



# ARB BERHAD

199701033435 (448934-M)

KLSE: ARBB (7181)



# CONTENTS

02   <i>Who</i> WE ARE	27   <i>Sustainability</i> STATEMENT
04   THIS IS WHAT <i>We Do</i>	47   <i>Corporate</i> GOVERNANCE OVERVIEW STATEMENT
06   OUR <i>Milestones</i>	61   <i>Statement</i> OF DIRECTORS RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS
07   <i>Awards</i> & RECOGNITION	62   <i>Additional</i> COMPLIANCE INFORMATION
08   5 YEARS GROUP <i>Financial Highlights</i>	63   <i>Statement</i> ON RISK MANAGEMENT AND INTERNAL CONTROL
10   GROUP <i>Quarterly</i> FINANCIAL PERFORMANCE	65   <i>Audit</i> COMMITTEE REPORT
11   <i>Simplified</i> GROUP STATEMENT OF FINANCIAL POSITION	68   <i>Financial</i> STATEMENTS
13   <i>Corporate</i> INFORMATION	137   STATISTICS OF ORDINARY <i>Shareholdings</i>
14   PROFILE OF <i>Board Of</i> <i>Directors</i>	139   STATISTICS OF <i>Irredeemable</i> <i>Convertible Preference Shares</i>
19   PROFILE OF <i>Key Senior</i> <i>Management</i>	141   <i>Notice</i> OF ANNUAL GENERAL MEETING
20   <i>Chairman's</i> STATEMENT	<i>Proxy</i> FORM
22   <i>Management</i> DISCUSSION AND ANALYSIS	HARDCOPY REQUEST <i>Form</i>

## Who WE ARE

### WE ARE ARB

ARB Berhad ("ARB" or "the Group") was incorporated in Malaysia in October 1997 under the Companies Act 1965 and was listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") in February 2004. We evolved from timber as our core business to include IT solutions and services.

To reflect and cement our new corporate identity and values, in April 2019, we changed our company name to ARB Berhad and underwent a corporate facelift in April 2019. Since the diversification of the Group, we have experienced accelerated growth, clinching lucrative deals and establishing a strong base of clientele and partners, both locally and abroad. In April 2020, ARB has changed to Technology Sector, Software Sub Sector. We focus in software development in cloud customised ERP solutions and IoT related solutions to reduce dependence on external vendors in order to capture higher share of the markets. Our stellar growth owes much to our experienced and talented management team who come with vast and diverse experiences. With our talented management team and our commitment for excellence, we look forward to grow from strength to strength.



### Our Vision

Creating a sustainable world today for future generations



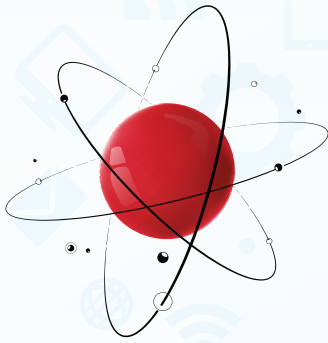
### Our Mission

We Aspire to:

- Help businesses capitalised on new opportunities and expand their potential
- Inspired and implement innovative IT solutions to help businesses achieve optimal efficiency
- Strengthen communities with sustainable solutions
- Strengthen our commitment and accountability to our stakeholders to achieve our shared goals



## Who WE ARE (CONT'D)



# Core Values

### **Dare to Face Obstacles**

Not afraid to try new things and face problems head on.  
New challenges are welcomed.

### **Teamwork is the Key**

A Team can achieve far more than any one person could.  
Believe in the team means believe in success.

### **In It For The Long Run**

Dedicated in creating a long term success.  
Strive for long term vision.

### **Innovation is Our Drive**

Believe that technology is the way to the future.  
Ready to adapt to new technology for greater innovation.



## THIS IS WHAT *We Do*

The Fourth Industrial Revolution (“IR 4.0”) refers to a new phase that focuses heavily on interconnectivity, automation, machine learning, and real-time data. IR 4.0 also referred to as IoT or smart manufacturing, marries physical production and operations with smart digital technology, machine learning and big data to create a more holistic and better-connected ecosystem for companies.

In view of that, ARB comes in to provide meaningful IT solutions and services to build a sustainable future which are innovative and are capable of being innovated to meet the ever-evolving need of our customers.

### Enterprise Resource Planning (“ERP”)

#### What is ERP?

In the age of analytics, ERP serves as a perfect conduit in facilitating a business’ digital transformation journey. The continuous stream of data helps enterprises to make quick and tactical business decisions.

ERP is an integrated application that an organisation can use to collect, store, manage and interpret data from many business activities. ERP provides an integrated and continuously updated view of core business process using common databases maintained by a database management system. ERP facilitates information flow between all business functions and manages connections to outside stakeholders. Thus, it allows decision makers of the organisation to make decisions on the right time.

#### What we provide?

- Design and develop of cloud customised ERP solutions, including customisation on system dashboards and platforms to suits business needs.
- Integration of businesses’ existing ERP system into cloud systems to streamline core busines processes to promote robust business performances.
- Provisions of supports, troubleshooting, and implementation to cloud customised ERP system to ease migration from business existing system or for new cloud customised ERP system implementation.
- Cloud customised ERP features to include vast range of applications and modules to cater for our partners’ business requirements in order to meet the ever-evolving market demands.



“Improve Your Life Experience with Smart System”

## THIS IS WHAT *We Do* (CONT'D)

### Internet of Things ("IoT")

#### What is IoT?

IoT is a system of interrelated computing devices, mechanical and digital machines that are provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction.

#### What we provide?

##### **SMART BUILDING**

- IoT system, engineering, procurement, commissioning and management to property developer and contractor.
- a complete solution with full turnkey deployment from designing, installation, testing, pre-commissioning and commissioning of various IoT systems and devices as well as integration of automated systems for smart building, including installation of wire and wireless and mechatronic works.

##### **SMART HOME**

- Design smart home solutions which can integrate a range of electrical appliances, centralised control and remote monitoring, accessible via mobile devices (IOS and Android) and Windows operating system.
- comprehensive professional electrical wire installation and home data network with safe and restorable smart home system design.
- smart home products and integration services that connect kitchen, closet or office to smart home network and integrate it flawlessly with other smart home appliances.

##### **SMART WATER SUPPLY MANAGEMENT SOLUTIONS**

- Software & hardware, data management and analytics tools.
- integrate, configure, perform pre-commissioning & commissioning as well as testing of smart water meter system.
- insights for customer care and billing, analysis, operations and maintenance.

## OUR *Milestones*

- Business Partnership & Outsourcing Partnership Agreements with Singapore based Asterisk Computer (Far East) Pte Ltd to explore and undertake Enterprise Application Software Solutions project and related IT consultancy services.
- Disposal of remaining 51% equity interest in Timber business subsidiaries.

Business Partnership Agreement with China Unicom Operations (Malaysia) Sdn Bhd to collaborate and undertake Smart Building Project in Malaysia and other ancillary businesses and opportunities.

**Jun  
2020**

**Nov  
2020**

Business Partnership Agreement with Beijing Kuangshi Technology Co., Ltd (known as "Megvii") for AI Facial Intelligent Application and relevant algorithm technology in IoT.

Reclassified sector on Bursa Securities to **Technology – Software** from Industrial Products & Services - Wood & Wood Products.

**May  
2020**

**Apr  
2020**

**IoT** – MOA with Shuifa IoT Tech Co Ltd for RM600 million IoT project for smart household water filtration system.

- **ERP** – Business contract with Tatan Land Co Ltd for Gross Merchandise Value of USD20 million ERP project in Cambodia.
- Disposal of 49% interest stake in Aturmaju (Sabah) Holding Sdn Bhd.

- **ERP** - Joint venture with Orange Social Media Sdn Bhd.
- Achieved record breaking revenue of RM102.64 million and profit after tax of RM32.82 million for the financial year ended 31 December 2019.

**Jul  
2019**

**Aug  
2019**

**Dec  
2019**

- **Solar** – Secured a Green Project with an indirect wholly-owned subsidiary of University Sains Malaysia to install, operate and manage Solar PV system at USM Faculty of Engineering.
- Acquisition 51% interest of C&M Renewable Technology Sdn Bhd by ARB.

- **IoT** – Business contract with IJ Ventures Sdn Bhd for IoT SEPCM project for 130 units of single storey terrace houses in Perak. Contract value is RM18 million.
- **IoT** – Accepted Letter of Award from Ageson Berhad for IoT SEPCM project for 260 units of serviced apartments in Shah Alam with contract value of RM60.43 million. (IoT SEPCM – IoT system, engineering, procurement, commissioning and management)

**Jun  
2019**

**May  
2019**

**ERP**  
Business contract with Yes's Comm Enterprise Sdn Bhd for Gross Merchandise Value of RM20 million ERP project.

Officially changed its name from Aturmaju Resources Berhad to ARB Berhad.

**Apr  
2019**

**Dec  
2018**

**Jan  
2019**

**Mar  
2019**

- Diversification of business to include IT solutions and related services.
- Abridged prospectus in relation to the renounceable rights issue of up to 1,008,150,000 Irredeemable Convertible Preference Shares (ICPS) on the basis of 15 ICPS for every 1 existing ordinary share.

**IoT**  
Joint venture agreement with Perkasa Selalu Sdn Bhd for IoT SEPCM project for RM78 million Smart Home Service Apartment in Kuala Selangor.





Malaysia Technology  
Excellence Awards 2020

Asia Pacific  
Enterprise Awards 2020

International Prestige  
Brand Award 2020

(IoT - IT Services)

Corporate Excellent Award  
Master Entrepreneur Category

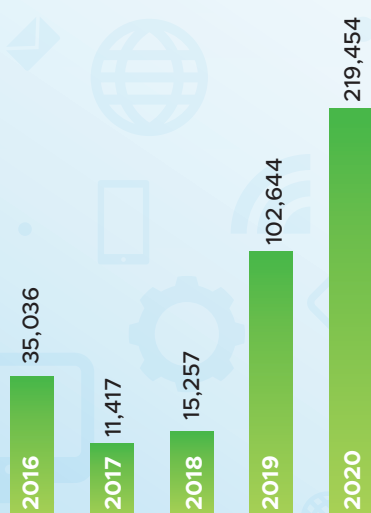
Best Entrepreneur of the Year

## 5 YEARS GROUP

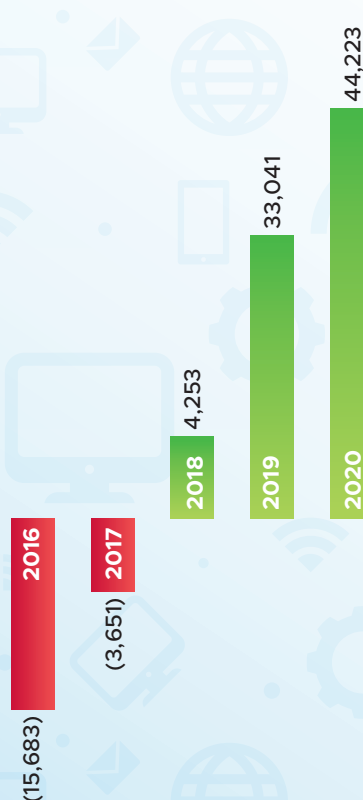
# *Financial Highlights*

Year ended 31 December	2016	2017	2018	2019	2020
<b>Results (RM'000)</b>					
Revenue	35,036	11,417	15,257	102,644	<b>219,454</b>
(Loss)/Profit before tax	(15,683)	(3,651)	4,253	33,041	<b>44,223</b>
Net (loss)/profit	(15,593)	(3,649)	4,232	32,823	<b>42,870</b>
(LPS)/EPS (cents)	(25.52)	(5.97)	6.30	11.46	<b>9.55</b>
<b>Statement of Financial Position (RM'000)</b>					
Share capital	61,100	68,861	15,748	60,268	<b>93,290</b>
Shareholders' equity	21,579	17,930	23,428	109,816	<b>183,761</b>
Total assets	26,914	19,963	24,789	127,034	<b>255,335</b>
Share Capital (number of shares '000)	61,100	61,100	67,210	289,813	<b>454,924</b>
Net assets per share (RM)	0.35	0.29	0.35	0.38	<b>0.40</b>
<b>Ratio (%)</b>					
(LBT)/PBT on revenue	(44.8)	(32.0)	27.9	32.2	<b>20.2</b>
Return on shareholders equity	(72.3)	(20.4)	18.1	29.9	<b>23.3</b>

Revenue (RM'000)

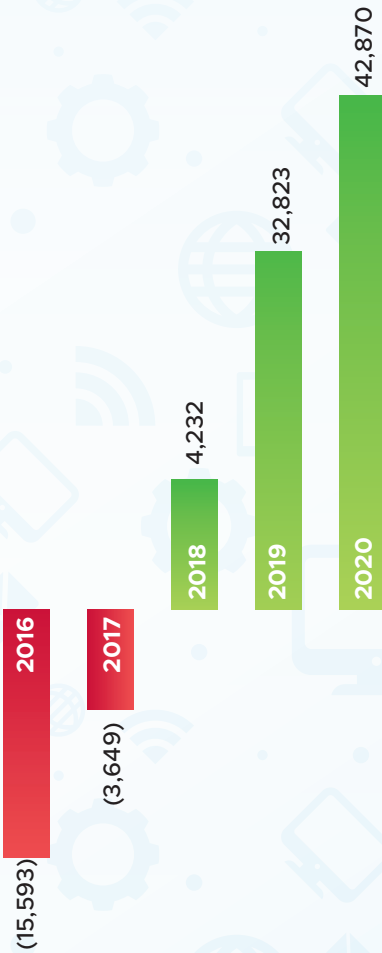


(Loss)/Profit before tax (RM'000)

