 2021, a subsidiary of Pekat Teknologi Sdn. Bhd., Pnexsoft Sdn. Bhd. issue 105,000 new ordinary shares which was acquired by Pekat Teknologi Sdn. Bhd. for a cash consideration of RM105,000.

(c) On 14 July 2021, a wholly-owned subsidiary of the Company, Pekat Teknologi Sdn. Bhd. issue 28,509,980 new ordinary shares which was acquired by the Company for a cash consideration of RM28,509,980.

(d) On 10 September 2021, a wholly-owned subsidiary of the Company, Pekat Teknologi Sdn. Bhd. incorporated a wholly-owned subsidiary, Solaroo RE Sdn. Bhd., with cash subscription of RM10.

(e) On 30 September 2021, a wholly-owned subsidiary of Pekat Teknologi Sdn. Bhd., Solaroo Systems Sdn. Bhd. (formerly known as Pekat Ledsystems Sdn. Bhd.) issue 200,000 new ordinary shares which was acquired by Pekat Teknologi Sdn. Bhd. for a cash consideration of RM200,000.

(f) On 30 September 2021, a wholly-owned subsidiary of Pekat Teknologi Sdn. Bhd., Solaroo RE Sdn. Bhd. issue 1,999,990 new ordinary shares which was acquired by Pekat Teknologi Sdn. Bhd. for a cash consideration of RM1,999,990.

(g) On 28 December 2021, a wholly-owned subsidiary of the Company, Pekat Teknologi Sdn. Bhd. incorporated a wholly-owned subsidiary, Pekat RE Maintenance Sdn. Bhd., with cash subscription of RM10.

The consolidated financial statements have been prepared using the merger method to account for the acquisition of Pekat Teknologi Sdn. Bhd. and its subsidiaries. Merger reserve or deficit are determined as the difference between the cost of merger and nominal value of the share capital of the subsidiaries acquired and recognised in statements of financial position.

Impact of the acquisition on the consolidated statements of profit or loss and other comprehensive income

In the financial period when the merger took place, the subsidiaries' profits are included in the Group's profits for the full financial period, regardless of the effective date of merger.

7. SUBSIDIARIES (CONT'D)

2020

Disposal of subsidiaries

On 29 May 2020, a wholly-owned subsidiary of the Company, Pekat Teknologi Sdn. Bhd. disposed of its 100% equity interest in JP Solar Energy Sdn. Bhd. and Solar Data Systems Sdn. Bhd. for cash consideration of RM1 and RM1,000 respectively. The disposal of subsidiaries gave rise to total gain of RM18,160 in the financial statements.

	JP Solar Energy Sdn. Bhd. RM	Solar Data Systems Sdn. Bhd. RM	Total RM
Other payables	(2,316)	(5,000)	(7,316)
Tax payable	-	(9,843)	(9,843)
Total identifiable net liabilities, at fair value	(2,316)	(14,843)	(17,159)
Add: Gain on disposal of subsidiaries	2,317	15,843	18,160
Net cash inflow arising from disposal of subsidiaries	1	1,000	1,001

Non-controlling interest in a subsidiary

The Group's subsidiary that has non-controlling interest is as follow:-

	Pnexsoft Sdn. Bhd.	
	2021	2020
Percentage of ownership interest and voting interest (%)	**30**	30
Carrying amount of non-controlling interest (RM)	**98,532**	70,097
Total comprehensive loss allocated to non-controlling interest (RM)	**(16,565)**	(1,938)

7. SUBSIDIARIES (CONT'D)

Non-controlling interest in a subsidiary (cont'd)

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

	2021 RM	2020 RM
Summary of financial position as at 31 December		
Non-current assets	**7,334**	150,054
Current assets	**545,053**	159,496
Current liabilities	**(223,949)**	(75,894)
Equity attributable to owners of the Company	**328,438**	233,656
Non-controlling interest	**98,532**	70,097
Revenue	**667,542**	326,025
Expense	**(722,760)**	(332,485)
Loss for the financial year/Total comprehensive loss	**(55,218)**	(6,460)
Loss and other comprehensive loss attributable to owners of the Company	**(38,653)**	(4,522)
Loss and other comprehensive loss attributable to non-controlling interest	**(16,565)**	(1,938)
Loss and other comprehensive loss for the financial year	**(55,218)**	(6,460)
Summary of cash flows for the financial year ended 31 December		
Net cash flows (used in)/from operating activities	**(111,888)**	58,086
Net cash flows used in investing activities	**(4,399)**	(5,378)
Net cash flows from/(used in) financing activities	**150,000**	(13,450)
Net cash inflows	**33,713**	39,258

Amount due from a subsidiary

The amount due from a subsidiary is unsecured, non-trade balance, bears interest rate at 3.52% (2020: Nil) per annum and repayable on demand.

8. ASSOCIATES

	Group	
	2021 RM	**2020 RM**
Unquoted shares, at cost	**6,773,457**	821,553
Share of post-acquisition profits	**1,815,424**	1,327,926
	8,588,881	2,149,479

Details of the Group's associate are as follows:-

Name of Company	Principal place of business	Effective interest 2021 %	Effective interest 2020 %	Principal activities
Held by Pekat Teknologi Sdn. Bhd.:-				
Pekat Energy (Sarawak) Sdn. Bhd.	Malaysia	**49**	49	Design, supply and installation of solar PV systems and power plants in Sarawak.
Sunway Pekat Solar Sdn. Bhd.^	Malaysia	**40**	40	Design, supply and installation of solar PV systems and power plants for Sunway group of companies.
J8K Energy Sdn. Bhd.^	Malaysia	**49**	49	Dormant.
MFP Solar Sdn. Bhd.^	Malaysia	**45**	45	Build, own and operate solar PV power plants.
UP Solar Sdn. Bhd. (formerly known as Unimech Solar Sdn. Bhd.)^	Malaysia	**40**	-	To undertake solar photovoltaic business activities.
MFP Solar International Ltd.^	British Virgin Islands	**45**	-	Dormant.

^ *Associates not audited by Grant Thornton Malaysia PLT.*

8. ASSOCIATES (CONT'D)

The summary of financial information of the associates, not adjusted for the proportion of ownership interest held by the Group are as follows:-

	Summary of financial position					Summary of financial performance	
	Non-current assets RM	Current assets RM	Non-current liabilities RM	Current liabilities RM	Net assets/ (liabilities) RM	Revenue RM	Total comprehensive (loss)/ income RM
Group							
2021							
Pekat Energy (Sarawak) Sdn. Bhd.	**1,166,923**	**5,822,668**	**(581,865)**	**(5,187,133)**	**1,220,593**	**5,172,638**	**(363,079)**
Sunway Pekat Solar Sdn. Bhd.	**170,139**	**13,875,208**	**-**	**(10,940,443)**	**3,104,904**	**17,309,143**	**1,066,574**
J8K Energy Sdn. Bhd.	**-**	**2,922**	**-**	**(24,085)**	**(21,163)**	**-**	**(1,086)**
MFP Solar Sdn. Bhd.	**45,828,569**	**2,887,926**	**(31,045,653)**	**(4,886,984)**	**12,783,858**	**3,789,827**	**761,310**
UP Solar Sdn. Bhd. (formerly known as Unimech Solar Sdn. Bhd.)	**-**	**2,491,531**	**-**	**(1,300)**	**2,490,231**	**-**	**(9,769)**
MFP Solar International Ltd.	**145,775**	**2,677,649**	**-**	**(2,897,811)**	**(74,387)**	**-**	**(25,437)**
2020							
Pekat Energy (Sarawak) Sdn. Bhd.	1,082,604	7,698,913	(657,328)	(6,340,517)	1,783,672	14,478,722	317,959
Sunway Pekat Solar Sdn. Bhd.	-	3,688,728	-	(1,650,398)	2,038,330	9,050,259	1,427,865
J8K Energy Sdn. Bhd.	-	3,092	-	(17,296)	(14,204)	-	(14,304)
MFP Solar Sdn. Bhd.	15,176,773	740,194	(2,202,900)	(12,691,519)	1,022,548	247,707	24,191

8. ASSOCIATES (CONT'D)

The summary of financial information of the associates, not adjusted for the proportion of ownership interest held by the Group are as follows (cont'd):-

Other information

	Dividend paid RM
Group	
2021	
Pekat Energy (Sarawak) Sdn. Bhd.	**200,000**

Contingent liabilities and capital commitment

The associates have no contingent liabilities and capital commitment at the reporting date.

	Group	
	2021 RM	**2020 RM**
Amount due from associates		
Trade balance	**648,965**	7,960,318
Non-trade balance	**1,503,824**	1,280,218
	2,152,789	9,240,536

The amount due from associates are unsecured, trade balances, bear no interest and subject to normal trade credit term of 30 days (2020: 30 days).

The amount due from associates are unsecured, non-trade balances, bear no interest and repayable on demand. In prior financial year, the amount due from associates amounted to RM1,200,000 is bear interest at the rate of 2.60% per annum.

9. TRADE RECEIVABLES

	Group	
	2021 RM	2020 RM
Non-current asset		
Trade receivables	-	245,953
Current assets		
Trade receivables	**31,746,588**	27,814,444
Retention sum	**5,452,414**	4,741,428
Less: Allowance for ECLs	**(4,052,794)**	(3,635,137)
	33,146,208	28,920,735
	33,146,208	29,166,688

Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition. Interest is charged on overdue accounts ranging from 5.57% to 5.75% (2020: 5.57% to 5.70%) per annum.

The credit term granted by the Group to trade receivables ranging from cash term to 180 days (2020: cash term to 180 days). Other credit terms are assessed and approved on a case-by-case basis.