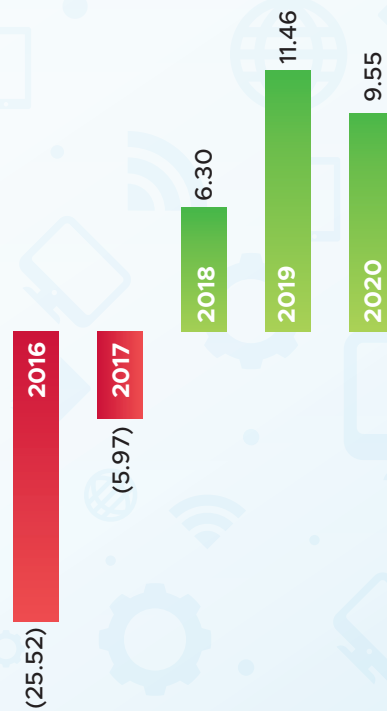


# 5 YEARS GROUP *Financial Highlights* (CONT'D)

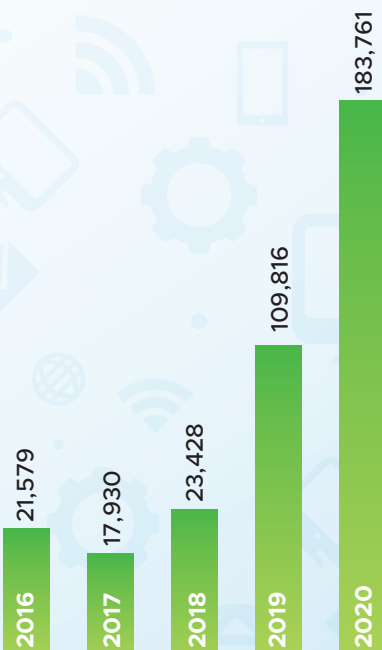
Net (loss)/profit (RM'000)



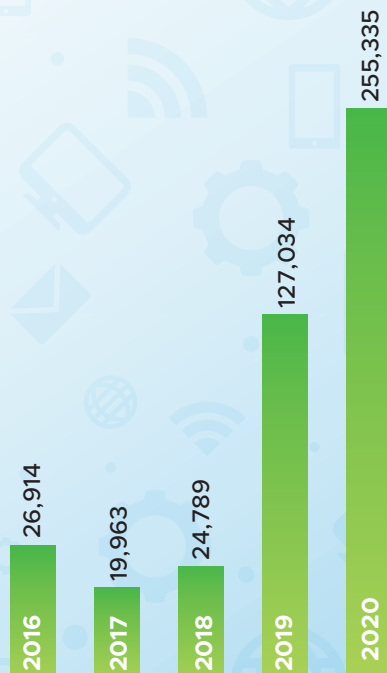
(LPS)/EPS (cents)



Shareholders' equity (RM'000)



Total assets (RM'000)

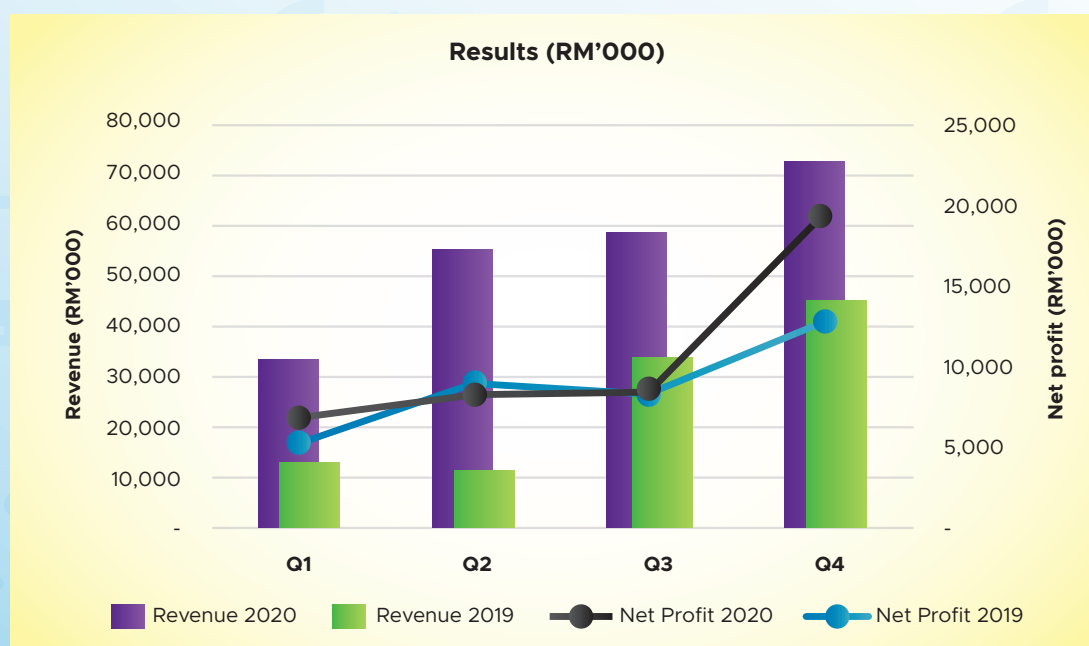




## GROUP *Quarterly* FINANCIAL PERFORMANCE

Results (RM'000)	Q1	Q2	Q3	Q4	FY2020
Revenue	33,354	55,337	58,303	72,459	<b>219,454</b>
Operating profit	6,845	8,356	8,426	22,583	<b>46,208</b>
Profit before tax	6,837	8,348	8,418	20,622	<b>44,222</b>
Net profit for the year	6,829	8,336	8,393	19,314	<b>42,870</b>
Basic earnings per ordinary share (cents)	2.33	2.30	1.90	4.34	<b>9.55</b>

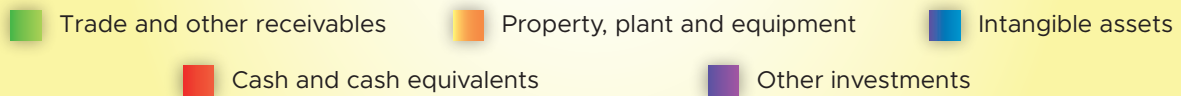
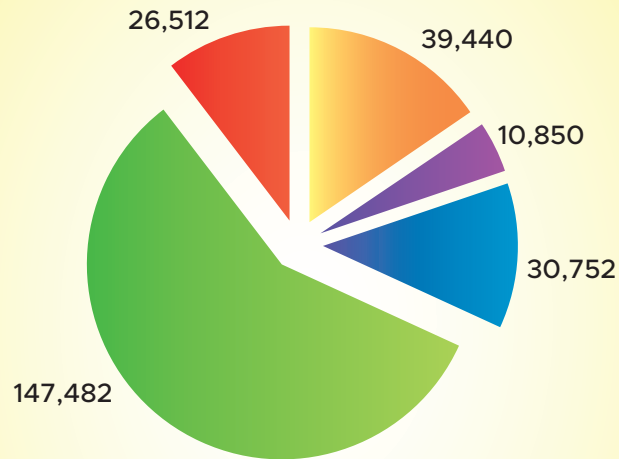
Results (RM'000)	Q1	Q2	Q3	Q4	FY2019
Revenue	12,427	11,280	33,941	44,996	<b>102,644</b>
Operating profit	5,081	8,619	8,239	12,693	<b>34,632</b>
Profit before tax	5,076	8,612	8,236	12,683	<b>34,607</b>
Net profit for the year	5,076	8,612	8,172	12,529	<b>34,389</b>
Basic earnings per ordinary share (cents)	4.56	6.54	3.54	4.41	<b>12.00</b>



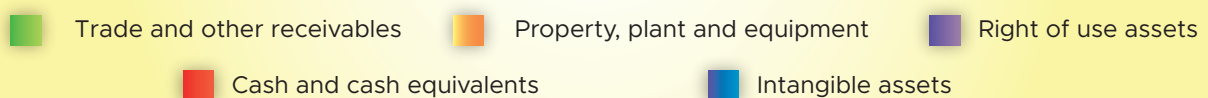
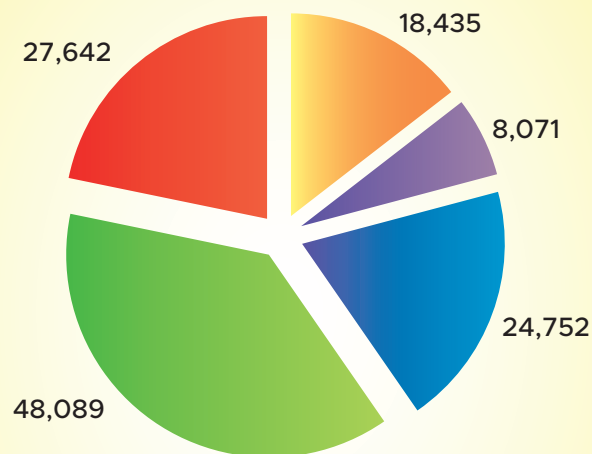
## *Simplified* GROUP STATEMENT OF FINANCIAL POSITION

### TOTAL ASSETS (RM'000)

**2020**



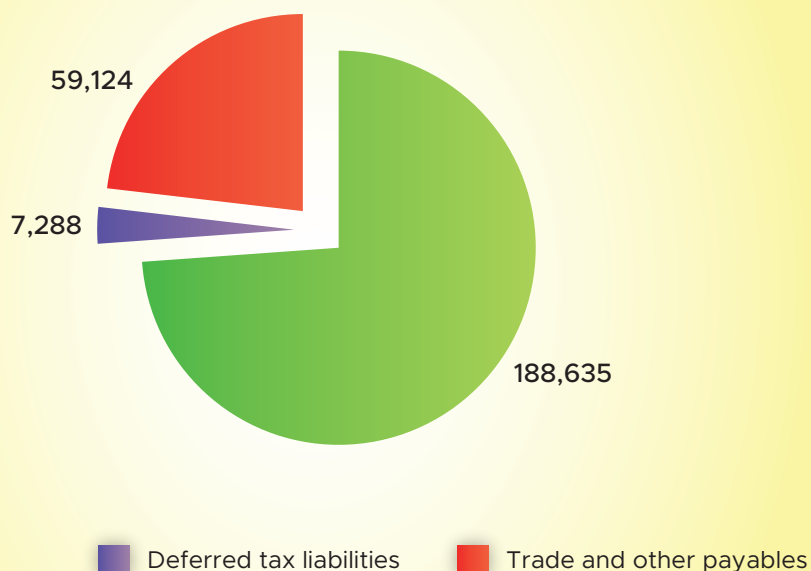
**2019**



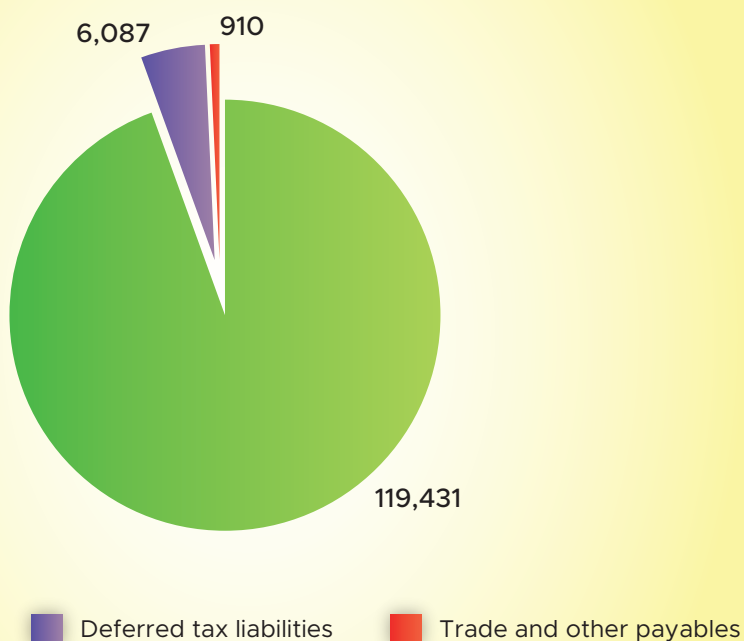
## *Simplified* GROUP STATEMENT OF FINANCIAL POSITION (CONT'D)

### TOTAL EQUITY AND LIABILITIES (RM'000)

**2020**



**2019**





# Corporate INFORMATION

## BOARD OF DIRECTORS

### INDEPENDENT NON-EXECUTIVE CHAIRMAN

Datuk Junaidi Bin Datuk Haji Abdul Rahman  
(Appointed on 23.02.2021)

### EXECUTIVE DIRECTORS

Dato' Sri Liew Kok Leong  
Dato' Baharon Bin Talib  
(Re-designated on 23.02.2021)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Khor Chin Meng  
Khor Ben Jin  
(Appointed on 03.02.2021)

## AUDIT COMMITTEE

Khor Chin Meng **Chairman**  
Datuk Junaidi Bin Datuk Haji Abdul Rahman  
(Appointed on 23.02.2021)  
Khor Ben Jin  
(Appointed on 03.02.2021)

## NOMINATION COMMITTEE

Datuk Junaidi Bin Datuk Haji Abdul Rahman **Chairman**  
(Appointed on 23.02.2021)  
Khor Chin Meng  
Khor Ben Jin  
(Appointed on 03.02.2021)

## REMUNERATION COMMITTEE

Datuk Junaidi Bin Datuk Haji Abdul Rahman **Chairman**  
(Appointed on 23.02.2021)  
Khor Chin Meng  
Khor Ben Jin  
(Appointed on 03.02.2021)

## COMPANY SECRETARIES

Tan Tong Lang  
(MAICSA 7045482) (SSM PC No. 201908002253)  
Thien Lee Mee  
(LS0009760) (SSM PC No. 201908002254)  
Lee Hooi Ching  
(MIA 45397) (SSM PC No. 202008004387)

## SHARE REGISTRAR

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

## AUDITORS

Messrs RSM Malaysia (AF 0768)  
5th Floor Penthouse, Wisma RKT, Block A  
No. 2, Jalan Raja Abdullah,  
Off Jalan Sultan Ismail,  
50300 Kuala Lumpur.  
Tel: 03-2610 2888  
Fax: 03-2698 6600

## HEAD OFFICE

No. 17-03, Q Sentral,  
2A, Jalan Stesen Sentral 2,  
Kuala Lumpur Sentral,  
50470 Kuala Lumpur.  
Tel: 03-2715 0238  
Email: [contact@arbberhad.com](mailto:contact@arbberhad.com)  
Website: [www.arbberhad.com](http://www.arbberhad.com)

## REGISTERED OFFICE

TB 8285, Lot 20C  
Perdana Square Commercial Centre  
Mile 3 ½, Jalan Apas,  
91000 Tawau, Sabah.  
Tel: 089-911026 / 089-913970  
Fax: 089-911304

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
Main Market  
Stock Name: ARBB (7181)  
Stock Name: ARBB-PA (7181PA)

## PRINCIPAL BANKER

CIMB Bank Berhad  
Malayan Banking Berhad

## PROFILE OF *Board Of Directors*

**DATUK JUNAIDI BIN DATUK HAJI ABDUL RAHMAN**  
59 | Male | Malaysian  
*Independent Non-Executive Chairman*



### QUALIFICATION(S)

- Executive Master of Business Management, Asia E University
- Executive Diploma in Engineering Business Management, Universiti Teknologi Malaysia

### MEMBERSHIP(S) OF BOARD COMMITTEES

- Nomination Committee (Chairman)
- Remuneration Committee (Chairman)
- Audit Committee (Member)

### WORKING EXPERIENCE(S) AND OCCUPATION(S)

Datuk Junaidi started his career as Branch Manager in Bumiputra Commerce Finance Berhad from 1980 to 2005. He was appointed as Director of Borneo Era Sdn Bhd from 2005 to 2006 and later he joined Petrohub Corporation Sdn Bhd as Chief Executive Officer for 10 years. He is currently the Corporate Advisor of Zera Megathron Sdn Bhd.

He also actively involved with Non Governmental Organisation ("NGO"). Previously, he was the Board of Visitors to Women and Children Hospital, Sabah and Deputy President to Kota Kinabalu Industrial Park Investment Council. Presently, he is National Secretary General under Persatuan Pedagang dan Pengusaha Melayu Malaysia.

### PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER

None

### DECLARATION

Datuk Junaidi Bin Datuk Haji Abdul Rahman does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

### AWARD(S) & RECOGNITION

- Asia Pacific Entrepreneurship Award (2015)
- Federal Award from Seri Paduka Baginda Yang di-Pertuan Agong: Darjah Johan Setia Mahkota (2012)
- State Award from TYT Sabah: Ahli Setia Darjah Kinabalu (2007)
- State Award from TYT Sabah: Ahli Darjah Kinabalu (2002)
- State Award from TYT Sabah: Bintang Kinabalu (2001)

Date of Appointment  
23 February 2021





## PROFILE OF

*Board Of Directors* (CONT'D)**QUALIFICATION(S)**

- Master of Science in Communication Systems, University of Wales Swansea, United Kingdom
- Bachelor of Science (Distinction) in Electronic & Electrical Engineering, Robert Gordon University Aberdeen, United Kingdom

**MEMBERSHIP(S) OF BOARD COMMITTEES**

None

**WORKING EXPERIENCE(S) AND OCCUPATION(S)**

Dato' Sri Liew has more than 20 years of experience in Information Technology, manufacturing, telecommunication, property development and venture capital investment. He has established a number of companies and subsidiaries in Malaysia, Singapore and China.

He oversees ERP & IOT Segment of the Group, who actively involves in business development and technology application.

**PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER**

Executive Director of Ageson Berhad

**DECLARATION**

Dato' Sri Liew Kok Leong does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

**AWARD(S) & RECOGNITION**

Dato' Sri Liew Kok Leong received Award under **Master Entrepreneur Category** in Asia Pacific Awards (APEA) 2020 as outstanding entrepreneurs who have demonstrated entrepreneurial attributes that serve as role models for emerging entrepreneurs.

**DATO' SRI LIEW KOK LEONG**

48 | Male | Malaysian

*Executive Director*



Date of Appointment  
30 August 2018





## PROFILE OF *Board Of Directors* (CONT'D)

### DATO' BAHARON BIN TALIB

69 | Male | Malaysian  
*Executive Director*



#### QUALIFICATION(S)

- Degree in History, University of Malaya

#### MEMBERSHIP(S) OF BOARD COMMITTEES

None

#### WORKING EXPERIENCE(S) AND OCCUPATION(S)

Dato' Baharon was appointed to the Board of Directors of ARB Berhad as Independent Non-Executive Director of the Company on 20 October 2010 and has been re-designated to Independent Non-Executive Chairman on 31 May 2013. Subsequently, he was re-designated to Executive Director on 23 February 2021.

Dato' Baharon served as government servant for more than 30 years and held various positions in the government sector. Dato' Baharon started his career as an Assistant District Officer, State Secretarial Office, and also at the Ministry Level with the Federal Government. Dato' Baharon last post was State Immigration Director of Sabah.

#### PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER

Independent Non-Executive Chairman of Ageson Berhad

#### DECLARATION

Dato' Baharon Bin Talib does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

Date of Re-designated  
23 February 2021





## PROFILE OF

*Board Of Directors* (CONT'D)**QUALIFICATION(S)**

- Fellow member of the Association of Chartered Certified Accountant (FCCA), United Kingdom

**MEMBERSHIP(S) OF BOARD COMMITTEES**

- Audit Committee (Chairman)
- Nomination Committee (Member)
- Remuneration Committee (Member)

**WORKING EXPERIENCE(S) AND OCCUPATION(S)**

Mr Khor has more than 20 years of professional experience in auditing and taxation. He started his career since 1996 by joining a Malaysia audit firm. He became a partner of a corporate firm in 1997 and owned a Tax Advisory firm since 2010.

**PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER**

Independent Non-Executive Director of Annum Berhad (Formerly known as Cymao Holdings Berhad)

**DECLARATION**

Mr Khor Chin Meng does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

**KHOR CHIN MENG****49 | Male | Malaysian***Independent Non-Executive Director*

Date of Appointment  
31 January 2019





## PROFILE OF *Board Of Directors* (CONT'D)

**KHOR BEN JIN**  
46 | Male | Malaysian  
*Independent Non-Executive Director*

### QUALIFICATION(S)

- Fellow member of Association of the Chartered Accountants (FCCA), United Kingdom
- Member of Malaysian Institute of Accountants (MIA)
- Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA)
- Certified Internal Auditor (CIA), United States of America

### MEMBERSHIP(S) OF BOARD COMMITTEES

- Audit Committee (Member)
- Nomination Committee (Member)
- Remuneration Committee (Member)

### WORKING EXPERIENCE(S) AND OCCUPATION(S)

Mr Khor is a Certified Internal Auditor and has extensive experience in internal audit consulting services, risk management exercises and corporate governance review with public listed companies involved in both industrial and consumer products manufacturing, integrated livestock farming activities, property development, and construction and trading services.

### PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER

- Independent Non-Executive Director of AHB Holdings Berhad
- Independent Non-Executive Director of BCM Alliance Berhad

### DECLARATION

Mr Khor Ben Jin does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

Date of Appointment  
3 February 2021





## PROFILE OF *Key Senior Management*

Comprise of all the 2 Executive Directors and 1 Key Senior Management Staff. The profiles of the 2 Executive Directors are as stipulated on pages 15 to 16.

### Profile of Key Management Staff

#### QUALIFICATION(S)

- Fellow member of the Association of Chartered Certified Accountant (FCCA), United Kingdom
- Member of Certified Public Accountant (CPA), Australia
- Member of Malaysian Institute of Accountants (MIA)
- Bachelor of Science (Upper Second Class Honours), Oxford Brookes University at United Kingdom

#### WORKING EXPERIENCE(S) AND OCCUPATION(S)

Ms Lee has more than 10 years of professional experience in auditing, manufacturing, banking and finance. She started her career in 2006 by engaging an accounting firm and followed by an international medium accounting firm, RSM Robert Teo, Kuan & Co as an audit associate. Subsequently, she joined a public listed company as a Group Accountant since 2008. She pursued her career to local and overseas banking, and finance industry since year 2010.

#### PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER

None

#### DECLARATION

Ms Lee Hooi Ching does not have any family relationship with any Director and/or major shareholder of the Company. She does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

**LEE HOOI CHING**  
38 | Female | Malaysian  
*Senior Finance Director*



Date of Appointment  
21 November 2018



## Chairman's STATEMENT

**Dear shareholders,**

**On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of ARB Berhad ("ARB" or "Company") and its subsidiaries ("Group") for the financial year ended 31 December 2020 ("FYE 2020").**

The overall business performance in Malaysia has been severely affected by the Coronavirus ("Covid-19") pandemic and it is therefore critical for business to look at areas in which they can put in place necessary measures to ensure long term sustainability of the business.

Covid-19 pandemic, which has affected the world since early 2020, has accelerated the growth of the digital economy in Malaysia. The government has identified the digital economy as one of the key economic growth areas to achieve our national commitment of elevating the country to be a nation of sustainable growth. ARB remains perseverant despite year 2020 being a tough year to majority business globally.

### INDUSTRY OUTLOOK AND PROSPECT

The government will focus on long-term productivity through the use of new technology to accelerate the transformation towards a high-income economy<sup>1</sup>. In the beginning of 2021, our Prime Minister has initiated MyDigital which includes the Malaysia Digital Economy Blueprint which aims to empower every Malaysia and serves as a digital transformation direction plan that is able to drive the business sector to compete on the global arena. It targeted by 2025, the digital economy is able to contribute 22.6% to the country's gross domestic product ("GDP")<sup>2</sup>. ASEAN Economic Community Blueprint 2025 ("AEC 2025") has also recognised information and communications technology ("ICT") as the key drivers in ASEAN's economic and social transformation<sup>3</sup>.

Advanced technologies such as Artificial Intelligence ("AI") and Internet of Things ("IoT") have changed the patterns of the world's economy and the way of life of modern society<sup>4</sup>. The Malaysian ERP market is expected to grow at a compound annual growth rate ("CAGR") of 11.4% from USD120 million to reach USD255 million in 2026 while the IoT market is expected to grow at a CAGR of 24.7% from USD 2.2 billion in 2019 to reach USD10.3 billion by 2026 the in par with the robust Malaysia's macroeconomic outlook, underpinning the growth of the Malaysia IoT and ERP markets. With that, our outlook appears to be positive.

In 2021, the development of our in-house cloud ERP products and combination with an extensive range of end-to-end services by reducing our dependence on external vendors allow us to capture a higher share of the value pool. Due to our unique business strategy of establishing joint venture ("JV") with specific target customers, we expect that our growth is more sustainable and less volatile.

In relation to our IoT segment, we plan to differentiate ourself from other vendors through our network of key partnerships with technology vendors whilst still possessing vendor-capabilities. In 2021, we anticipate higher growth in the IoT market as we are targeting a group of customers and expand offerings into adjacent vehicle.

<sup>1</sup> Budget 2021 Speech, paragraph 179 ([www1.treasury.gov.my/pdf/speech/2021/bs21.pdf](http://www1.treasury.gov.my/pdf/speech/2021/bs21.pdf))

<sup>2</sup> Malaysia Digital Economy Blueprint (<https://www.epu.gov.my/sites/default/files/2021-02/malaysia-digital-economy-blueprint.pdf>), pg. 11

<sup>3</sup> Asean Economic Community Blueprint 2025 ([https://www.asean.org/storage/2016/03/AECBP\\_2025r\\_FINAL.pdf](https://www.asean.org/storage/2016/03/AECBP_2025r_FINAL.pdf))

<sup>4</sup> Prime Minister's speech at MyDigital, Malaysia Digital Economy Blueprint launch ceremony (<https://www.theedgemarkets.com/article/muhyiddins-speech-mydigital-malaysia-digital-economy-blueprint-launch-ceremony>), paragraph 2



## *Chairman's* STATEMENT

### (CONT'D)

#### MOVING FORWARD

Moving forward, we will continue to improve our business model to generate recurring income stream to ARB Group. We will also continue to work with and invest in strategic system integrators and independent software vendors to accelerate potential partnering in various industries. As part of the growth strategy driven both organically and through acquisition, we are delivering innovative solutions in new categories, including analytics, commerce, IoT and integration, and expect to continue this type of horizontal expansion in the future. Further, we will expand and strengthen our local presence by collaborating with government-linked companies ("GLC") in IT related projects.

To ensure the sustainability and growth of our business, we will focus on those projects from our core segments such as cloud ERP system, IoT platform and e-commerce that are able to deliver higher Return of Investment ("ROI") to the shareholders. In line with the IR 4.0, we will also be involved in the technology Research & Development ("R&D") projects with the local universities to innovate the technologies in order to produce more high value-added products.

#### ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our Board members for their commitments to improve the Group's performance and enhance shareholders' value throughout the challenging year.

Also, sincere gratitude to our management team and employees for their continued dedication to the success of the Group.

Yours sincerely,

**DATUK JUNAIDI BIN DATUK HAJI ABDUL RAHMAN**  
*Independent Non-Executive Chairman*

# *Management* DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (“MD&A”) aims to assist the reader in understanding the results of operations and financial condition of ARB Berhad (“ARB”) and its subsidiaries (“the Group”). It contains data derived from our audited financial statements and factual statements on how the Group addresses business conditions, future prospective, relevant risks, impact of COVID-19 pandemic and other economic uncertainties.