The movements in the allowance for ECLs in respect of trade receivables are as follows:-

	Individual impairment RM	Collective impairment RM	Total RM
Group			
At 1 January 2020	3,607,334	236,150	3,843,484
Additions	134,257	87,051	221,308
Reversal	(394,590)	-	(394,590)
Written off	(35,065)	-	(35,065)
At 31 December 2020	3,311,936	323,201	3,635,137
Additions	1,206,235	285,227	1,491,462
Reversal	(668,464)	(48,958)	(717,422)
Written off	(356,383)	-	(356,383)
At 31 December 2021	**3,493,324**	**559,470**	**4,052,794**

10. OTHER INVESTMENT

	Group	
	2021	**2020**
	RM	**RM**
Listed equity investment in Malaysia		
At fair value:-		
Financial assets at FVTPL	**21,517,809**	1,158,588
Fair value of quoted investment (Level 1)	**21,517,809**	1,158,588

11. INVENTORIES

	Group	
	2021	**2020**
	RM	**RM**
Consumables	**21,659,662**	1,653,550
Input materials	**3,800,849**	1,343,762
Trading goods	**8,815,965**	8,021,630
	34,276,476	11,018,942
Recognised in profit or loss:-		
Inventories recognised in cost of sales	**122,293,522**	45,726,448
Inventories written down	**565**	-
Reversal of inventories written down	**(110,622)**	(179,397)

The reversal of inventories written down was made and recognised in profit or loss when the related inventories were subsequently used or were sold above their carrying amount.

12. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2021 RM	2020 RM
Contract assets		
Accrued billings	**34,997,955**	25,541,428
Less: Provision for foreseeable losses	**(236,289)**	(646,428)
Less: Allowances for ECLs	**(923,526)**	(924,305)
	33,838,140	23,970,695
Contract liabilities		
Deposits received	**10,628,115**	8,716,278

Contract assets primarily relate to the Group's rights to consideration for work completed on installation services but not yet billed at the reporting date. Typically, the amount will be billed based on the signed contract.

Contract liabilities primarily relate to the advance consideration received from customers for the goods or services which is yet to transfer or perform by the Group as at the reporting date.

<u>Contract value yet to be recognised as revenue</u>

As at the reporting date, revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) of the Group is RM136,181,476 (2020: RM163,263,124). The Group expected to recognised this revenue over the next 12 to 48 months (2020: 12 to 48 months).

The movements in the allowance for ECLs in respect of contract assets are as follows:-

	Group	
	2021 RM	2020 RM
Individual impairment		
At 1 January	**924,305**	286,707
Additions	**412,862**	637,598
Reversal	**(413,641)**	-
At 31 December	**923,526**	924,305

13. OTHER RECEIVABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Non-trade receivables	**299,631**	1,192,317	**-**	-
Staff advances	**40,360**	48,095	**-**	-
Deposits	**669,771**	548,689	**-**	-
Deposits for purchase of inventories	**700,735**	-	**-**	-
Prepayments	**466,819**	189,445	**6,750**	6,360
Prepayment for initial public offering expenses	**-**	1,143,317	**-**	-
GST recoverable	**52,800**	61,316	**-**	-
	2,230,116	3,183,179	**6,750**	6,360

Included in deposits is rental deposit paid to a related party amounted to RM243,000 (2020: RM243,000).

14. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group have been pledged for banking facilities granted to the Group.

The interest rates of fixed deposits with licensed banks of the Group ranging from 0.66% to 3.40% (2020: 1.20% to 3.35%) per annum and matured ranging from 30 to 365 days (2020: 30 to 365 days).

15. SHARE CAPITAL

	Group			
	Number of ordinary shares		Amount	
	2021 Unit	2020 Unit	2021 RM	2020 RM
Issued and fully paid with no par value:-				
At 1 January	**550,220**	550,220	**550,040**	550,040
Adjustment on the merger acquisition of subsidiaries	**(550,020)**	-	**(550,020)**	-
Issued pursuant to acquisition of subsidiaries	**506,300,000**	-	**50,630,000**	-
Issuance of shares	**138,668,000**	-	**44,373,760**	-
Share issuance expenses	**-**	-	**(1,487,862)**	-
At 31 December	**644,968,200**	550,220	**93,515,918**	550,040

	Company			
	Number of ordinary shares		Amount	
	2021 Unit	2020 Unit	2021 RM	2020 RM
Issued and fully paid with no par value:-				
At 1 January	**200**	200	**20**	20
Issued pursuant to acquisition of subsidiaries	**506,300,000**	-	**50,630,000**	-
Issuance of shares	**138,668,000**	-	**44,373,760**	-
Share issuance expenses	**-**	-	**(1,487,862)**	-
At 31 December	**644,968,200**	200	**93,515,918**	20

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

16. MERGER DEFICIT

The merger deficit arises as and when the combination take place, it comprises the difference between the cost of merger and the nominal value of shares acquired in Pekat Teknologi Sdn. Bhd. and its subsidiaries as disclosed in Note 7 to the financial statements.

17. LEASE LIABILITIES

	Group	
	2021	**2020**
	RM	**RM**
Non-current	**899,194**	391,984
Current	**300,952**	260,795
	1,200,146	652,779

The maturity analysis of lease liabilities is disclosed in Note 33 to the financial statements.

The total cash outflow for leases of the Group amounted to RM1,833,763 (2020: RM1,898,508).

The effective interest rates of lease liabilities of the Group are ranging from 3.98% to 6.94% (2020: 4.18% to 6.82%) per annum.

The lease liabilities of the Group amounting to RM82,665 (2020: RM57,297) are secured by way of guarantee by certain Directors of the Company.

18. BORROWINGS

	Group	
	2021	**2020**
	RM	**RM**
Secured:-		
Non-current		
Term loan	**2,468,483**	13,330,885
Current		
Bankers' acceptance	**23,222,449**	13,225,277
Trust receipt	**1,222,000**	-
Term loan	**858,572**	492,954
	25,303,021	13,718,231
	27,771,504	27,049,116

The borrowings of the Group are secured by the followings:-

(i) A legal charge over freehold land as disclosed in Note 4 to the financial statements;
(ii) Corporate guarantees by the Company and certain subsidiaries;
(iii) Deed of assignment of contract proceeds;
(iv) Fixed deposits of the Group as disclosed in Note 14 to the financial statements; and
(v) Jointly and severally guaranteed by certain Directors of the Company.

18. BORROWINGS (CONT'D)

The interest rates of the Group's borrowings are as follows:-

	Group	
	2021	**2020**
	%	**%**
Bankers' acceptance	**2.21 - 4.55**	3.51 - 7.07
Trust receipt	**3.45 - 3.51**	-
Term loan	**3.37 - 6.47**	3.37 - 5.72

19. DEFERRED TAX LIABILITIES

	Group	
	2021	**2020**
	RM	**RM**
At 1 January	**237,000**	57,000
Recognised in profit or loss	**26,000**	180,000
At 31 December	**263,000**	237,000

The deferred tax liabilities are made up of temporary differences arising from:-

	Property, plant and equipment RM	Intangible assets RM	Allowance for impairment loss RM	Total RM
Group				
At 1 January 2020	57,000	-	-	57,000
Recognised in profit or loss	125,000	55,000	-	180,000
At 31 December 2020	182,000	55,000	-	237,000
Recognised in profit or loss	27,000	1,000	(2,000)	26,000
At 31 December 2021	**209,000**	**56,000**	**(2,000)**	**263,000**

20. TRADE PAYABLES

The normal trade credit terms granted to the Group by the suppliers ranging from cash term to 90 days (2020: cash term to 90 days).

21. OTHER PAYABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Non-trade payables	**808,532**	1,246,958	**11,561**	42,647
Deposits received	**900**	-	**-**	-
Accruals of expenses	**4,075,688**	1,511,698	**202,300**	1,500
SST payable	**1,923**	-	**-**	-
	4,887,043	2,758,656	**213,861**	44,147

22. AMOUNT DUE TO A RELATED PARTY

The amount due to a related party is non-trade nature, unsecured, bear no interest and repayable on demand.

23. REVENUE

	Group	
	2021 RM	2020 RM
Revenue from contract with customers in Malaysia		
Installation of earth and lightning protection systems	**28,765,253**	26,174,527
Installation of on-grid and off-grid photovoltaic systems:		
- Commercial and industrial	**112,178,332**	71,223,461
- Residential	**512,162**	251,251
Trading, maintenance services and others	**37,070,306**	27,912,617
	178,526,053	125,561,856
Timing of recognition		
- At a point in time	**37,582,468**	28,163,868
- Over time	**140,943,585**	97,397,988
	178,526,053	125,561,856

23. REVENUE (CONT'D)

23.1 Performance obligations

Information about the Group's performance obligations are summarised below:-

Installation of earthing and lightning protection systems

The performance obligation is satisfied over time and payment is generally due upon complete of installation and acceptance of customer.

Revenue from the installation of earthing and lightning protections system is recognised by reference to the stage of completion.

Installation of on-grid and off-grid photovoltaic systems

The Group designs, engineers, install, testing and provide maintenance of the photovoltaic systems for construction customers. The timeline for each project usually ranged from 3 to 24 months (2020: 3 to 24 months), depends on the complexity if the design and area covered by the projects. The performance obligations are satisfied over time for commercial and industrial and point in time for residential as the customers simultaneously received and consumes the benefits provided by the Group.

Periodic earthing and lightning protection services, periodic solar equipment services, maintenance services, sales of earthing and lightning protection and sales of solar equipment

The performance obligations are satisfied upon delivery of the equipment. The payment is generally due within cash term to 90 days (2020: 14 to 90 days) from delivery of services or goods.