The MD&A is provided as a supplement to, and should be read in conjunction with our consolidated financial statements and the accompanying Notes to the Financial Statements.

## OUR OPERATING ENVIRONMENT AND OUTLOOK

In the year under review, as the world responds to the outbreak of a novel strain of the coronavirus (“COVID-19”), technology sector has facilitated pandemic strategy and responded in ways that difficult to achieve manually and physically. It becomes the necessity of digital transformation to business longevity, operating digitally is the only way to stay in business through mandated shutdowns and restricted activity. The digital transformation has brought into sharp focus. Current event of COVID-19 has accelerated a paradigm shift towards digitalisation and servitisation of the economy, as evidenced by the marked shift in spending towards digital businesses.

The post-pandemic new norm will introduce operational challenges to various industries. Prior to the pandemic, an exemplification scheme towards digital technology cloud-base customised ERP system was already underway. The use of digital technologies to transform the way that people consume, share, cooperate and interact has a transformative impact on traditional industries and society at large.

Overall, market outlook for technology sector in FY2021 is bullish and will concert cooperation to the right partners in exploring more business partnership collaborations to curb the current situation in the short-term and while making progress on medium and long-term strategies.

As ARB ventures into FY2021, our growth momentum is in the upward trending and focus on leveraging strategic partnerships by raising our capabilities for optimised our business models and market expansion, increasing our expertise utilisation and strengthening our market position as provider of tailored turnkey solutions, especially our cloud-based ERP system. To further diversify our revenue stream into the IoT segment, ARB continues to secure few smart home projects in Peninsular Malaysia. We are confident that these efforts will pay off in building stability during uncertain times and grow substantially in post-pandemic era.

## VISION AND STRATEGIES

The technology sector especially in cloud services are expressively growing in number in demand, millions of jobs have been saved by the ability to work remotely. This could mean both a short-term and long-term increase in demand for remote connectivity, like cloud-based system and related services.

To achieve our vision, our research and development efforts focus on three interconnected ambitions:

- Reinvest productivity and business processes
- Build the intelligent cloud platform
- Explore and venture into new algorithm of new technology in cloud technology, AI and IoT.

## GROUP BUSINESS OPERATIONS AND PERFORMANCE

### Group Business Operations

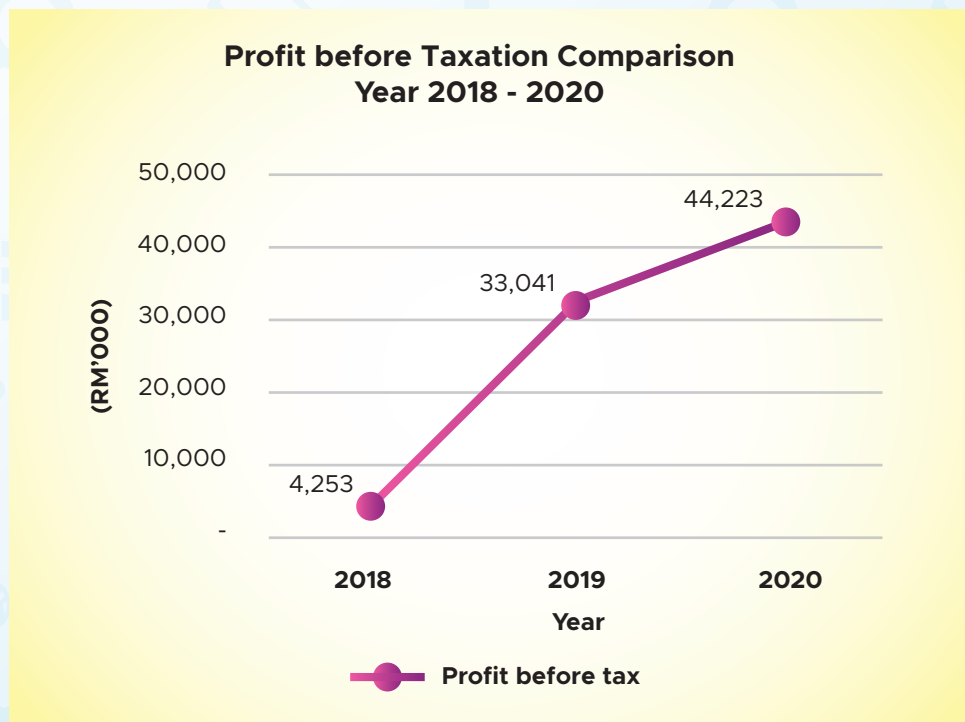
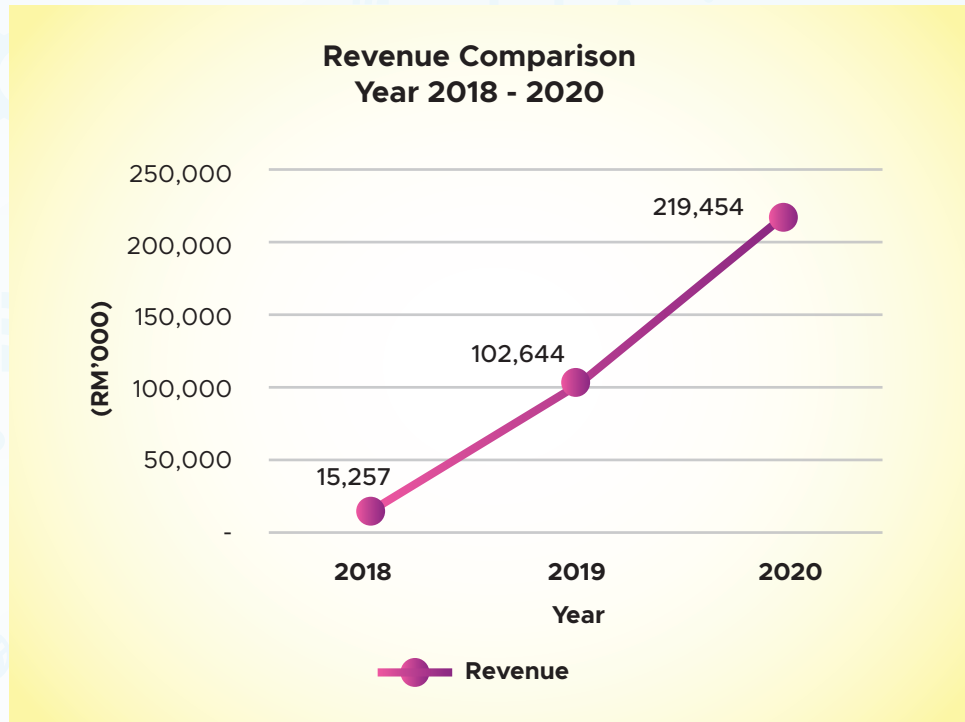
ARB is principally engaged in the activities of investment holding and management services. The core operations of the Group are carried out by subsidiaries which are involved in provision of ERP and IoT related businesses.

During the financial year under review, there were a few significant changes to our corporate structure. We disposed the balance of 51% of two subsidiary companies which were in timber business, and ARB has reclassified from Industrial Products and Services sector, Wood and Wood Products sub sector into Technology sector, Software sub sector.

## *Management* DISCUSSION AND ANALYSIS (CONT'D)

### GROUP BUSINESS OPERATIONS AND PERFORMANCE (CONT'D)

#### Group Performance



In overall Group financial results, the Group's revenue was significantly higher at RM219.45 million, an increase of 113.8% or RM116.81 million, as compared to previous financial year.

# Management DISCUSSION AND ANALYSIS

## (CONT'D)

### GROUP BUSINESS OPERATIONS AND PERFORMANCE (CONT'D)

#### Group Performance (Cont'd)

Despite the challenging economic environment, the Group managed to record an increased of 34% or RM11.18 million profit before taxation ("PBT") of RM44.22 million for FY2020, compared to PBT of RM33.04 million for FY2019.

The Group's taxation in FY2020 has increased to approximately 514% or RM1.13 million, as compared RM1.35 million in FY2020 to RM0.22 million in FY2019. The increase in taxation was due to higher profit before taxation from the IoT business. As resulted, this has constituted a rise of 31% or RM10.05 million in profit after taxation ("PAT") of RM42.87 million in FY2020 as compared to RM32.82 million in FY2019.

#### Segmental Performance

Business Segment (2020) (RM'000)	ERP Segment	IoT Segment	Total
Revenue	150,541	68,913	219,454
Segment result	81,921	2,841	84,762
Segment assets	123,461	105,807	229,268
Segment liabilities	(52,112)	(8,525)	(60,637)

Business Segment (2019) (RM'000)	Information Technology (ERP and IoT)
Revenue	102,491
Segment result	39,250
Segment assets	136,211
Segment liabilities	(12,603)

In FY2020, the **ERP segment** was our biggest contributor to revenue, recording a turnover of RM150.54 million as it saw a significant increase demand in cloud-based ERP system and project fulfilments during the COVID-19 pandemic. It generally reflected the segment result of RM81.92 million, segment assets and liabilities were RM123.46 million and RM52.11 million respectively.

Meanwhile, our **IoT segment** was generated RM68.91 million from the SEPCM projects and our distribution division of IoT related hardware products. The IoT segment result was RM2.84 million, segment assets and liabilities were RM105.81 million and RM8.53 million respectively.

In comparison to the previous financial year ("FY2019") results, the operating performance for the combination of ERP and IoT segments, it showed a significant increase of 114% or RM116.96 million in segment revenue and 116% or RM45.51 million in segment result from FY2019 to FY2020.

#### Group Cashflow Position

	2020 RM'000	2019 RM'000
Net cash generated from/(used in) operating activities	5,152	(12,025)
Net cash used in from investing activities	(37,448)	(15,125)
Net cash generated from financing activities	31,186	52,241
Cash and cash equivalents	26,512	27,622



# *Management* DISCUSSION AND ANALYSIS

## (CONT'D)

### GROUP BUSINESS OPERATIONS AND PERFORMANCE (CONT'D)

#### Group Performance (Cont'd)

The Group's capital expenditure and working capital requirements internally generated funds from its business and issuance of share capital via conversion of irredeemable convertible preference shares ("ICPS").

Cash and cash equivalents decreased by RM1.11 million to RM26.51 million in FY2020 as compared to RM27.62 million in FY2019. This was mainly due to the following:

- i) Increased of RM22.32 million in net cash used in investing activities from RM15.13 million in FY2019 to RM37.45 million in the current financial year; and
- ii) Decreased of RM21.05 million in net cash generated from financing activities amounting to RM31.19 million in FY2020, as compared to RM52.24 million in FY2019.

#### Future Outlook

ARB proved its resilience in our cloud solutions to improve management efficiency and accelerate a business' digitalisation initiatives and cost-effectiveness, building its track record and reputation. We have been able to deliver this value by providing digital services which build and empower end users. This is anchored on the development of digital ecosystem which leverage our local and overseas partners.

The management is continuously reviewing its business and aims to expand its geographical presence and access various new industry sectors by taking advantage of cross-border business opportunities in FY2021. A key growth strategy for FY2021 would be achieved through the execution of partner-ecosystem in growing industries. At the domestic front, ARB plans to work closely with GLC, multinational corporations ("MNC") and public listed companies ("PLC") as envisaged under its business plan. We will leverage on our agility to tap into opportunities globally.

As part of the growth strategy driven both organically and through strategic acquisitions, apart from widening both segments in ERP and IoT, we are also delivering innovative solutions in new categories, including Big Data analysis, e-commerce solutions, IoT platform for 5G and data cybersecurity, and expect to continue grow these businesses in near future.

In ERP segment, with the unique cloud-based ERP business model, it reduces the Group's dependence on external technology vendors and allows it to capture a bigger share of the value pool generated from collaborations. In IoT segment, the Group will accelerate rolling out IoT platform-based smart home solutions that have been gaining traction, especially among households in the urban area. Both segments are expected to be in line with the global initiative in advancing into the new era of IR 4.0.

#### Risks and Exposure

In a nutshell, before we see the potential rebound after the pandemic has slowed, there are some severe short-term implications, which would be a retrenchment in outlook, reduced investments in modernisation, as survival instincts trump the drive to prosperity.

They must make decisions about the next steps in a fluid and uncertain environment where the longer-term horizon is still evolving. We need to frequently revisit the Group business strategy, to be proactive in embracing and responding to those adverse events inevitably will occur in future.

The Group is operating in the technology industry that is constantly evolving and challenging. Frequent changes in technology and customer demand require our expertise in creating innovative and sustainable solutions to stay ahead of our competitors, at home and abroad.



## *Management* DISCUSSION AND ANALYSIS (CONT'D)

### GROUP BUSINESS OPERATIONS AND PERFORMANCE (CONT'D)

#### Risks and Exposure (Cont'd)

The identified risks affecting Group performance are:

##### a) Credit risk

The Group's credit risk primarily comprises trade and other receivables. Credit risk are managed and minimised through selective interaction and association with creditworthy business partners. In FY2020, the Group continues to adopt stringent credit control procedures. Long outstanding trade receivables, considered as high exposure to risk dependency, were monitored on a regular basis.

##### b) Technology obsolescence risk

The Group is highly dependent on IT and IoT technology development for future growth and survival as our products and services are based on technological advantages. Technology obsolescence risk shall be significant to the Group if the process, product, or technology used or produced by the Group for may become obsolete, and thus no longer competitive in the marketplace. This would significantly reduce the profitability of the Group.

To overcome this inertia, we deploy system that are flexible and forward compatible (together with the requisite after-sale support) to the end users, allowing them to quickly integrate new capabilities that appear in the market to avoid being left behind as technology evolves.