24. FINANCE INCOME

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Interest income:				
- Associates	**39,633**	8,198	**-**	-
- Cash at bank	**27,833**	34,636	**12,300**	-
- Fixed deposits	**160,984**	162,061	**-**	-
- Gain on financial assets carries at amortised costs	**98,411**	41,096	**-**	-
- Repurchase agreement	**17,281**	11,813	**-**	-
- Related parties	**-**	121,376	**-**	-
- Subsidiaries	**-**	-	**70,834**	-
- Other	**6,092**	957	**-**	-
	350,234	380,137	**83,134**	-

25. FINANCE COSTS

	Group	
	2021 RM	2020 RM
Interest expenses:		
- Bank guarantees	**24,905**	37,546
- Bank overdraft	**5,314**	5,087
- Bankers' acceptance	**485,242**	406,922
- Lease liabilities	**40,732**	45,737
- Letter of credit	**175**	27,086
- Term loan	**378,086**	330,149
- Trust receipt	**46,012**	-
- Unwinding of discount on trade receivables	**-**	34,947
	980,466	887,474

26. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Auditors' remuneration:				
- Statutory audit	**120,000**	99,500	**20,000**	1,500
- Other service	**2,000**	8,000	**-**	-
- Other external auditor	**3,000**	-	**-**	-
Amortisation of intangible assets	**192,828**	179,937	**-**	-
Bad debts written off	**192,469**	12,671	**-**	-
Depreciation of property, plant and equipment	**799,133**	723,079	**-**	-
Directors' fee	**408,000**	204,000	**228,000**	-
Dividend income:				
- Associate	**(98,000)**	-	**-**	-
- Other investment	**(247,563)**	(55,466)	**(29,932)**	-
Expenses arising from leases:				
- Expenses relating to short-term lease	**1,403,498**	1,403,844	**-**	-
Fair value gain on other investment	**(953)**	(5,608)	**-**	-
Gain on disposal of property, plant and equipment	**-**	(2,000)	**-**	-
Gain on disposal of associates	**-**	(32)	**-**	-
Gain on disposal of subsidiaries	**-**	(18,160)	**-**	-
Gain on termination of lease contracts	**-**	(31,206)	**-**	-
Impairment loss on intangible assets	**92,750**	-	**-**	-
Property, plant and equipment written off	**-**	3,585	**-**	-
Rental income	**(7,350)**	(1,800)	**-**	-
Reversal of provision for foreseeable losses	**(410,139)**	(1,432,315)	**-**	-
Realised loss on foreign exchange	**4,990**	21,250	**-**	-
Unrealised (gain)/loss on foreign exchange	**(172,478)**	66,212	**-**	-

27. TAX EXPENSE

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Current tax				
- Current financial year	**5,223,134**	4,687,726	**-**	-
- Over provision in prior financial year	**(454,778)**	(59,059)	**-**	-
	4,768,356	4,628,667	**-**	-
Deferred tax				
- Current financial year	**117,200**	46,000	**-**	-
- (Over)/Under recognised in prior financial year	**(91,200)**	134,000	**-**	-
	26,000	180,000	**-**	-
	4,794,356	4,808,667	**-**	-

Malaysian income tax is calculated at statutory tax rate of 24% (2020: 24%) of the estimated assessable profits for the financial year.

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

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Profit/(Loss) before tax	**17,436,852**	18,382,901	**(2,362,422)**	(25,042)
Tax at Malaysian statutory tax rate of 24%	**4,184,845**	4,411,896	**(566,981)**	(6,010)
Tax effect in respect of:-				
Expenses not deductible for tax purposes	**1,192,447**	480,508	**574,165**	6,010
Changes in tax rate for the first tranche of chargeable income	**-**	(144,828)	**-**	-
Income not subject to tax	**(135,830)**	(181,760)	**(7,184)**	-
Movement of deferred tax assets not recognised	**98,872**	167,910	**-**	-
Over provision of tax expense in prior financial year	**(454,778)**	(59,059)	**-**	-
(Over)/Under recognised of deferred tax liabilities in prior financial year	**(91,200)**	134,000	**-**	-
	4,794,356	4,808,667	**-**	-

27. TAX EXPENSE (CONT'D)

Deferred tax assets have not been recognised in respect of these items (stated as gross) as it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

	Group	
	2021 RM	2020 RM
Intangible assets	**104,000**	13,000
Trade receivables	**4,969,449**	4,419,484
Inventories	**469,323**	580,323
Contract liabilities	**883,000**	-
Provisions	**236,000**	646,000
Unutilised tax losses	**160,000**	712,000
Unabsorbed capital allowance	**-**	39,000
	6,821,772	6,409,807

Effective from year of assessment 2019 as announced in the Annual Budget 2019, the unutilised tax losses of the Group as at 31 December 2018 and thereafter will only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unutilised tax losses will be disregarded. The existing time limit to carry forward unutilised tax losses to be extended to 10 consecutive years as announced in the Annual Budget 2022.

The expiry of the unutilised tax losses is as follows:-

	Group	
	2021 RM	2020 RM
Unutilised tax losses		
- expiring year of assessment 2025	**-**	47,000
- expiring year of assessment 2027	**-**	665,000
- expiring year of assessment 2030	**160,000**	-
	160,000	712,000

28. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

Basic earnings per share are calculated by dividing profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares and including mandatorily convertible instruments held by the Company.

Profits attributable to equity holders of the Company

	Group	
	2021 RM	2020 RM
Profit used for the computation of basic/diluted:		
- Profit attributable to equity holders of the Company	**12,659,061**	13,576,172

Weighted average number of ordinary shares in issue

	Group	
	2021	2020
Weighted average number of ordinary shares after deducting treasury shares used for the computation of basic	**475,209,121**	550,220
Basic earnings per ordinary shares (sen)	**2.66**	2,467.41

(b) Diluted earnings per ordinary share

There are no diluted earnings per share because the Company does not have any convertible financial instruments as at the end of the financial year.

29. DIVIDENDS

	Group	
	2021 RM	2020 RM
In respect of the financial year ended 31 December 2020:-		
First interim single tier dividend of RM500,000 declared on 16 March 2020 and paid on 18 March 2020	-	500,000

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

30. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Salaries, wages and other emoluments	**15,395,888**	12,105,940	**95,500**	-
Defined contribution plan	**1,688,455**	1,494,184	**-**	-
Social security contribution	**137,620**	114,035	**-**	-
	17,221,963	13,714,159	**95,500**	-

Included in the employee benefits expenses is the Directors' remuneration as below:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Executive Directors:-				
Directors of the Company				
Salaries, wages and other emoluments	**1,768,040**	1,773,489	**-**	-
Defined contribution plan	**296,232**	316,334	**-**	-
Social security contribution	**8,311**	9,002	**-**	-
	2,072,583	2,098,825	**-**	-
Directors of the subsidiaries				
Salaries, wages and other emoluments	**566,080**	466,830	**-**	-
Defined contribution plan	**60,600**	93,671	**-**	-
Social security contribution	**1,846**	1,846	**-**	-
	628,526	562,347	**-**	-
	2,701,109	2,661,172	**-**	-
Non-executive Directors:-				
Directors of the Company				
Salaries, wages and other emoluments	**95,500**	-	**95,500**	-
	2,796,609	2,661,172	**95,500**	-

31. RELATED PARTY DISCLOSURES

The Group and the Company have related party relationship with its subsidiaries, associates, related parties, Directors and key management personnel.

Transactions with related parties

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Dividend income from an associate	**98,000**	-	**-**	-
Interest income from associates	**39,633**	8,198	**-**	-
Interest income from subsidiaries	**-**	-	**70,834**	-
Interest income from related parties	**-**	121,376	**-**	-
Management fee from an associate	**112,346**	227,180	**-**	-
Management fee from related parties	**7,298**	-	**-**	-
Purchase from an associate	**824**	-	**-**	-
Rental expense charged by a related party	**972,000**	1,047,000	**-**	-
Sales to associates	**188,230**	12,763,194	**-**	-

The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 7, 8, 13 and 22 to the financial statements.

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

31. RELATED PARTY DISCLOSURES (CONT'D)

Compensation of key management personnel

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

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Directors' remuneration:-				
Directors' fee	**408,000**	204,000	**228,000**	-
Directors' emoluments	**2,796,609**	2,661,172	**95,500**	-
	3,204,609	2,865,172	**323,500**	-
Key management personnel:-				
Salaries, wages and other emoluments	**756,310**	684,540	**-**	-
Defined contribution plan	**84,388**	111,386	**-**	-
Social security contribution	**2,771**	2,770	**-**	-
	843,469	798,696	**-**	-
	4,048,078	3,663,868	**323,500**	-

32. OPERATING SEGMENT

General Information

The information reported to the Group's chief operating decision maker to make decisions about resources to be allocated and for assessing their performance is based on the nature of the activities of the Group. The Group's operating segments are as follows:-

Segment I	:	Design, supply and installation of on-grid and off-grid solar photovoltaic systems and power plants which also includes the entire scope of work up to delivering of system or plant to customers. Solar photovoltaic systems and power plants convert sunlight into electricity for use at a facility, supply to the power grid, or storage in a battery pack for later use.
Segment II	:	Supply and installation of earthing and lightning protection systems for buildings, facilities and structures to protect people, property and equipment from unintended electric current as well as providing specialist subcontractors for earthing and lightning protection systems to main contractors or mechanical and electrical contractors.
Segment III	:	Distribution of electrical products and accessories which includes sales and marketing of Pekat own brand and other third party brands electrical products and accessories, namely for earthing and lightning related products, solar photovoltaic related products, surge protection devices, and aviation warning light systems.

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Measurement of reportable segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements. Transactions between reportable segments are measured on the basis that is similar to those external customers. There are no significant changes from prior financial year in the measurement methods used to determine reported segment results.

All the Group's assets are allocated to reportable segments other than assets used centrally for the Group, associate companies and current and deferred tax assets. Jointly used assets are allocated on the basis of the revenues earned by individual segments.

All the Group's liabilities are allocated to reportable segments other than liabilities incurred centrally for the Group, current and deferred tax liabilities. Jointly incurred liabilities are allocated in proportion to the segment assets.