# **SUSTAINABILITY STATEMENT**

**Our Economic, Environmental and  
Social Responsibility (“EES”)**

# *Sustainability* STATEMENT



## CORPORATE VISION

**“Creating a sustainable world today for future generations”**

## SCOPE OF DISCLOSURES

This report presents ARB Berhad (“ARB” or “the Group”) economic, environmental and social responsibility (“EES”) performance, as well as its positive impact on relevant industries, economy and society. For the past three years we have been striving to continuously improve the quality of our reporting to better communicate how we manage and address our material matters towards creating long-term value for all our stakeholders. As we move forward, we aim to broaden and deepen the scope of our annual reporting to reflect ARB’s increasing commitment towards our sustainability agenda. Sustainability Report 2020 (“FY2020”) addresses topics that are material to our key business segments: Enterprise Resources Planning (“ERP”) and Internet of Things (“IoT”). It also documents our broad strategies, initiatives, and areas of impact for our three sustainability goals:

- 1) Ensuring Business Sustainability;
- 2) Ensuring No Harm to Our People and Environment; and
- 3) Nurturing and Developing Our Talent.

## REPORTING PERIOD AND BOUNDARY

This report exclusively covers the sustainability performance of the Group. All information covered in this report is for the period from 1 January 2020 to 31 December 2020, unless stated otherwise. We have included data from previous years, where possible, for comparability and status of our progress. For comparability, we have included disclosures for more than one year where possible. Our aspiration is to improve the quality of reporting by including a minimum of two-year data for all material disclosures. In FY2020, we have not undergone any external assurance for the sustainability report. This Sustainability Report is available to all stakeholders in hard copy on request and can also be downloaded from our corporate website at [www.arbberhad.com](http://www.arbberhad.com).



## *Sustainability* STATEMENT

(CONT'D)

### REPORTING STANDARDS AND GUIDELINES

Our sustainability disclosures were prepared 'In Accordance' with the following:

- Bursa Malaysia's Main Market Listing Requirements on Sustainability Reporting

In adhering these guidelines, we applied the following principles of sustainability reporting:

- Stakeholders' Inclusiveness – Conveying our response to stakeholders' reasonable expectations and interests.
- Sustainability Context – Presenting our performance in the broader context of sustainability.
- Materiality – Reflecting our significant economic, environmental and social impacts.
- Completeness – Covering and presenting all sustainability topics in order to enable stakeholders to assess the organisation's performance in the reporting period.

### OUR APPROACH

Our sustainability framework is centered upon the evaluation of EES risks and opportunities accompanied with the Group's corporate governance framework and social responsibilities. By applying a good corporate governance framework, environmentally responsible practices and sound social policies, ARB can achieve sustainable growth and enhance long-term value for our shareholders.

The report also highlights the systems and measures that we have developed and implemented in ensuring our products, operational processes and supply chains are consistently secured, stable and durable, our working environment are safe and healthy; and local regulations are well observed. There is no change in the scope of reporting from the Sustainability Statement of FY2020.

### FEEDBACK AND COMMENTS

We welcome comments and suggestions from our readers on our sustainability efforts as well as the contents of this report. Please address your constructive comments, queries and suggestions to: [ir@arbberhad.com](mailto:ir@arbberhad.com).

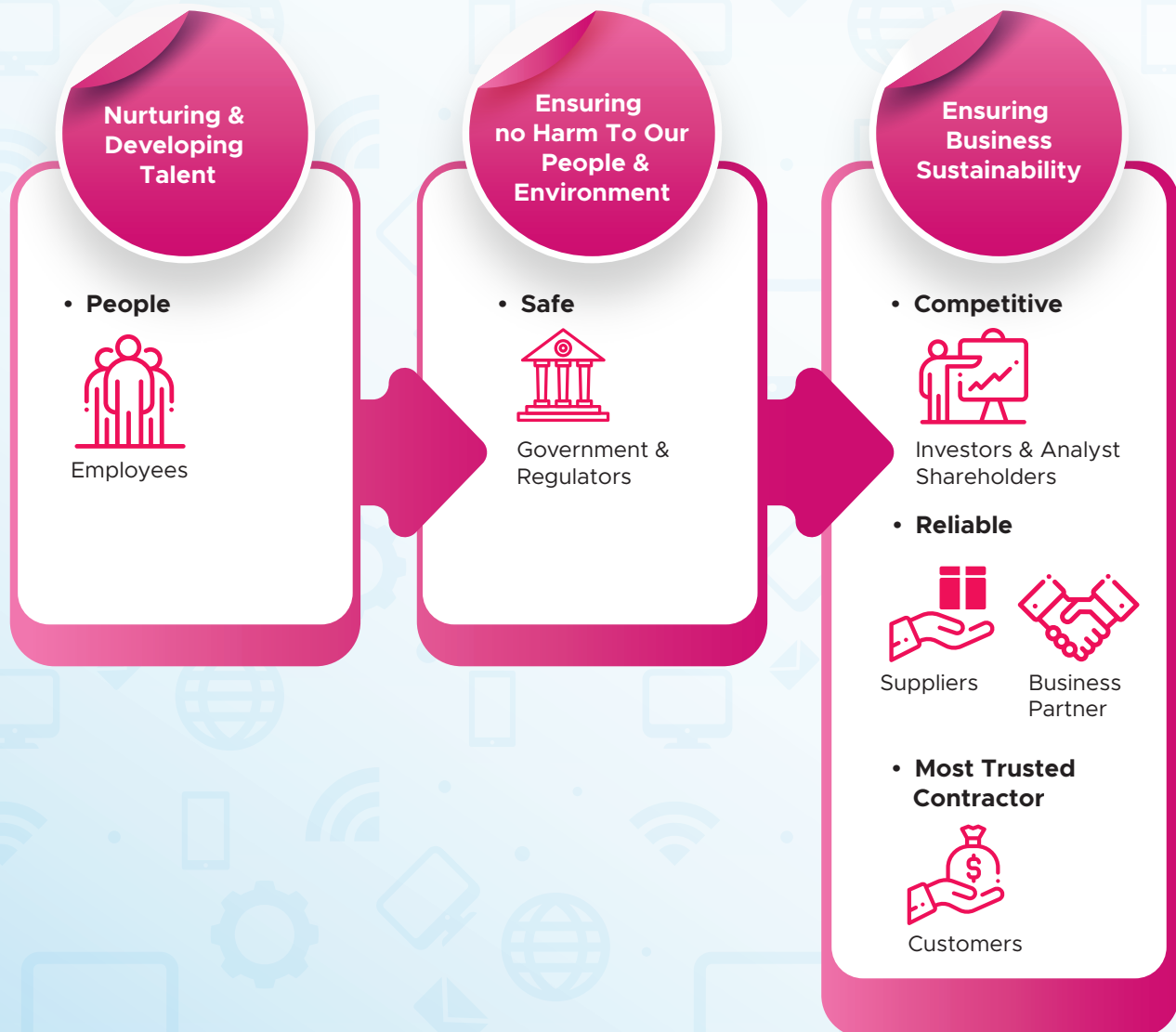
# Sustainability STATEMENT

(CONT'D)

## SUSTAINABILITY GOVERNANCE

At the heart of our sustainability agenda is the intent to create value to all stakeholders. This means prioritising social and environmental factors alongside economic profits. For our industry, we encourage Go Green and be environmentally friendly is the principle that we always adhere to.

Bursa Malaysia recommends organisations to take an enlightened approach to sustainability and adopt a long-term behaviorism for business and value establishment. At ARB, sustainability entails doing business ethically and responsibly while mitigating negative impacts from our operations. Our long-term sustainability approach aims to manage EES risk and opportunities.



Our core values and principles are the foundation for incorporating sustainability into our strategies, business processes, decision-making criteria and core operations. These principles are to be entrepreneurially led, technical competent and most trusted joint venture partners in the eyes of our clients, shareholders and most importantly, our empowered people. Our four (4) core values of dare to face obstacles, teamwork is the key, in it for the long run, and innovation is our drive are elaborated in detail on page 3. Together, these principles and values govern the way we engage with our stakeholders to create sustainable values.



## *Sustainability* STATEMENT (CONT'D)

### SUSTAINABILITY GOVERNANCE (CONT'D)

#### Sustainability Structure

The Group does not have a formal structure Sustainability Committee, however, the Group has defined the corporate structure as below: -



The Board of Directors oversight corporate sustainability strategy and performance.

Our Executive Directors ("ED") is responsible for monitoring the implementation of sustainability strategy and its performance. ED will review sustainability matters with the Departmental Sustainability Working Committee ("DSWC") and report to the Board of Directors on sustainability matters in quarterly basis.

DSWC comprises Management team and representatives from Health, Safety and Environment, Human Resources and Operations departments. DSWC is responsible for materiality assessment, identification and monitoring of initiatives/actions, execution of initiative/actions and reporting. They will report to ED on sustainability matters in quarterly basis.







# Sustainability STATEMENT

## (CONT'D)

### STAKEHOLDER ENGAGEMENT

Our persistent engagements with the stakeholders strengthen the evaluation process of our materiality matrix. Feedback from dialogues with stakeholders provide better insight to focus and improve on the key priority areas. Constant business activities assessment and review based on previous recognised issues aids in ensuring the sustainability matters are on track. Both internal & external stakeholders' interest are preserved as ongoing meetings and dialogue are held with them consistently.

The Group's approach to stakeholder engagement and a summary of key topics and concerns raised are detailed in the table below:-

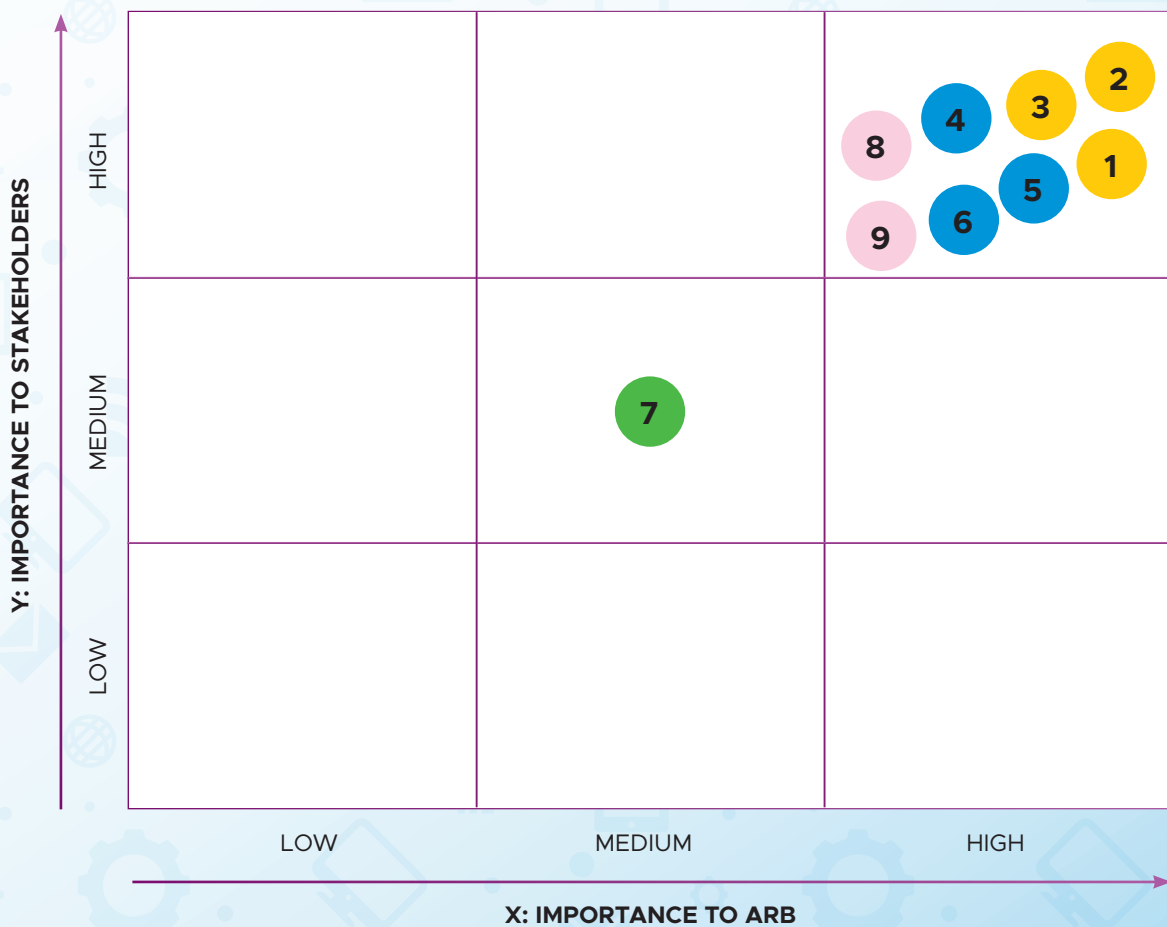
Stakeholder Group	Sustainability Concern	Engagement Approach	Frequency
Customers 	<ul style="list-style-type: none"> <li>Meeting product expectations in terms of quality, cost, price and delivery standards</li> <li>Delivering new and innovative products</li> <li>Utilising resources responsibly</li> </ul>	<ul style="list-style-type: none"> <li>Customer feedback</li> <li>Social media engagement</li> <li>Working with customers as part of the product development process</li> </ul>	Ongoing
Employees 	<ul style="list-style-type: none"> <li>Training and development</li> <li>Maintaining safe and conducive work environments</li> <li>Remain in compliance with local labour laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Training courses</li> <li>Employee performance appraisals</li> <li>Employee engagement events</li> <li>Regular meetings</li> </ul>	Regular, Ongoing
Suppliers 	<ul style="list-style-type: none"> <li>Tender prices and payments</li> <li>Ensure timely payouts to suppliers</li> <li>Cost efficiency and introduction of products</li> </ul>	<ul style="list-style-type: none"> <li>Regular meeting and online/offline communication</li> <li>Process improvement</li> </ul>	Ongoing
Investors 	<ul style="list-style-type: none"> <li>Corporate information</li> <li>Financial &amp; operational performance at expense of environmental/social well-being</li> </ul>	<ul style="list-style-type: none"> <li>Annual general meeting, quarterly results announcement</li> <li>Press conference</li> <li>Analysis briefing meetings</li> <li>ARB's website</li> </ul>	Quarterly, Annually
Business Partner 	<ul style="list-style-type: none"> <li>Terms of references ("TOR")</li> <li>Review to ensure business processes are smoothly and efficiently</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Discussions</li> <li>Product launches</li> </ul>	Ongoing
Government and Regulators 	<ul style="list-style-type: none"> <li>Remain in compliance with local environmental laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Pre-consult submission</li> <li>Periodical monitoring &amp; reporting</li> </ul>	Ad-hoc

# Sustainability STATEMENT

(CONT'D)

## MATERIAL ASSESSMENT

For the purpose of addressing the material issues within the Sustainability framework, the Board has identified several pertinent material issues during the reporting period. The material issues identified were mapped to the relevant pillars as illustrated below:-



## *Sustainability* STATEMENT

### (CONT'D)

#### MATERIAL ASSESSMENT (CONT'D)

##### ECONOMIC

##### INNOVATION

Products, Research & Development, and Services - Bringing Continuous Innovation to Our Customers.