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

32. OPERATING SEGMENT (CONT'D)

Analysis of the Group's revenue, results, assets, liabilities and other information by operating segment are shown below:-

Group	Note	Segment I RM	Segment II RM	Segment III RM	Eliminations RM	Total RM
2021						
Revenue						
External revenue		116,676,861	28,992,927	32,856,265	-	178,526,053
Inter-company revenue	A	1,743,757	37,591	27,316,496	(29,097,844)	-
Total revenue		118,420,618	29,030,518	60,172,761	(29,097,844)	178,526,053
Results						
Segment results	B	4,786,997	3,230,804	6,830,387	(2,062,958)	12,785,230
Finance income		239,110	28,265	181,559	(98,700)	350,234
Finance costs		(445,534)	(52,574)	(581,058)	98,700	(980,466)
Depreciation and amortisation		264,454	114,964	612,543	-	991,961
Share of profit of associates		-	-	-	487,498	487,498
Tax expense		(1,996,048)	(557,819)	(2,240,489)	-	(4,794,356)
Other non-cash (expense)/income	C	(311,420)	(287,488)	254,055	(20,000)	(364,853)
Assets						
Segment assets	D	83,983,525	26,057,652	181,448,285	(99,992,309)	191,497,153
Investment in associates		-	-	8,588,881	-	8,588,881
Included in segment assets are:-						
Additions to non-current assets other than deferred tax assets	E	318,268	167,167	1,318,994	-	1,804,429
Liabilities						
Segment liabilities	F	44,497,732	8,923,635	14,410,880	(17,505,915)	50,326,332

32. OPERATING SEGMENT (CONT'D)

Analysis of the Group's revenue, results, assets, liabilities and other information by operating segment are shown below (cont'd) :-

Group	Note	Segment I RM	Segment II RM	Segment III RM	Eliminations RM	Total RM
2020						
Revenue						
External revenue		72,106,910	26,414,434	27,040,512	-	125,561,856
Inter-company revenue	A	26,646	108,774	23,723,157	(23,858,577)	-
Total revenue		72,133,556	26,523,208	50,763,669	(23,858,577)	125,561,856
Results						
Segment results	B	4,812,383	3,111,608	6,076,390	(656,642)	13,343,739
Finance income		151,472	60,776	235,440	(67,551)	380,137
Finance costs		(355,104)	(33,550)	(568,882)	70,062	(887,474)
Depreciation and amortisation		241,067	148,580	567,801	(54,432)	903,016
Share of profit of associates		-	-	-	737,832	737,832
Tax expense		(1,510,110)	(1,248,532)	(2,050,025)	-	(4,808,667)
Other non-cash income/(expense)	C	17,804	1,270,520	(148,370)	(18,020)	1,121,934
Assets						
Segment assets	D	51,082,897	25,087,634	63,261,597	(16,769,088)	122,663,040
Investment in associates		-	-	2,149,479	-	2,149,479
Included in segment assets are:-						
Additions to non-current assets other than deferred tax assets	E	191,648	53,031	18,313,594	-	18,558,273
Liabilities						
Segment liabilities	F	29,053,358	9,336,855	9,059,734	(15,790,632)	31,659,315

32. OPERATING SEGMENT (CONT'D)

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

A. Intersegment revenues are eliminated on consolidation.

B. The following items are added to/(deducted from) segment profit to arrive at "profit after tax" presented in the profit or loss:-

	2021 RM	2020 RM
Segment profit	**12,785,230**	13,343,739
Finance income	**350,234**	380,137
Finance costs	**(980,466)**	(887,474)
Share of profit of associates	**487,498**	737,832
Profit after tax	**12,642,496**	13,574,234

C. Other major non-cash (expenses)/ income consist of the following items as presented in the respective notes to the financial statements:-

	2021 RM	2020 RM
Bad debts written off	**(192,469)**	(12,671)
Fair value gain on other investment	**953**	5,608
Gain on disposal of an associate	**-**	32
Gain on disposal of subsidiaries	**-**	18,160
Gain on disposal of property, plant and equipment	**-**	2,000
Gain on termination of lease contracts	**-**	31,206
Impairment loss on contract assets	**(412,862)**	(637,598)
Impairment loss on intangible assets	**(92,750)**	-
Impairment loss on trade receivables	**(1,491,462)**	(221,308)
Inventories written down	**(565)**	-
Property, plant and equipment written off	**-**	(3,585)
Reversal of inventories written down	**110,622**	179,397
Reversal of impairment loss on contract assets	**413,641**	-
Reversal of impairment loss on trade receivables	**717,422**	394,590
Reversal of provision for foreseeable losses	**410,139**	1,432,315
Unrealised gain/(loss) on foreign exchange	**172,478**	(66,212)
	(364,853)	1,121,934

32. OPERATING SEGMENT (CONT'D)

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

D. The following items are added to segment assets to arrive at total assets reported in the statements of financial position:-

	2021 RM	2020 RM
Segment assets	**191,497,153**	122,663,040
Investment in associates	**8,588,881**	2,149,479
Tax recoverable	**412,739**	-
Total assets	**200,498,773**	124,812,519

E. Additions to non-current assets other than financial instruments and deferred tax assets consists of:-

	2021 RM	2020 RM
Property, plant and equipment	**1,715,967**	18,524,896
Intangible assets	**88,462**	33,377
	1,804,429	18,558,273

F. The following items are added to segment liabilities to arrive at total liabilities reported in the statements of financial position:-

	2021 RM	2020 RM
Segment liabilities	**50,326,332**	31,659,315
Lease liabilities	**1,200,146**	652,779
Borrowings	**27,771,504**	27,049,116
Tax payable	**1,488,641**	1,338,553
Deferred tax liabilities	**263,000**	237,000
Total liabilities	**81,049,623**	60,936,763

32. OPERATING SEGMENT (CONT'D)

Geographical information

Revenue and non-current assets are all derived from Malaysia.

Non-current assets information presented above consist of the following items as presented in the statements of financial position:-

	2021 RM	2020 RM
Property, plant and equipment	**20,839,311**	20,072,877
Investment property	**150,400**	-
Intangible assets	**443,292**	640,408
Investment in associates	**8,588,881**	2,149,479
Trade receivables	**-**	245,953
	30,021,884	23,108,717

Major customers

The following are major customers with revenue equal or more than 10 percent of the Group's revenue:-

	RM	%	Operating Segment
Group			
2021			
Customer A	**30,779,167**	**17**	**Segment I**
2020			
Customer A	19,038,588	15	Segment I

33. FINANCIAL INSTRUMENTS

33.1 Categories of financial instruments

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

(a) Financial assets and financial liabilities measured at amortised cost ("AC"); and
(b) Financial assets at fair value through profit or loss ("FVTPL")

	Carrying amount RM	AC RM	FVTPL RM
Group			
2021			
Financial assets			
Trade receivables	**33,146,208**	**33,146,208**	**-**
Other receivables	**1,710,497**	**1,710,497**	**-**
Other investment	**21,517,809**	**-**	**21,517,809**
Amount due from associates	**2,152,789**	**2,152,789**	**-**
Fixed deposits with licensed banks	**14,703,701**	**14,703,701**	**-**
Cash and bank balances	**28,198,911**	**28,198,911**	**-**
	101,429,915	**79,912,106**	**21,517,809**
Financial liabilities			
Trade payables	**34,790,924**	**34,790,924**	**-**
Other payables	**4,885,120**	**4,885,120**	**-**
Amount due to a related party	**20,250**	**20,250**	**-**
Borrowings	**27,771,504**	**27,771,504**	**-**
	67,467,798	**67,467,798**	**-**

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Categories of financial instruments (cont'd)

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

	Carrying amount RM	AC RM	FVTPL RM
Group (cont'd)			
2020			
Financial assets			
Trade receivables	29,166,688	29,166,688	-
Other receivables	1,789,101	1,789,101	-
Other investment	1,158,588	-	1,158,588
Amount due from associates	9,240,536	9,240,536	-
Fixed deposits with licensed banks	9,135,078	9,135,078	-
Cash and bank balances	15,076,049	15,076,049	-
	65,566,040	64,407,452	1,158,588
Financial liabilities			
Trade payables	20,184,381	20,184,381	-
Other payables	2,758,656	2,758,656	-
Borrowings	27,049,116	27,049,116	-
	49,992,153	49,992,153	-
Company			
2021			
Financial assets			
Amount due from a subsidiary	**4,725,000**	**4,725,000**	**-**
Cash and bank balances	**7,457,840**	**7,457,840**	**-**
	12,182,840	**12,182,840**	**-**
Financial liability			
Other payables	**213,861**	**213,861**	**-**
2020			
Financial asset			
Cash and bank balances	20	20	-
Financial liability			
Other payables	44,147	44,147	-

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Financial risk management

The Group and the Company are mainly exposed to credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The Group and the Company have formal risk management policies and guidelines, as approved by the Board of Directors, which set out its overall business strategies, its tolerance for risks and its general risk management philosophy. Such policies are monitored and undertaken by the management.

The following sections explain key risks faced by the Group and the Company and its management. Financial assets and financial liabilities of the Group and of the Company are summarised in Notes 3.8.1 and 3.8.2 to the financial statements.

33.2.1 Credit risk

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Group and the Company. For other financial assets, the Group and the Company adopt the policy of dealing with reputable institutions.

Following are the areas where the Group and the Company are exposed to credit risk.

Exposure to credit risk

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Classes of financial assets:-				
Trade receivables	**33,146,208**	29,166,688	**-**	-
Contract assets	**33,838,140**	23,970,695	**-**	-
Other receivables	**1,710,497**	1,789,101	**-**	-
Amount due from a subsidiary	**-**	-	**4,725,000**	-
Amount due from associates	**2,152,789**	9,240,536	**-**	-
Fixed deposits with licensed banks	**14,703,701**	9,135,078	**-**	-
Cash and bank balances	**28,198,911**	15,076,049	**7,457,840**	20
	113,750,246	88,378,147	**12,182,840**	20

Recognition and measurement of impairment loss

In managing credit risk of trade receivables and contract assets, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Group's debt recovery processes are as follows:-

(a) Above 30 days past due after credit term, the Group will start to initiate together with management team a structured debt recovery process which is monitored by the management team; and

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Financial risk management (cont'd)

33.2.1 Credit risk (cont'd)

Recognition and measurement of impairment loss (cont'd)

In managing credit risk of trade receivables and contract assets, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Group's debt recovery processes are as follows (cont'd) :-

(b) The Group will commence a legal proceeding against the customers who having dispute or does not adhere to the restructure of the repayment scheme.

The Group uses provision matrix to measure ECLs for all the past due debts. Credit term which are past due more than 180 days in Segment I and III and 360 days in Segment II will be considered as credit impaired.

Receivables and contract assets

Recognition and measurement of impairment loss

The Group assessed the risk or loss based on the following factors:-

(a) Overall past trend payments of customers;
(b) Financial performances of each individual customers; and
(c) Gross domestic product growth rate.

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

Set out below is the information about the credit risk exposure and ECLs on the Group's trade receivables and contract assets:-

		Days past due				
	Current RM	1 to 30 days RM	31 to 60 days RM	61 to 90 days RM	More than 90 days RM	Total RM
2021						
Trade receivables	**12,233,694**	**10,969,195**	**3,761,875**	**1,749,368**	**8,484,870**	**37,199,002**
Individually impaired	-	-	-	-	**(3,493,324)**	**(3,493,324)**
Collectively impaired	**(103,857)**	**(104,261)**	**(126,107)**	**(39,165)**	**(186,080)**	**(559,470)**
Net balance	**12,129,837**	**10,864,934**	**3,635,768**	**1,710,203**	**4,805,466**	**33,146,208**
Contract assets	**34,761,666**	-	-	-	-	**34,761,666**
Individually impaired	**(923,526)**	-	-	-	-	**(923,526)**
Net balance	**33,838,140**	-	-	-	-	**33,838,140**

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Financial risk management (cont'd)

33.2.1 Credit risk (cont'd)

Receivables and contract assets (cont'd)

Recognition and measurement of impairment loss (cont'd)

Set out below is the information about the credit risk exposure and ECLs on the Group's trade receivables and contract assets (cont'd) :-

		Days past due				
	Current RM	1 to 30 days RM	31 to 60 days RM	61 to 90 days RM	More than 90 days RM	Total RM
2020						
Trade receivables	9,542,528	12,382,304	3,409,722	2,132,428	5,334,843	32,801,825
Individually impaired	-	(7,260)	(11,721)	(6,125)	(3,286,830)	(3,311,936)
Collectively impaired	(62,246)	(114,726)	(43,304)	(36,325)	(66,600)	(323,201)
Net balance	9,480,282	12,260,318	3,354,697	2,089,978	1,981,413	29,166,688
Contract assets	24,895,000	-	-	-	-	24,895,000
Individually impaired	(924,305)	-	-	-	-	(924,305)
Net balance	23,970,695	-	-	-	-	23,970,695

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

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

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

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

As at the end of reporting year, there was no indication that other receivables are not recoverable.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Financial risk management (cont'd)

33.2.1 Credit risk (cont'd)

Receivables and contract assets (cont'd)

Credit risk concentration

The Group determines concentration of credit risk by comparing the amount due from each individual customer against the total contract assets. The credit risk concentration profile of the Group's contract assets at the reporting date is as follows:-

	Group			
	2021 RM	2021 %	2020 RM	2020 %
Contract assets				
Customer A	**4,147,885**	**12**	3,858,836	16

In respect of trade receivables, the Group is not subjected to significant credit risk exposure to a single counterparty or a group of counterparties having similar characteristics.

Intercompany balances

The Company provides advances to a subsidiary and monitors the ability of the subsidiary to repay the advances on an individual basis.

Advances provided are not secured by any collateral or supported by any other credit enhancements.

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

The Company determines the probability of default for the advances individually using internal information available.

As at the end of the reporting period, there was no indicator that the advances to the subsidiary are not recoverable.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Financial risk management (cont'd)

33.2.1 Credit risk (cont'd)

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable financial institutions with high quality external credit ratings and have no history of default.

Financial guarantee

The maximum exposure to credit risk of the Group and of the Company amounted to RM17,673,333 and RM6,080,479 (2020: RM7,640,731 and RMNil) respectively, represented by the outstanding banking facilities of subsidiaries and performance guarantee extended to third parties in respect of subcontractors' performance as at the end of the reporting period.

The Group and the Company provide unsecured financial guarantees/unsecured performance guarantee to banks in respect of banking facilities granted to subsidiaries and third parties in respect of subcontractors' performance. The Group and the Company monitor on an on-going basis the results of the subsidiaries and third parties and repayments made by the subsidiaries' and third parties' performance. As at the end of the reporting period, there was no indication that subsidiaries and third parties would default on repayment and under perform.

33.2.2 Liquidity risk

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

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

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Financial risk management (cont'd)

33.2.2 Liquidity risk (cont'd)

The summary of the maturity profile based on the contractual undiscounted repayment obligations is as follows:-

			Maturity		
			Current	Non-current	
	Carrying amount RM	Contractual cash flows RM	Within 1 year RM	2 to 5 years RM	Later than 5 years RM
Group					
2021					
Non-derivative financial liabilities					
Trade payables	**34,790,924**	**34,790,924**	**34,790,924**	**-**	**-**
Other payables	**4,885,120**	**4,885,120**	**4,885,120**	**-**	**-**
Amount due to a related party	**20,250**	**20,250**	**20,250**	**-**	**-**
Bankers' acceptance	**23,222,449**	**23,222,449**	**23,222,449**	**-**	**-**
Trust receipt	**1,222,000**	**1,222,000**	**1,222,000**	**-**	**-**
Term loans	**3,327,055**	**3,735,018**	**1,049,844**	**2,685,174**	**-**
Lease liabilities	**1,200,146**	**1,339,226**	**366,690**	**972,536**	**-**
	68,667,944	**69,214,987**	**65,557,277**	**3,657,710**	**-**
Performance guarantee*	**17,673,333**	**17,673,333**	**17,673,333**	**-**	**-**
2020					
Non-derivative financial liabilities					
Trade payables	20,184,381	20,184,381	20,184,381	-	-
Other payables	2,758,656	2,758,656	2,758,656	-	-
Bankers' acceptance	13,225,277	13,225,277	13,225,277	-	-
Term loans	13,823,839	18,390,998	874,870	4,199,376	13,316,752
Lease liabilities	652,779	706,156	286,872	419,284	-
	50,644,932	55,265,468	37,330,056	4,618,660	13,316,752
Performance guarantee*	7,640,731	7,640,731	7,640,731	-	-

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Financial risk management (cont'd)

33.2.2 Liquidity risk (cont'd)

The summary of the maturity profile based on the contractual undiscounted repayment obligations is as follows (cont'd) :-

			Maturity		
			Current	Non-current	
	Carrying amount RM	Contractual cash flows RM	Within 1 year RM	2 to 5 years RM	Later than 5 years RM
Company					
2021					
Non-derivative financial liability					
Other payables	**213,861**	**213,861**	**213,861**	**-**	**-**
Corporate guarantee*	**6,080,479**	**6,080,479**	**6,080,479**	**-**	**-**
2020					
Non-derivative financial liability					
Other payables	44,147	44,147	44,147	-	-

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

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

33.2.3 Interest rate risk

Interest rate risk is caused by changes in market interest rate resulting in fluctuation in fair value or future cash flow of financial instruments of the Group and of the Company. The Group's and the Company's interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

The Group's borrowings are at fixed interest rates. The exposure to interest rates for the Group's short-term placement is considered immaterial.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Financial risk management (cont'd)

33.2.3 Interest rate risk (cont'd)

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Fixed rate instruments				
Financial assets				
Amount due from associates	**-**	1,200,000	**-**	-
Fixed deposits with licensed banks	**14,703,701**	9,135,078	**-**	-
	14,703,701	10,335,078	**-**	-
Financial liabilities				
Bankers' acceptance	**(23,222,449)**	(13,225,277)	**-**	-
Trust receipt	**(1,222,000)**	-	**-**	-
Lease liabilities	**(1,200,146)**	(652,779)	**-**	-
	(25,644,595)	(13,878,056)	**-**	-
Net financial liabilities	**(10,940,894)**	(3,542,978)	**-**	-
Floating rate instruments				
Financial asset				
Amount due from a subsidiary	**-**	-	**4,725,000**	-
Financial liability				
Term loan	**(3,327,055)**	(13,823,839)	**-**	-
Net financial (liability)/asset	**(3,327,055)**	(13,823,839)	**4,725,000**	-

Fair value sensitivity analysis for fixed rate instruments

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

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Financial risk management (cont'd)

33.2.3 Interest rate risk (cont'd)

Fair value sensitivity analysis for floating rate instruments (cont'd)

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 25 (2020: +/- 25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Effects on profit/equity for the financial year	
	Group	
	RM	RM
2021 (+/-25bp)	**(8,318)**	**8,318**
2020 (+/-25bp)	(34,560)	34,560

	Effects on profit/equity for the financial year	
	Company	
	RM	RM
2021 (+/-25bp)	**11,813**	**(11,813)**

Fair value measurement

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

33.2.4 Foreign currency risk

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

The Group is exposed to foreign currency risk mostly on its sales and purchases that are denominated in currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily Euro ("EURO"), United States Dollar ("USD"), Renminbi ("RMB") and Swiss Franc ("CHF").

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Financial risk management (cont'd)

33.2.4 Foreign currency risk (cont'd)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting year are as follows:-

	EURO RM	USD RM	RMB RM	CHF RM
Group				
2021				
Trade receivables	**-**	**69,183**	**-**	**-**
Other receivables	**28,314**	**81,363**	**12,389**	**-**
Cash and bank balances	**-**	**4,834**	**-**	**-**
Trade payables	**(8,533)**	**(19,702,487)**	**(546,593)**	**-**
Borrowings	**-**	**(3,845,000)**	**-**	**-**
Net exposure	**19,781**	**(23,392,107)**	**(534,204)**	**-**
2020				
Trade receivables	-	38,477	-	-
Other receivables	1,069	1,127,893	-	1,357
Cash and bank balances	-	4,834	-	-
Trade payables	(42,858)	(8,586,877)	(413,791)	-
Net exposure	(41,789)	(7,415,673)	(413,791)	1,357

Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit or loss with regards to the Group's financial assets and financial liabilities and the RM/EURO, RM/USD, RM/RMB and RM/CHF exchange rate assuming all other things being equal.