Our ERP Manufacturing solutions provide seamless manufacturing business operations for clients in Malaysia. Some users skim the edges of our technology when they use our customers' services, while others are fully immersed, driving their business forward with integrated applications built on our advanced ERP technology. Our ERP solution is powerful cloud application, built to enrich and improve businesses for a specific purpose. By working together, our system can integrate, learn, and improve goes beyond basic software and database solutions.

Our Intelligent ERP Framework

In the digital economy, companies need both standard applications and a highly flexible platform that allows them to: -

- Extend and customised cloud and on-premise ERP applications
- Develop new applications for different processes
- Integrate cloud and on-premise applications

ERP Cloud Platform is a customisable cloud enterprise platform, an environment where companies can build, test, run, manage, and expand software applications in the cloud. It offers comprehensive capabilities to help business users to mobilise quickly and get going in less time.

##### **Products, Research & Development and Services - Bringing Continuous Innovation to Our Customers**

Customers can apply, among other things, mobile services, advanced analytic tools, state-of-the-art authentication mechanisms, and social functionality. ERP Cloud Platform enables businesses to connect and integrate on-premise customers, as well as partners, to innovate quickly and easily on ERP Cloud Platform while leveraging the capabilities of our ERP Cloud Platform.

##### **Supply Chain Management**

To meet the rising expectations of today's discerning, tech-savvy customers, our companies need to respond quickly and accurately to their demands, which mean in creating responsive and distributed manufacturing and supply chain networks. Our solutions enable customers to set up a real digital supply chain that provides real-time visibility into manufacturing, logistics, and how their assets are operating, enabling them to optimise maintenance and service schedules.

##### **Internet of Things ("IoT")**

We provide complete solution for the integration of IoT systems and devices from designing to project deployment. Our capabilities include smart homes, smart buildings, and smart water supply management solutions.



# Sustainability STATEMENT

## (CONT'D)

### MATERIAL ASSESSMENT (CONT'D)

#### ECONOMIC (CONT'D)

##### FINANCIAL PERFORMANCE



REVENUE (RM'000)

**RM219,454**  
(FYE 2019 - RM102,644)



NET PROFIT (RM'000)

**RM42,870**  
(FYE 2019 - RM32,823)

For more information about the Group's financial performance, please refer to the 5 Years Group Financial Highlights and Group Quarterly Financial Performance from pages 8 to 10 of ARB Annual Report 2020.

#### BUSINESS CONDUCT

##### Integrity Operational Matters

ARB is persistently investing effort in incorporating sustainability practices into our core business operations. We recognised that commercially viability is intertwined with sustainability. Hence, we are gradually integrating relevant environmental, social, ethical and governance requirements across all division within the Group.

At ARB, we conduct our activities in accordance with the laws, rules, and regulations in the various places that we operate as well as support our employees to consistently uphold the highest standard of integrity and accountability.

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

In June 2020, the Group issued Corporate Liability Policy ("CLP") pursuant to section 17A of the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009"). The objectives of this CLP are listed as below: -

- To foster the growth of a business environment that is free from corruption;
- To ensure all personnel of the Group take reasonable measures to ensure their daily activities do not involve corrupt activities;
- To provide guidance on how to recognise and deal with bribery and corruption issues; and
- To avoid penalty from the relevant authorities due to non-compliance on any acts related to integrity and anti-corruption.

Any non-compliance to this CLP shall constitute a serious offence warranting disciplinary action or possible lawsuit and dismissal of the offender subject to management discretion.

The details of CLP can be found at our website link below: -



<https://www.arbberhad.com/corporate-governance-arbberhad>

## *Sustainability* STATEMENT

### (CONT'D)

#### MATERIAL ASSESSMENT (CONT'D)

##### ECONOMIC (CONT'D)

##### BUSINESS CONDUCT (CONT'D)

##### Risk Management Assessment

ERP system implementations are often characterised with large capital outlay, long implementation duration, and high risk of failure. In order to avoid ERP implementation failure and realise the benefits of the system, sound risk management is the key. ARB will undertake the necessary risk assessment in its implementation to avoid catastrophic failure when implementing its ERP system.

##### Whistle Blowing Policies

Our existing Whistle Blowing Policies can be found at our website link below: -



<https://www.arbberhad.com/corporate-governance-arbberhad>

##### Corporate Governance and Compliance

ARB is committed to the principles and best practices of corporate governance as laid out in the Malaysian Code on Corporate Governance ("MCCG") 2017 to ensure that standards of corporate governance are being observed throughout the Group with the ultimate objective of enhancing long term shareholders' value and returns to our stakeholders.

Details of our corporate governance framework and practices are elaborated in the Corporate Governance Overview Statement on pages 47 to 60 of this Annual Report as well as Corporate Governance Report for an announcement and publication at [www.arbberhad.com](http://www.arbberhad.com).



<https://www.arbberhad.com/corporate-governance-arbberhad>

As part of our compliance, we instilled Code of Ethics into our business practice and operation. More of the policies can be found at our website includes our Board Charter, Audit Committee, Remuneration Committee and Nomination Committee.



<https://www.arbberhad.com/corporate-governance-arbberhad>

## *Sustainability* STATEMENT

### (CONT'D)

#### MATERIAL ASSESSMENT (CONT'D)

##### WORKPLACE

###### HEALTHY AND SAFE WORKING ENVIRONMENT

The Group continuously strives to provide a healthy and safe working environment for our employees. Following the global outbreak of COVID-19, the Group has taken various precautionary measures recommended by World Health Organisation ("WHO") and the Malaysian Ministry of Health ("MOH"). The initiatives include cleaning and disinfection at the workplaces at frequent intervals and provide face masks and hand sanitiser to employees and visitors at all our offices. All staffs are mandatory to wear a face mask in the premises. Staffs who have close contacted with the infected patient should undergo COVID-19 test and quarantine for a period of 14 days.

We will continue to take necessary measures to ensure our employees remain healthy and safe. Additionally, we have also restricted non-essential travel and advocated self-quarantine to employees returning from high-risk countries. We have also shared the health and safety advice on hygiene and safe food practices and encouraged employees to take precaution while travelling.

###### TRAINING

The Group consistently keeps the technical personnel trained and updated on the techniques and technologies that can help them to perform their duties effectively. This will improve their performance and productivity while at the same time, increase their value and future marketability. The Group is taking an active interest in nurturing talent and developing leaders. We provide on-the-job learning opportunities coupled with coaching and formal trainings. We believe the emphasis on on-the-job learning broadens our employees' experiences and sharpens their functional and people skills for their career development.

###### EMPLOYEES' WELFARE

As a caring employer, ARB urges to continuously look after the benefits and welfare of its employees and endeavors its best to ensure that adequate resources which include various services, facilities and amenities are provided to the employees for their economic betterment, social status improvement, healthy well-being and efficiency in performing their duty with the company.

We aspire to continuously enhance our Employee Handbook with additional new perks and benefits perpetually. We protect our employees' welfare by providing competitive salary, incentives and rewards to boost their morale. We offer non-monetary benefits, including annual, sick, hospitalisation, maternity, and compassionate leaves as well as free meals for those staffs who work beyond regular office operation hours. Additionally, we award commitment incentives to staffs who have well-performed and demonstrated their positive dedication to their works.

We encourage internal activities for the employees to ensure that they are working in a pleasant work environment and employees are strongly motivated with high self-esteem. Festive gatherings and annual dinner are organised to encourage the bonding among the employees and also create a chance for gathering and knowing each other. These activities increase significantly staff productivity, efficiency and morale at the workplace.



## *Sustainability* STATEMENT

(CONT'D)





## *Sustainability* STATEMENT

(CONT'D)



GATHERING ACTIVITIES  
(GROUP OFFICE)



CHRISTMAS CELEBRATION  
(GROUP OFFICE)

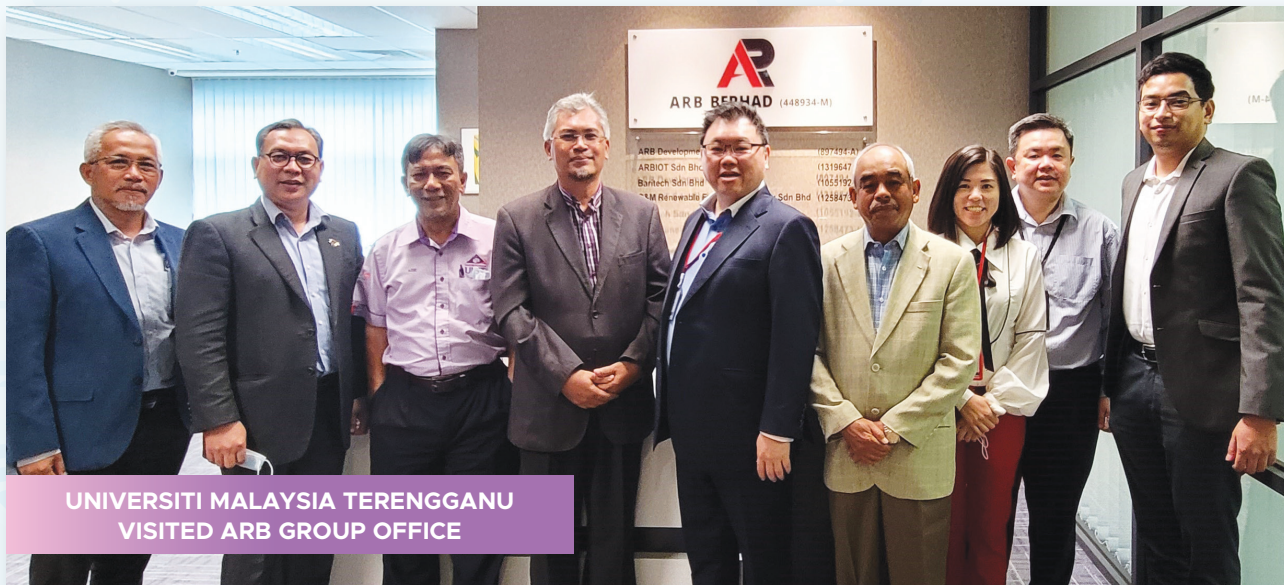


INTERACTIVE GAMES DURING CHRISTMAS  
CELEBRATION



# *Sustainability* STATEMENT

(CONT'D)



UNIVERSITI MALAYSIA TERENGGANU  
VISITED ARB GROUP OFFICE



UNIVERSITI KEBANGSAAN MALAYSIA  
("UKM") TEAM VISITED ARB GROUP OFFICE



ARB TEAM VISITED  
UKM INSTITUTE OF IR4.0



# Sustainability STATEMENT

## (CONT'D)

### MATERIAL ASSESSMENT (CONT'D)

#### WORKPLACE (CONT'D)

##### ARB Internship

ARB Internship Programme aims at developing offers an opportunity to undergraduate students who are keen on taking up some industrial experience before joining the workforce as permanent employment. We develop the students as an individual and include: -

- a holistic approach to bridge the gap between study and work experience with customised job rotation;
- enhancing leadership skills among others, via involvement in group-wide special projects;
- International Assignments to immerse the students in our global operations; and
- face-to-face development interventions where a dedicated coach and mentor is assigned to guide the students throughout their internship journey.

#### ENVIRONMENTAL

The Group does not operate in an environmentally sensitive business. We engaged in the business of developing and providing environmental-friendly enterprise cloud-based solutions and platforms which consist of customisation of ERP systems and IoT systems for strategic business partners and clients. Our business activities have a very minimal impact on the environmental, more particularly on natural resources like air, water and energy.

Environmental sustainability is one of the most challenging component of sustainability strategy, on how we preserve the natural resources and the earth for future generations betterment. In our effort to preserve and conserve the environment, ARB has undertaken numerous good initiatives that support environment conservation.

##### ENERGY EFFICIENT PRACTICES

We regularly review our daily business operations for new environmental initiatives. Among our energy efficient practices are: -

##### *Laptop over Desktop*

We practice the 'Buy energy-efficient devices' practice. Most of our hardware are laptops, which are more energy saving than desktop computers. Such investments might incur higher costs upfront but can produce significant savings in long run.

##### *Use hibernation feature on all laptops/desktops*

We encourage employees to use the hibernation feature on all laptop and desktop computers.

##### *Use energy saving features for all devices*

We encourage employees to opt for the energy saving setting feature for all office devices to reduce energy costs.

##### *Print only when necessary*

We are encouraged Go Green by not printing the files, which can be sent via email. The idea of paperless will reduce both our paper wastage and energy required to run the printers, which eventually will help to reduce our energy cost and extends the lifespan of our printers.