A +/-1% (2020: +/-1%) change in the RM/EURO, RM/USD, RM/RMB and RM/CHF exchange rates at the reporting period is deemed possible. Both of these percentages have been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Financial risk management (cont'd)

33.2.4 Foreign currency risk (cont'd)

Foreign currency sensitivity analysis (cont'd)

If the RM had strengthened/weakened against the EURO, USD, RMB and CHF by 1% (2020: 1%), then the impact would be as follows:-

	Impact on profit/equity	
	Increase/(Decrease)	
	+1%	-1%
Group	**RM**	**RM**
2021		
RM/EURO	**(198)**	**198**
RM/USD	**233,921**	**(233,921)**
RM/RMB	**5,342**	**(5,342)**
2020		
RM/EURO	418	(418)
RM/USD	74,157	(74,157)
RM/RMB	4,138	(4,138)
RM/CHF	(14)	14

33.2.5 Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices. The Group is exposed to equity price risk mainly through the Group's investment in quoted shares.

If the unit prices quoted 'fair value through profit or loss' financial assets increased by 10% (2020: 10%), with all other variables held constant, the Group's profit for the financial year and equity financial assets reserves at the end of the reporting period would increase approximately by RM2,151,781 (2020: RM115,859).

If the unit prices for quoted fair value through profit or loss financial assets decreased by 10% (2020: 10%), with all other variables being held constant, it would have the equal but opposite effect on the amounts shown above.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Financial risk management (cont'd)

33.2.6 Fair value of financial instruments

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

33.2.7 Fair value hierarchy

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the reporting date approximately their fair values because they are floating rate instruments which are re-priced to market rates on or near reporting date or they have a short maturity period.

Fair value measurement of financial instruments

The following table summarises the method used in determining the fair value of financial assets on a recurring basis as at 31 December 2021 and 31 December 2020:-

	Fair value as at			
Financial asset	2021 RM	2020 RM	Fair value hierarchy	Valuation techniques and key inputs
Other investment	**21,517,809**	1,158,588	Level 1	Quoted bid prices in an active market.

There were no transfers between Level in financial year 2021 and 2020.

34. DERIVATIVE FINANCIAL LIABILITIES

As at the reporting date, the contracted underlying principal amount of currency forward contract of the Group is RM6,595,956 (2020: RMNil).

The currency forward contracts have not been recognised since the fair value on initial recognition was not material.

35. CAPITAL MANAGEMENT

The primary objective of the management of the Group's and of the Company's capital structure is to optimise the balance between debts and equity to achieve a low cost of capital and maximise the return to stakeholders.

The capital structure of the Group and of the Company consists of debts (comprising lease liabilities and borrowings) and equity (comprising issued ordinary shares, retained earning/accumulated losses and other reserves). The Group and the Company monitor their capital using a gearing ratio, based on total borrowings divided by total capital. The Directors review the capital structure on a quarterly basis, and consider the cost of capital and the risks associated with each class of capital. During the current financial year, no significant changes were made in the objectives, policies or processes for managing capital.

The gearing ratio at the end of the reporting period was as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Lease liabilities	**1,200,146**	652,779	**-**	-
Borrowings	**27,771,504**	27,049,116	**-**	-
	28,971,650	27,701,895	**-**	-
Equity attributable to owners of the Company	**119,350,618**	63,805,659	**91,115,709**	(37,767)
Gearing ratio (times)	**0.24**	0.43	**-**	-

There were no changes in the Group's and the Company's approach to capital management during the financial year.

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) The global and domestic economies encountered unprecedented challenges during the financial year ended 31 December 2021 as a result of the continuing Coronavirus ("Covid-19") pandemic. The Malaysian government implemented several counter-measures by imposing strict lockdowns, movement restrictions and closing borders to curb the Covid-19 outbreak in Malaysia. Despite the challenges, the Group and the Company do not expect any material financial impact on the financial statements of the Group and of the Company.

(b) On 15 February 2021, Bursa Malaysia Securities Berhad has approved the admission of the Company to the Official List and the listing of and quotation for its entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad. The ordinary shares of the Company were listed on the ACE Market of Bursa Malaysia Securities Berhad on 23 June 2021.

Analysis of Shareholdings

STATISTICS OF ORDINARY SHAREHOLDINGS

Total Number of Issued Shares	:	644,968,200
Class of Share	:	Ordinary Shares
Voting Rights	:	One (1) vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS (as per Records of Depositors as at 31 March 2022)

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	4	0.1	66	-
100 - 1,000	573	16.5	364,400	0.1
1,001 - 10,000	1,768	50.9	9,546,600	1.5
10,001 - 100,000	924	26.6	31,230,100	4.8
100,001 - 32,248,409*	202	5.8	129,850,034	20.1
32,248,410 - 644,968,200**	5	0.1	473,977,000	73.5
Total	3,476	100.0	644,968,200	100.0

* Less than 5% of issued shares.
** 5% and above of issued shares.

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS (as per Register of Substantial Shareholders as at 31 March 2022)

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Chin Soo Mau	225,061,800	34.9		
Hextar Holdings Sdn Bhd ("Hextar")	130,000,000	20.2		
Tai Yee Chee	66,776,900	10.4		
Wee Chek Aik	55,638,300	8.6	609,000	0.1
Dato' Ong Soon Ho			130,000,000	20.2
Dato' Ong Choo Meng			130,000,000	20.2
Datin Teoh Siew Yoke @ Teoh Siew Chin			130,000,000	20.2

Notes

Deemed interested by virtue of its interest in Best Shine Avenue Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 ("the Act").

Deemed interested by virtue of their shareholdings in Hextar pursuant to Section 8 of the Act.

DIRECTORS' SHAREHOLDINGS (as per Register of Directors' Shareholdings as at 31 March 2022)

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Chin Soo Mau	225,061,800	34.90		
Tai Yee Chee	66,776,900	10.35		
Wee Chek Aik	55,638,300	8.63	609,000	0.09
Kok Kong Chin	150,000	0.02		
Ong Keng Siew	100,000	0.02		
Datin Shelina Binti Razaly Wahi	100,000	0.02		
Yeong Siew Lee	100,000	0.02		
Teh Li King	100,000	0.02		

Notes

Deemed interested by virtue of its interest in Best Shine Avenue Sdn Bhd pursuant to Section 8 of the Act.

LIST OF TOP 30 LARGEST SHAREHOLDERS

As at 31 March 2022

(without aggregating the securities from different securities accounts belonging to the same registered holder)

1.	Chin Soo Mau	221,561,800	34.40
2.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hextar Holdings Sdn Bhd	84,248,366	13.10
3.	Tai Yee Chee	66,776,900	10.40
4.	Wee Chek Aik	55,638,300	8.60
5.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Hextar Holdings Sdn Bhd (05-00055-000)	45,751,634	7.10
6.	M & A Nominee (Asing) Sdn Bhd For Winfields Development Pte. Ltd.	10,000,000	1.60
7.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loh Chen Yook	6,000,000	0.90
8.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Ah Chai	5,700,000	0.90
9.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Teo Lay Ban (7011300)	4,100,000	0.60
10.	Amsec Nominees (Tempatan) Sdn BhdPledged Securities Account For Chiau Haw Choon	4,000,000	0.60
11.	Cimb Islamic Nominees (Tempatan) Sdn Bhd PMB Investment Berhad For Majlis Amanah Rakyat	4,000,000	0.60
12.	Tang Sook Pui	3,871,200	0.60
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chin Soo Mau (7003720)	3,500,000	0.50
14.	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Khoo Chee Siang (M&A)	3,000,000	0.50
15.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ong Kah Hoe	2,600,000	0.40
16.	Cimb Group Nominees (Tempatan) Sdn Bhd Cimb Islamic Trustee Berhad For PMB Shariah TNB Employees Fund	2,474,000	0.40
17.	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad For Principal Islamic Small Cap Opportunities Fund	2,228,700	0.30
18.	Amanahraya Trustees Berhad PMB Dana Al-Aiman"	2,000,000	0.30
19.	Chew Teik Siang	2,000,000	0.30
20.	Mok Yau Choy	2,000,000	0.30
21.	Amanahraya Trustees Berhad Public Emerging Opportunities Fund	1,994,800	0.30
22.	Lee Jin Huat	1,600,000	0.20
23.	Wong Boon Kwang	1,400,000	0.20
24.	Ta Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chiau Haw Choon	1,300,000	0.20
25.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tang Peng Heng (E-Tai)	1,272,100	0.20
26.	Amanahraya Trustees Berhad Pb Dividend Builder Equity Fund	1,255,400	0.20
27.	Lim Chin Pi	1,245,000	0.20
28.	CGS-Cimb Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Soon Aun (Mf00014)	1,238,200	0.20
29.	Ng Chin Leong	1,202,300	0.20
30.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chiau Beng Teik"	1,200,000	0.20

List of Properties

No	Date of Acquisition	Property Address/ Location	Description /Existing Use	Net Book Value (RM'000)	Tenure/Date of Expiry of Lease	Land Area (square feet)	Revaluation	Age of Building
1	8 July 2020	No. 4 Jalan Meteor U16/149, Elmina East, 40160 Shah Alam, Selangor	Vacant Industrial Land	17,822	Freehold	137,928 square feet	N/A	N/A
2	8 May 2018	B-2-2B, Prima Klang Avenue, Jalan Kota/KS1, 41000 Klang, Selangor	Office unit	150	99 Year (expiry 6 May 2108)	792 square feet	N/A	12 years

Notice of the 3rd Annual General Meeting

Pekat Group Berhad
201901011563 (1320891-U)
(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN that the **Third Annual General Meeting** of Pekat Group Berhad ("the Company") will be held on a virtual basis through live streaming from the **broadcast venue** at **Tricor Business Centre, Gemilang Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia** on **Thursday, 9 June 2022** at **10.00 a.m**. for the transaction of the following businesses:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Directors' and Auditors' Reports thereon.