##### *Switch off when not in use*

Employees are reminded to switch off all the printers, scanners, microwave ovens and lights when they are not in use.

## *Sustainability* STATEMENT

(CONT'D)

### MATERIAL ASSESSMENT (CONT'D)

#### SOCIETY

##### COMPANY BRANDING

We are continuously innovate products and best of breed solutions that are effective, user friendly and cost effective. Through our innovative products and services, our customers can unlock indefinite possibilities, enhance their goal accomplishment and improve business efficiency.

ARB was honored to win the following awards during the financial year: -

**1) Malaysia Technology Excellence Awards 2020**

- for development of an Intelligent Pandemic Prevention Station under IoT Category in IT services industry.



**2) Corporate Excellent Award of Asia Pacific Enterprise Awards 2020 (Regional Edition)**

- for demonstrating effective talent mobilisation and organisational capability to deliver consistent business results, while remaining aligned to the organisation purpose.



**3) Best Entrepreneur in IoT industry of the year in International Prestige Brand Award 2020**

- organised by Asia Excellence Entrepreneur Federation.



BEST ENTREPRENEUR IN  
INTERNET OF THINGS INDUSTRY  
最佳信息科技企业家大奖



# Sustainability STATEMENT

(CONT'D)





## *Sustainability* STATEMENT

(CONT'D)

### MATERIAL ASSESSMENT (CONT'D)

#### SOCIETY (CONT'D)

##### COMMUNITY SUPPORT

#### **ARB IoT Lab at Universiti Pertahanan Nasional Malaysia ("UPNM")**

ARB adopted a culture of “giving back” and contributing to the society. In this regard, the Group collaborated with UPNM to provide a platform for young generation and public to be readied and developed skillful workforce for upcoming technology trend of IR 4.0.

Therefore, the Group contributed an initial fund to ARB Artificial Intelligence Lab, which currently known as ARB Artificial Intelligence and Robotics Lab in UPNM to support the operation of the lab. The Group is in the midst of setting up ARB IoT lab at UPNM with various IoT equipment furnished by the Group. The IoT equipment is for students and non-students of UPNM in lecturing and training purposes.

ARB will provide scholarships to postgraduate students’ tuition fee in yearly basis, who enroll in IoT related courses offered by UPNM.



## Sustainability STATEMENT

### (CONT'D)

#### PROGRESS AGAINST TARGET/KPI IN SUSTAINABILITY

As part of our sustainability effort, below are the benchmarks to be created/enacted to enable us to follow a certain set of guidelines.

Indicators	Contents	Unit of Measure	Level of Indicator	Related Goals	Type of Indicator
<b>Economic</b>					
Consumer Awareness	Measuring the aspect of consumer/customer awareness and sustainability; exploring and understanding barriers to sustainable consumption/lifestyles (sensitivity, behaviors, customer/decision-making, habits), a company's own activities by examining, measuring and analysing the impacts of its products and services.	qualitative	progressive		non-specific
Product Quality	Measuring the number of complaints received from customers.	Unit of Number	progressive		non-specific
Rate of Local Sources	The rate of local sources/origins in <ul style="list-style-type: none"> <li>- raw material</li> <li>- in products and services</li> <li>- among subcontractors and suppliers</li> <li>- among employees</li> </ul>	%	recommended		non-specific
<b>Workplace</b>					
Management Training	The rate of managers participating in management training programs (competency-based rather than professional ones, e.g. on leadership, sustainability, problem-solving, etc.)	%	recommended		non-specific
Time for Learning	The number of working days employees can spend attending training and development programs (company training, open training programs, attendance at tertiary education, self-education, etc.)	day	recommended		non-specific
Training and Development	Training and development programs financed by a company and provided for/available to employees. (thematical programs, language courses, professional training, skills development, leadership training, etc.)	Ft/person	recommended		non-specific

# Sustainability STATEMENT

(CONT'D)

## PROGRESS AGAINST TARGET/KPI IN SUSTAINABILITY (CONT'D)

Indicators	Contents	Unit of Measure	Level of Indicator	Related Goals	Type of Indicator
<b>Workplace (Cont'd)</b>					
Reasonable Remuneration System	The rate of the lowest wage-earners/ the percentage rate of the workers who earn a minimum wage and breakdown of this group by gender/ the percentage rate of those earning the national average/the percentage rate of those earning more than that/the difference between lowest wage-earner and the highest-paid employee/the breakdown of the highest-paid by gender/difference between female and male severance payments and bonuses/the rate of benefits provided for basic needs in addition to normal wages – health insurance, pension plans, prevention, self-provisioning, housing benefit – the rate of sustainable cafeteria plans/ young career-starters entry income level/breakdowns by gender and age, assessing and monitoring wage differences/the rate of hired labour and direct employment and the reasonableness of their remuneration system/transparent and standard bonus system, pay-rise and personnel promotion system	Ft and % and qualitative	progressive		non-specific
New Jobs Creation	The number of new jobs created for direct employees and in the value chain in one particular year through a company's efforts. (the difference between newly created and terminated jobs)	number	recommended		non-specific
<b>Environmental</b>					
Reuse of Waste	Waste prevention activities, the % recommended non-specific amount of waste produced, breakdown by type of waste.	%	recommended		non-specific



# Corporate GOVERNANCE OVERVIEW STATEMENT

This Corporate Governance Overview Statement outlines the corporate governance framework of ARB Berhad ("ARB" or "the Company") and its subsidiaries (collectively referred to as "the Group"), including a summary of its corporate governance practices with reference to the Malaysian Code on Corporate Governance ("MCCG") 2017.

Cognisant of the heightened call for transparency in the marketplace, the Board of Directors (the "Board") endeavours to provide stakeholders with forthcoming and detailed disclosure of the Group's corporate governance practices during the financial year ended 31 December 2020. The Statement is made in accordance to paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

In line with ARB's intent to enhance its corporate governance disclosure, this Statement is complemented with a Corporate Governance Report, based on the prescribed format by Bursa Securities which details down the application of each Practice set out in the MCCG 2017. The Corporate Governance Report is made available on ARB's website at <https://www.arbberhad.com/corporate-governance-arbberhad> together with an announcement of the same on the website of Bursa Securities.

This Statement should also be read in tandem with the other statements in this Annual Report (e.g. Statement on Risk Management and Internal Control, Audit Committee Report and Sustainability Statement) for a more holistic and granular understanding of the Group's corporate governance framework and practices which may be better explained in the context of the respective statements.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### PART I - BOARD RESPONSIBILITIES

#### 1. Board's Roles and Responsibilities

The Board is accountable to the stakeholders of the Group for the overall performance of the Group. The Board's primary role is to provide strategic leadership to the Group and ensure that the Group operates within a framework of prudent and effective controls which enables risks to be appropriately identified, assessed and managed. The Board sets the strategic direction for the Group and ensures that the necessary resources are in place for the Group to deliver its objectives and create sustainable value for its stakeholders.

The Board has constituted three (3) Board Committees, namely, Audit Committee ("AC"), Nomination Committee ("NC") and Remuneration Committee ("RC") as at financial year ended 31 December 2020 to assist the Board in overseeing specific responsibility areas. ARB's Directors are informed of the activities of the Board Committees by receiving Board Committees meetings minutes, reports and updates from the Chairman of the respective Committees during the Board meetings.

The Board retains collective oversight over the Committees and the authority to make decision. The Board Committees are guided by their respective Terms of References and delegated authority from the Board.

The Company has complied with the recommendation of the MCCG 2017 where the positions of Chairman of the Board and Executive Directors shall be held by different individuals, and the Chairman must be a non-executive member of the Board. Their roles have been clearly defined to ensure accountability and clear division of responsibilities.

The Group has documented clear policies for identifying and separating the functions and responsibilities of the Chairman, Board and management in ensuring the smooth running of the Group's business and operations. These are enshrined in the Board Charter, which has been reviewed and updated to be in line with the practices of MCCG 2017 and the Companies Act, 2016 which is made available in the Company's website at <https://www.arbberhad.com/corporate-governance-arbberhad>.

The roles of the Chairman of the Board, Executive Directors and the Non-Executive Directors are kept separate with a clear division of responsibilities in line with best practices. The functions and responsibilities are clearly segregated to ensure that there is a balance of power and authority.

# Corporate GOVERNANCE

## OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### PART I - BOARD RESPONSIBILITIES (CONT'D)

##### 1. Board's Roles and Responsibilities (Cont'd)

The Board has formalised a Board Charter which serves as a reference and guiding literature for Directors in the discharge of their fiduciary duties. The Board Charter incorporates provisions that provide for the clear demarcation of the respective roles and responsibilities of the Board and Senior Management and includes "Reserved Matters" for the Board. The matters specifically reserved for the Board's approval amongst others are as follows:-

- Approval of corporate plans and programmes;
- Approval of annual budget, including major capital commitments;
- Approval of new ventures;
- Approval of major acquisition and disposal of undertakings and properties; and
- Changes to the management and control structure within the Company and its subsidiaries, including key policies, delegated authority limits.

The Board Charter is reviewed periodically as and when the need arises to ensure that the dynamic needs of the Group are consistently met. A copy of the Board Charter is available for reference at the Company's website at <https://www.arbberhad.com/corporate-governance-arbberhad>.

In fulfilling its duties and responsibilities as stewards of the Company, the Board maintains a direct line of communication with Senior Management and has unrestricted access to information pertaining to the Group's business affairs. The Board is supported by three (3) suitably qualified Company Secretaries who serve as corporate governance counsels to the Board. The Company Secretaries assist the Board in adhering to the relevant corporate governance legislative promulgations and internal policies and procedures and apprise the Board on the latest statutory and regulatory requirements relating to corporate governance.

During the financial year ended 31 December 2020, all Directors have dedicated adequate time and effort to attend Board and Board Committee meetings held to deliberate on matters under their purview. Matters deliberated during the year include strategic planning, significant business and operational issues, significant financial and investment decisions, relevant business policies and procedures, regulatory compliance matters, key performance indicators and significant corporate exercises as well as financial performance of the Group as a whole.

The meeting attendances of Directors during the financial year ended 31 December 2020 are furnished below:-

Name of Directors	Meeting Attendance	Percentage of Attendance
Dato' Baharon Bin Talib	5/5	100%
Dato' Sri Liew Kok Leong	5/5	100%
Khor Chin Meng	5/5	100%
Khor Ben Jin (Appointed w.e.f. 03.02.2021)	N/A	N/A
Datuk Junaidi Bin Datuk Haji Abdul Rahman (Appointed w.e.f. 23.02.2021)	N/A	N/A
Tan Eik Huang (Resigned w.e.f. 03.02.2021)	5/5	100%
Lim Yun Nyen (Resigned w.e.f. 09.12.2020)	5/5	100%
Kee Yong Chin (Resigned w.e.f. 12.01.2021)	2/2	100%
Datuk Yeo Wang Seng (Resigned w.e.f. 07.07.2020)	3/3	100%
Yeo Gee Kuan (Resigned w.e.f. 07.07.2020)	3/3	100%

## *Corporate* GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### PART I - BOARD RESPONSIBILITIES (CONT'D)

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

###### **Code of Conduct and Ethics**

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

The Board also aims to establish a corporate culture, which engenders ethical conduct that permeates throughout the Company, through a set of Code of Conduct, to be adhered by all individuals employed by the Group. The Code of Conduct is a guide to assist the Group's Directors and all levels of employees in living up to the Group's high ethical business standards, and provides guidance on the way employees should conduct themselves when dealing with other parties doing business with the Group.

It also sets out and identifies the appropriate communication on and feedback channels, which facilitate whistle-blowing. The Directors have maintained strong oversight of the performance and implementation on of corporate governance for the Group.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of Conduct and Ethics are available for reference at the Company's website at <https://www.arbberhad.com/corporate-governance-arbberhad>.

###### **Whistle-blowing Policy**

Whistle-blowing Policy is established to provide avenue for employees of the Group and members of the public to disclose any improper conduct in a confidential manner. The Chairman of the Board and/or the Chairman of the AC is committed to investigate and address all cases of reported misconduct and recommend action to be taken by the Board (if any). The policy underscores the Group's commitment to developing a culture of openness and honesty, where a person who is aware of a potential malpractice or misconduct is encouraged to report such matters in good faith, without fear of reprisal.

The main objectives of the policy are:

- Be committed to the Company's business ethics of honesty, integrity and transparency;
- To provide a transparent and confidential process for all parties to give information on non-compliances to the Code of Conduct and Ethics, or any misconduct regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions; and
- To uphold the moral duty being a Company by protecting the interest of all its stakeholders.

The details of the Whistle-blowing Policy are available for reference at the Company's website at <https://www.arbberhad.com/corporate-governance-arbberhad>.

#### PART II - BOARD COMPOSITION

##### 3. Board's Objectivity

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

Presently, the Board comprises two (2) Executive Directors and three (3) Non-Executive Directors, all of whom are Independent Directors. The composition of the Board complies with Paragraph 15.02 (i) of the MMLR of Bursa Securities whereby at least two (2) or one-third (1/3) of its Board members are Independent Directors as well as the recommendation of the Practice 4.1 of MCG 2017 whereby at least half of the Board comprises of Independent Directors.

In driving the long-term vision of the Group, it is essential for the Board to possess an optimum mix of skills, qualifications and experiences that can support the Group in responding to changing market dynamics, evolving business models and emergence of novel risks. The combination of the skills, experience and expertise of the incumbent Directors allows the Board to apply a breadth and depth of perspectives when deliberating on contentious issues.



## *Corporate* GOVERNANCE

### OVERVIEW STATEMENT (CONT'D)

#### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

##### PART II - BOARD COMPOSITION (CONT'D)

#### 3. Board's Objectivity (Cont'd)

##### **Board Composition and Balance (Cont'd)**

In recommending the appointment of potential Directors, the NC assesses the candidate's skills, expertise and experience and balances these traits against the existing composition of the Board to determine his or her suitability for the position and overall cultural fit within the Board.