   [Please refer to Explanatory Note (a) below]

2. To re-elect the following Directors retiring in accordance with Clause 128 of the Constitution of the Company and being eligible, have offered themselves for re-election:

   i. Mr Ong Keng Siew; **(Ordinary Resolution 1)**
   ii. Mr Chin Soo Mau; and **(Ordinary Resolution 2)**
   iii. Datin Shelina Binti Razaly Wahi. **(Ordinary Resolution 3)**

   [Please refer to Explanatory Note (b) below]

3. To approve the payment of Directors' fees of up to RM270,000.00 for the financial year ending 31 December 2022. **(Ordinary Resolution 4)**

   [Please refer to Explanatory Note (c) below]

4. To approve the payment of Directors' benefits of up to RM170,000.00 for the period from 1 January 2021 until 30 June 2023. **(Ordinary Resolution 5)**

   [Please refer to Explanatory Note (d) below]

5. To re-appoint Grant Thornton Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

   [Please refer to Explanatory Note (e) below]

As Special Business:

To consider and if thought fit, to pass the following Ordinary Resolutions:

6. **Proposed Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act")** **(Ordinary Resolution 7)**

   THAT, pursuant to Sections 75 and 76 of the Act, ACE 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 2022.

   THAT with effect from 1 January 2023, the general mandate shall be reinstated from a 20% limit to a 10% limit pursuant to Rule 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 ACE 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."

[Please refer to Explanatory Note (f) below]

7. **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** **(Ordinary Resolution 8)**

THAT subject to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and/or its subsidiaries to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.3.3 of the Circular to Shareholders dated 29 April 2022 ("the Circular"), provided that such transactions are necessary for the Company and/or its subsidiaries' day-to-day operations and which are carried out in the ordinary course of business at arms' length basis and on normal commercial terms and transaction price which are not more favorable to the related parties than those generally available to the public and are not detriment of the minority shareholders of the Company.

THAT the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company, at which time this shareholders' mandate will lapse, unless by a resolution passed at the next Annual General Meeting, the authority is renewed;

(b) the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to this ordinary resolution."
[Please refer to Explanatory Note (g) below]

8. To transact any other business of the Company of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

BY ORDER OF THE BOARD

Ong Wai Leng (SSM PC No. 202008003219) (MAICSA 7065544)
Choo Sook Fun (SSM PC No. 202008000567) (LS 0009607)
Company Secretaries

Kuala Lumpur
29 April 2022

Notes:

1. As part of the initiative to curb the spread of Coronavirus Disease 2019 ("COVID-19"), the Third Annual General Meeting ("3rd AGM") will be conducted on a virtual basis through live streaming from the broadcast venue and online remote voting through the Remote Participation and Voting ("RPV") facilities via TIIH Online website at https://tiih.online provided by Tricor Investor & Issuing House Services Sdn Bhd ("Share Registrar", "Tricor" or "TIIH") in Malaysia.

   For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the meeting is required to be present at the main venue of the AGM. Members/Proxies/Corporate Representatives will not be allowed to attend this 3rd AGM in person at the broadcast venue on the day of the 3rd AGM.

2. A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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 SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. Where a member or the authorised nominee appoints more than two (2) proxies, or where an exempt authorised nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.

6. A member who has appointed a proxy or attorney or corporate representative to attend and vote at the 3rd AGM must request his/her proxy or attorney or corporate representative to submit their RSVP at TIIH Online website at https://tiih.online no later than Tuesday, 7 June 2022 at 10.00 a.m.. Please follow the RSVP Procedures in the Administrative Guide for the 3rd AGM.

7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 3rd AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

   (i) <u>In hard copy form</u>
   In the case of an appointment made in hard copy form, the Proxy Form must be deposited at the Company's Share Registrar at 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, 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, Malaysia.

   (ii) <u>By electronic form</u>
   The Proxy Form can be electronically lodged via **TIIH Online** website at https://tiih.online. Kindly refer to the Administrative Guide on the procedure for electronic lodgement of proxy form via TIIH Online.

8. For the purpose of determining who shall be entitled to participate in this 3rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the **Record of Depositors as at 31 May 2022.** Only a member whose name appears on this Record of Depositors shall be entitled to participate in this 3rd AGM or appoint proxies to attend and vote in his stead.

Explanatory Notes:

a. **Agenda No. 1**
This item is meant for discussion only. The provisions of Section 340(1)(a) of the Companies Act 2016 require that the Audited Financial Statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

b. **Ordinary Resolutions No. 1 to 3**
The Nomination Committee ("NC") with the assistance of Management of the Company had conducted a Board Effectiveness Assessment ("BEA") of the Directors, in the areas of qualification, experience, skills, corporate governance, contribution, competence and independence.

Based on the results of the BEA for the financial year ended 31 December 2021, the Board approved the NC's recommendation on the re-election of Mr Ong Keng Siew, Mr Chin Soo Mau and Datin Shelina Binti Razaly Wahi who are due to retire at the 3rd AGM in accordance with Clause 128 of the Company's Constitution. The NC had concluded that each Director has the requisite competence, calibre to serve on the Board and Board Committees and had demonstrated his/her commitment to the Group in terms of time, participation and dialogue during the current year under review. The NC endorsed the re-election of Directors who will be retiring at the 3rd AGM.

c. **Ordinary Resolution No. 4**
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 Resolution 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.

d. **Ordinary Resolution No. 5**
This resolution is to facilitate payment of Directors' benefits for the period from 1 January 2021 until 30 June 2023.

In the event the Directors' benefits proposed are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

Directors' benefits include allowances for travel and other emoluments payable to Directors and in determining the estimated total the Board had considered various factors including the number of scheduled meetings for the Board and Board Committees, and covers from 1 January 2021 until 30 June 2023.

e. **Ordinary Resolution No. 6**
The Board had its meeting held on 15 April 2022 approved the recommendation by the Audit and Risk Management Committee to re-appoint Grant Thornton Malaysia PLT ("GT"). The Board and Audit and Risk Management Committee collectively agreed that GT has met the relevant criteria prescribed by Paragraph 15.21 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

f. **Ordinary Resolution No. 7**

The proposed Ordinary Resolution 7, 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 2022. With effect from 1 January 2023, the Proposed 20% General Mandate will be reinstated to a 10% limit ("Proposed 10% General Mandate") according to Rule 6.03 of the ACE 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 or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

This proposed Resolution is to seek for a new 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 it is useful for the Company to meet its financial needs due to the unprecedented uncertainty surrounding the recovery of the COVID-19 pandemic which currently shifting to endemic phase and it will enable the Board to take swift action during the challenging time to ensure long term sustainability and interest of the Company and its shareholders.

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, 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.

g. **Ordinary Resolution 8**

The proposed Ordinary Resolution 8 is to seek for Shareholders' Mandate to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature and to facilitate transactions in the normal course of business of the Group which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm's length basis and on the Group's normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders. For further information, please refer to the Circular to the Shareholders dated 29 April 2022.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.29 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. The profile of the Directors who are standing for re-election as per Agenda 2 of the Notice of the Third Annual General Meeting ("3rd AGM") are as follows:

(a) Mr Ong Keng Siew

Malaysian, aged 65, male
Independent Non-Executive Director
Chairman, Audit and Risk Management Committee
Member, Nominating Committee
Member, Remuneration Committee

Mr. Ong Keng Siew ("Mr. Ong") was appointed to the Board of Pekat on 17 September 2020.

Mr. Ong is a Fellow member of the Association of Chartered Certified Accountants, United Kingdom, and a member of the Malaysian Institute of Accountants (MIA).

Mr. Ong had an impressive career spanning over 30 years at Paramount Corporation Berhad ("Paramount"), a company listed on the Main Market of Bursa Malaysia Securities Berhad. Mr. Ong joined Paramount as an Accountant in 1981 and he rose through the ranks of Finance and Administration Manager and General Manager. He was appointed to the Board of Paramount on 14 November 1994. He assumed the posts of Deputy Group Managing Director & Deputy Group CEO in 1997 and was appointed as Managing Director & CEO of Paramount on 1 December 2008. Mr. Ong retired as the Managing Director & CEO of Paramount on 18 June 2012.

Mr. Ong is also an independent Non-Executive Director of Paramount Corporation Berhad and United Malacca Berhad.

(b) Mr Chin Soo Mau

Malaysian, aged 48, male
Managing Director & CEO

Mr. Chin Soo Mau ("Mr. Chin") is our Promoter, Managing Director and Chief Executive Officer (CEO) who is responsible for our Group's strategic direction and planning. He was appointed to our Board on 17 September 2020. In 1995, he obtained a Higher National Diploma in Engineering (Electrical/Electronic) from the Nottingham Trent University, United Kingdom.

Mr. Chin founded Pekat Teknologi in August 1999 and was appointed as the Managing Director of Pekat Teknologi, a position he continues to hold till today. Leading the Malaysian Photovoltaic industry Association (MPiA) as Vice-President from 2013 to 2015 and as President from 2017 to 2020. Having in-depth knowledge and experience in solar pv systems, he has made many contributions towards the forming of our nation's solar PV policies and as well as to the development of the industry. He currently retains an advisory role to MPiA.

(c) Datin Shelina Binti Razaly Wahi

Malaysian, aged 48, female
Independent Non-Executive Director
Chairperson, Nominating Committee
Member, Audit and Risk Management Committee
Member, Remuneration Committee

Datin Shelina Binti Razaly Wahi ("Datin Shelina") was appointed to the Board of Pekat on 17 September 2020.

Datin Shelina graduated from the University of Bristol with a Bachelor of Laws (Honours). She completed her Bar Vocational course at Lincoln's Inn, London in 1996 and was called to the Malaysian Bar in 1998.

Datin Shelina began her legal career as a litigation lawyer, then moved in-house as corporate counsel with a large multinational Oil & Gas company, followed by stints at a leading media, content & consumer service provider, a start-up airline and F&B start up, before returning to corporate legal practice.

In addition to legal practice, Datin Shelina is currently the founding Secretary of the Malaysia Aerospace Industry Association and assists member companies in their dealings with Government agencies, banks and other industry stakeholders.

Datin Shelina is also an independent Non-Executive Director of Marine & General Berhad and Alcom Group Berhad, which are both listed entities. She is a Non-Independent Non-Executive Director of Lam Soon (M) Berhad, a public company.

2. General mandate for issue of securities in accordance with Rule 6.04(3) of ACE Market Listing Requirements

Kindly refer to the Explanatory Notes (f) to the Notice of the 3rd AGM on Special Business – Proposed Renewal of Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016.

Administrative Notes

Administrative Guide For The Third Annual General Meeting ("AGM"")

Day and Date	: Thursday, 9 June 2022
Time	: 10.00 a.m.
Broadcast Venue	: Tricor Business Centre, Gemilang Meeting Room Unit 29-01, Level 29, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia
Online Meeting Platform	: TIIH Online website at https://tiih.online

Precautionary Measures Against the Coronavirus Disease ("COVID-19")

- In light of the Coronavirus (COVID-19) outbreak and as part of the safety measures, the AGM of the Company will be held on a virtual basis through live streaming from the broadcast venue using the above online meeting platform provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") in Malaysia via its TIIH Online website at https://tiih.online. Members are to attend, speak (including posing questions to the Board of Directors of Pekat Group Berhad via real time submission of typed texts) and vote (collectively, "Participate") remotely at this AGM via Remote Participation and Voting ("RPV") facilities provided by Tricor.

- For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the meeting is required to be present at the main venue of the AGM. Members/Proxies/Corporate Representatives will not be allowed to attend this 3rd AGM in person at the broadcast venue on the day of the 3rd AGM.

- We **strongly encourage** you to attend the 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 AGM.

- Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our AGM at short notice. Kindly check the Company's website or announcements for the latest updates on the status of the 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 AGM using RPV facilities from Tricor.

- Kindly refer to Procedures for RPV as set out below for the requirements and procedures.

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 AGM using the RPV facilities:

Before the AGM Day

Procedure	Action
i. Register as a user with TIIH Online	• Using your computer, access to website at https://tiih.online. Register as a user under the "e-Services" select the "Sign Up" button and followed by **"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 AGM remotely	• Registration is open from Friday, 29 April 2022 until the day of AGM on Thursday, 9 June 2022. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the AGM to ascertain their eligibility to participate the AGM using the RPV facilities. • Login with your user ID (i.e. e-mail address) and password and select the corporate event: **"(REGISTRATION) PEKAT 3RD 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 31 May 2022, the system will send you an **e-mail on or after 7 June 2022 to approve or reject** your registration for remote participation. (Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).

On the AGM Day

Procedure	Action
i. Login to TIIH Online	• Login with your user ID and password for remote participation at the AGM at any time from 9.00 a.m. i.e. 1 hour before the commencement of meeting at 10.00 a.m. on Thursday, 9 June 2022.
ii. Participate through Live Streaming	• Select the corporate event: **"(LIVE STREAM MEETING) PEKAT 3RD AGM"** to engage in the proceedings of the 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 AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.

Procedure	Action
iii. Online remote voting	• Voting session commences from 10.00 a.m. on Thursday, 9 June 2022 until a time when the Chairman announces the end of the session. • Select the corporate event: **"(REMOTE VOTING) PEKAT 3RD 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	• Upon the announcement by the Chairman on the conclusion of the AGM, the Live Streaming will end.

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 31 May 2022 shall be eligible to attend, speak and vote at the 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 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 Form of Proxy.

- If you wish to participate in the AGM yourself, please do not submit any Form of Proxy for the AGM. You will not be allowed to participate in the 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 AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than Tuesday, 7 June 2022 at 10.00 a.m.:

(i) <u>In Hard copy:</u>

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	• 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 form of proxy	• 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: **"PEKAT 3RD 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. • Appoint your proxy(s) and insert the required details of your proxy(s) or appoint the Chairman as your proxy. • 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.
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	• Access TIIH Online at https://tiih.online. • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects the "Sign Up" button and followed by "**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. *(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.)*

Procedure	Action
Proceed with submission of form of proxy	• Login to TIIH Online at https://tiih.online. • Select the corporate event name: **"PEKAT 3RD 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. • Login to TIIH Online, select corporate event name: **"PEKAT 3RD 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 AGM will be conducted on a poll pursuant to Rule 8.31A of the ACE 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") and Asia Securities Sdn Bhd as Independent Scrutineers to verify the poll results.

- Shareholders can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the AGM at 10.00 a.m.. Kindly refer to "Procedures to Remote Participation and Voting via RPV Facilities" provided above for guidance on how to vote remotely via TIIH Online.

Door Gift or Food Voucher

- There will be no door gifts or food vouchers for attending the AGM.

No Recording or Photography

- Unauthorized recording and photography are strictly prohibited at the AGM.

Pre-Meeting Submission of Questions to the Board of Directors

- The Board recognises that the AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the AGM, shareholders may in advance, before the 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, 7 June 2022 at 10.00 a.m.. The Board of Directors will endeavor to address the questions received at the 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).

Pekat Group Berhad
201901011563 (1320891-U)
(Incorporated in Malaysia)

PROXY FORM
(Before Completing This Form Please Refer To The Notes Below)

Number of Shares held	
CDS Account	

I/We*, ...NRIC/Passport/Company No. ....

Tel/Mobile No.. .of ....being a member

of the **PEKAT GROUP BERHAD**, hereby appoint ....

NRIC/ Passport/Company No. ....

or failing whom, ...NRIC/Passport/Company No. ....
or failing whom, the Chairman of the meeting as my/our^ proxy to vote for me/us and on my/our behalf at the **Third Annual General Meeting** of the Company to be held on a virtual basis through live streaming from the **broadcast venue** at **Tricor Business Centre, Gemilang Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia** on **Thursday, 9 June 2022** at **10.00 a.m**. and any adjournment thereof.

My/our proxy/proxies is/are to vote as indicated hereunder:

No	Ordinary Resolutions	FOR	AGAINST
1.	Re-election of Mr Ong Keng Siew as Director of the Company		
2.	Re-election of Mr Chin Soo Mau as Director of the Company		
3.	Re-election of Datin Shelina Binti Razaly Wahi as Director of the Company		
4.	Payment of Directors' fees of up to RM270,000.00 for the financial year ending 31 December 2022		
5.	Payment of Directors' benefits of up to RM170,000.00 for the period from 1 January 2021 until 30 June 2023		
6.	Re-appointment of Grant Thornton Malaysia PLT as Auditors of the Company		
7.	Proposed Authority to Issue and Allot Shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016		
8.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he thinks fit.

Signed this .... day of 2022

....
Signature of **Members**

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:			
Proxy No.	No. of Shares	Percentage	
Proxy 1			%
Proxy 2			%
Total		100%	%

^ To delete, whichever not applicable
* Manner of execution:
(a) If you are an individual member, please sign where indicated.
(b) 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.
(c) 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:
 (i) at least two (2) authorised officers, of whom one shall be a director; or
 (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Notes:

1. As part of the initiative to curb the spread of Coronavirus Disease 2019 ("COVID-19"), the Third Annual General Meeting ("3rd AGM") will be conducted on a virtual basis through live streaming from the broadcast venue and online remote voting through the Remote Participation and Voting ("RPV") facilities via TIIH Online website at https://tiih.online provided by Tricor Investor & Issuing House Services Sdn Bhd ("Share Registrar", "Tricor" or "TIIH") in Malaysia.
   For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the meeting is required to be present at the main venue of the AGM. Members/Proxies/Corporate Representatives will not be allowed to attend this 3rd AGM in person at the broadcast venue on the day of the 3rd AGM.
2. For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the meeting is required to be present at the main venue of the AGM. Members/Proxies/Corporate Representatives will not be allowed to attend this 3rd AGM in person at the broadcast venue on the day of the 3rd AGM.A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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 SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. Where a member or the authorised nominee appoints more than two (2) proxies, or where an exempt authorised nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.
6. A member who has appointed a proxy or attorney or corporate representative to attend and vote at the 3rd AGM must request his/her proxy or attorney or corporate representative to submit their RSVP at TIIH Online website at https://tiih.online no later than Tuesday, 7 June 2022 at 10.00 a.m. Please follow the RSVP Procedures in the Administrative Guide for the 3rd AGM.

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STAMP

The Share Registrar of
PEKAT GROUP BERHAD
Registration No: 201901011563 (1320891-U)
TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD
Registration No.: 197101000970 (11324-H)
Unit 32-01, Level 32, Tower A Vertical Business Suite,
Avenue 3, Bangsar South No. 8, Jalan Kerinch,
59200 Kuala Lumpur

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7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 3rd AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
   (i) <u>In hard copy form</u>
   In the case of an appointment made in hard copy form, the Proxy Form must be deposited at the Company's Share Registrar at 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, 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, Malaysia.
   (ii) <u>By electronic form</u>
   The Proxy Form can be electronically lodged via **TIIH Online** website at https://tiih.online. Kindly refer to the Administrative Guide on the procedure for electronic lodgement of proxy form via TIIH Online.
8. For the purpose of determining who shall be entitled to participate in this 3rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the **Record of Depositors as at 31 May 2022**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this 3rd AGM or appoint proxies to attend and vote in his stead.

Pekat Group Berhad
Registration No.: 201901011563 (1320891-U)

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