##### **Re-election of Directors**

The procedures on annual re-election of Directors are set out in the Company's Constitution. In accordance with the Company's Constitution, one-third (1/3) of the Directors for the time being or, if their number is not a multiple of three (3), the number nearest to one-third (1/3) with minimum of one (1), shall retire from office and an election of Directors shall take place. The Constitution further provide that each Director shall retire once in every three (3) years but shall be eligible for re-election.

Newly appointed Directors shall hold office only until the next Annual General Meeting ("AGM") and shall be eligible for re-election.

The re-election of each Director is voted separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and their shareholdings in the Group of each Director/person standing for re-election/election are furnished in the Annual Report.

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

As of the date of this statement, none of the Independent Directors have served the company for more than nine (9) years.

##### **Boardroom Diversity**

The Board acknowledges the recommendation of MCCG 2017 and recognises the importance of boardroom diversity. However, the Board is of the view that the suitability of a candidate for the Board is dependent on the candidate's competency, skills, experience, expertise, character, time commitment, integrity and other qualities in meeting the needs of the Company. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre without any specific discrimination as to the age, ethnicity or gender of the candidates concerned. The Board has been taking steps to seek out female candidates based on meritocracy with the optimum mix of skills, knowledge and experience to fill Board positions.

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

The Board is supportive of the recommendation of MCCG 2017 and recognises the importance of boardroom diversity to the establishment of gender diversity policy. However, the Group does not have the workforce gender policy currently. Currently, the Board does not comprise of any female director. The Board does not set any target timeline to meet gender diversity.

##### **New Candidates for Board Appointment**

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the NC. As a whole, the Company maintains a lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the NC. The NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

## *Corporate* GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### PART II - BOARD COMPOSITION (CONT'D)

#### 3. Board's Objectivity (Cont'd)

##### New Candidates for Board Appointment (Cont'd)

Generally, the Board adopts a flexible approach when selecting and appointing new Directors depending upon the circumstances and timing of the appointment. The NC will help assess and recommend to the Board, the candidature of Directors, appointment of Directors to Board Committees, review of Board's succession plans and training programmes for the Board. In identifying candidates for appointment of Directors, the Board has not utilised independent sources to identify suitable qualified candidates as the need has not arisen. The Board will be mindful to utilise independent sources to identify suitable qualified candidates as and when necessary.

In assessing suitability of candidates,

- i) consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of :
  - the Business, the Markets and the Industry in which the Group operates; and
  - the accounting, finance and legal matters.
- ii) where a need has been identified, the NC shall then task the Company's Chairman or Executive Directors:
  - to search/recommend for potential candidates within the Company; or
  - engage its Human Resources Department to advertise (whether locally or internationally); or
  - appoint recruitment advisers; or
  - draw references and recommendations from the fellow Directors of the Company.
- iii) the Company's Chairman or Executive Directors:
  - shall develop short list of all potential candidates taking into account, amongst other things, the particular skills, experience and contribution to diversity of each individual candidate and their fit with the existing Board; whereby women candidates would be encouraged to join; and
  - recommend to the NC the candidate from the short list who best matches the needs of the Board.

The NC will assess, review and deliberate and thereafter, present their recommendations to the Board for consideration and approval.

Factors considered by the NC when recommending a person for appointment as a Director include:

- the merits and time commitment required for a Director to effectively discharge his or her duties to the Company;
- the outside commitments of a candidate to be appointed or elected as a Director and the need for that person to acknowledge that he/she has sufficient time to effectively discharge their duties; and
- the extent to which the appointee is likely to work constructively with the existing Directors and contribute to the overall effectiveness of the Board.

## Corporate GOVERNANCE

### OVERVIEW STATEMENT (CONT'D)

#### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

##### PART II - BOARD COMPOSITION (CONT'D)

#### 3. Board's Objectivity (Cont'd)

##### Nomination Committee

The NC comprises three (3) Directors, all of whom are Independent Non-Executive Directors. The NC is spear-headed by the Independent Non-Executive Director as specified under Practice 4.7 of the MCCG 2017. The members of the NC are as follows:-

##### Chairman

Datuk Junaidi Bin Datuk Haji Abdul Rahman (Appointed w.e.f. 23.02.2021)	Independent Non-Executive Chairman
Dato' Baharon Bin Talib (Resigned w.e.f. 23.02.2021)	Independent Non-Executive Chairman

##### Members

Khor Chin Meng (Appointed w.e.f. 03.02.2021)	Independent Non-Executive Director
Khor Ben Jin (Appointed w.e.f. 03.02.2021)	Independent Non-Executive Director
Tan Eik Huang (Resigned w.e.f. 03.02.2021)	Independent Non-Executive Director

The Terms of Reference of the NC can be viewed at the Company's website at <https://www.arbberhad.com/corporate-governance-arbberhad>.

During the financial year ended 31 December 2020, the NC had assisted the Board on the following functions:

- Performed an assessment on the Board, Board Committees and individual Directors;
- Reviewed and recommended the re-election of Directors pursuant to the Company's Constitution;
- Assessed the independence of the Company's Independent Directors;
- Reviewed the size and composition of the Board and made recommendation to the Board as regards any changes that may, in their view, be beneficial to the Company; and
- Reviewed the effectiveness of the Board as a whole, Committees of the Board and the contribution of individual Directors.

#### 4. Overall Board Effectiveness

##### Annual Evaluation of Effectiveness of the Board, Board Committees and Directors

The assessment criteria of the Board and Board Committees include an evaluation of the size and composition of the Board and Board committees, access to information, accountability, processes, Board's and Board committees' performance in relation to discharging its principal responsibilities, communication with Management and standards of conduct by the Directors and Committee members.

The evaluation process is led by the NC Chairman and supported by the Company Secretary via questionnaire on a yearly basis. The NC reviews the outcome of the evaluation and recommends to the Board on areas for continuous improvement and also for them to form the basis of recommending relevant Directors for re-election at the AGM.

The NC assessed the effectiveness of the Board, its Committees and the contribution of each Director by identifying the strengths and weaknesses of the Board on 3 March 2021.



## *Corporate* GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### PART II - BOARD COMPOSITION (CONT'D)

#### 4. Overall Board Effectiveness (Cont'd)

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

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

The dates scheduled for Board meetings, Board Committee meetings and meeting of members are set in advance and circulated to the Directors to facilitate the Directors' time planning. At the end of each Board and Committee meetings, the date of the next meetings is to be re-confirmed. Each Board member is expected to achieve at least 50% attendance of total Board meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out under page 48 of this Annual Report.

##### Continuing Education Programs

All Directors have completed the Mandatory Accreditation Programme as required by Bursa Securities.

The Board believes that continuous training for Directors is vital for the Board members to enhance their skills and knowledge and to enable them to discharge their duties effectively. As such, the Directors will continuously attend the necessary training programmes, conferences, seminars, exhibitions and/or forums to keep abreast with the current developments in the various industries as well as the current changes in laws and regulatory requirements.

The Directors after accessing and identifying their own training needs, attended the following conferences, seminars and training programmes during the financial year ended 31 December 2020:

Directors	Seminars/Conferences/Training Programmes Attended
Dato' Sri Liew Kok Leong	Managing your fraud risk: Are you doing enough? by PwC Malaysia
Khor Chin Meng	Value Investment Programme by Vi Bootcamp Analysis of public company using Value Farm program by Grandpine
Khor Ben Jin (Appointed w.e.f. 03.02.2021)	The New Companies (Amendment) Act 2019 by Malaysian Institute of Accountants Interview For Approved Company Auditors by Malaysian Institute of Accountants MIA Public Practice Programme 2020 by Malaysian Institute of Accountants

Saved as disclosed above, other Directors of the Company was not able to select any suitable training programmes to attend during the financial year due to their busy work schedule.

## Corporate GOVERNANCE

### OVERVIEW STATEMENT (CONT'D)

#### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

##### PART II - BOARD COMPOSITION (CONT'D)

#### 4. Overall Board Effectiveness (Cont'd)

##### Continuing Education Programs (Cont'd)

However, during the financial year ended 31 December 2020, the Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and the Company Secretaries during the Committee and/or Board meetings and suitable training and education programmes were identified for their participation from time to time.

The Board will continue to evaluate and determine the training needed by the Directors from time to time to enhance their skills and knowledge in order to enable them to discharge their responsibilities more effectively.

##### PART III - REMUNERATION

#### 5. Level and Composition of Remuneration

##### Remuneration Committee

The Board has instituted a set of policies and procedures to govern the remuneration of Directors and Senior Management. The policies and procedures serve as guidelines for the Board in remunerating Directors and Senior Management with a view to attract, retain and motivate talented and high-calibre individuals.

The Board has established a RC to assist the Board in its oversight function on matters pertaining to Remuneration of Directors and Senior Management.

The RC which is chaired by Datuk Junaidi Bin Datuk Haji Abdul Rahman, the Independent Non-Executive Chairman. The RC comprises exclusively of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

The members of the RC are as follows:-

##### Chairman

Datuk Junaidi Bin Datuk Haji Abdul Rahman  
(Appointed w.e.f. 23.02.2021)  
Dato' Baharon Bin Talib  
(Resigned w.e.f. 23.02.2021)

Independent Non-Executive Chairman  
Independent Non-Executive Chairman

##### Members

Khor Chin Meng  
Khor Ben Jin  
(Appointed w.e.f. 03.02.2021)  
Tan Eik Huang  
(Resigned w.e.f. 03.02.2021)

Independent Non-Executive Director  
Independent Non-Executive Director  
Independent Non-Executive Director

The Terms of Reference of the RC can be viewed at the Company's website at <https://www.arbberhad.com/corporate-governance-arbberhad>.

During the financial year ended 31 December 2020, the RC reviewed the payment of Directors' fees and other benefits payable to Directors and made its recommendation to the Board.

## *Corporate* GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### PART III - REMUNERATION (CONT'D)

##### 5. Level and Composition of Remuneration (Cont'd)

###### Remuneration Policy

The RC is authorised by the Board to establish a formal and transparent procedure for developing policy for remuneration of the Executive Directors of the Company and for fixing the remuneration packages of individual Director. The RC also determines and recommends to the Board any performance related pay schemes for Executive Directors.

The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as Directors.

The RC's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The RC also recommends the Executive Director's remuneration and benefits based on his individual performance and that of the Group.

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

##### 6. Remuneration of Director

###### a) Aggregate remuneration of Directors categorised into appropriate components

In determining the level and component parts of Directors' remuneration, the RC takes into consideration the demands, complexities and performance of the Group as well as the time commitment, skills and experience that are required of Directors. The detailed disclosure of Directors' remuneration for the financial year ended 31 December 2020 are as follows:

Directors	Fees (RM'000)	Salaries & other emoluments (RM'000)	Total (RM'000)
Dato' Baharon Bin Talib	12	-	12
Dato' Sri Liew Kok Leong	-	393	393
Khor Chin Meng	12	-	12
Khor Ben Jin (Appointed w.e.f. 03.02.2021)	-	-	-
Tan Eik Huang (Resigned w.e.f. 03.02.2021)	12	-	12
Lim Yun Nyen (Resigned w.e.f. 09.12.2020)	19	20	39
Kee Yong Chin (Resigned w.e.f. 12.01.2021)	-	-	-
Datuk Yeo Wang Seng (Resigned w.e.f. 07.07.2020)	-	-	-
Yeo Gee Kuan (Resigned w.e.f. 07.07.2020)	-	-	-
<b>Total</b>	<b>55</b>	<b>413</b>	<b>468</b>



## Corporate GOVERNANCE

### OVERVIEW STATEMENT (CONT'D)

#### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

##### PART III - REMUNERATION (CONT'D)

#### 6. Remuneration of Director (Cont'd)

##### b) Senior Management's Remuneration

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

The total remuneration received by top five (5) senior management of the Group including salary, bonus, benefits-in-kind and other emoluments in bands width of RM100,000 for the financial year ended 31 December 2020 are as follows:

	Number*	Fee	Salaries & other emoluments	Total
Below RM100,000	4	54,763	20,111	74,874
RM100,001 to RM200,000	-	-	-	-
RM200,001 to RM300,000	-	-	-	-
RM300,001 to RM400,000	1	-	393,460	393,460

\* inclusive of former Key Management Personnel who served the Company during the financial year ended 31 December 2020.

#### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

##### PART I - AUDIT COMMITTEE ("AC")

#### 7. Effective and Independent AC

ARB's AC comprises solely of Independent Directors to provide a robust and impartial oversight on financial reporting, audit and risk management processes. The members of the AC are as follows:-

##### Chairman

Khor Chin Meng

Independent Non-Executive Director

##### Members

Datuk Junaidi Bin Datuk Haji Abdul Rahman  
(Appointed w.e.f. 23.02.2021)

Independent Non-Executive Chairman

Dato' Baharon Bin Talib  
(Resigned w.e.f. 23.02.2021)

Independent Non-Executive Chairman

Khor Ben Jin  
(Appointed w.e.f. 03.02.2021)

Independent Non-Executive Director

Tan Eik Huang  
(Resigned w.e.f. 03.02.2021)

Independent Non-Executive Director

The AC is chaired by an Independent Director who is not the Chairman of the Board, therefore observed the recommendation of Practice 8.1 of MCCG 2017 which stipulates that the Chairman of the AC shall not be the Chairman of the Board.

The vast experience of the AC members in the areas of accounting, finance and auditing allows the AC to collectively possess the requisite financial literacy to have a sound understanding of the financial matters of the Group. The AC has unrestricted access to both the internal and external auditors, who in turn reports directly to the AC.

## *Corporate* GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

#### PART I - AUDIT COMMITTEE ("AC") (CONT'D)

##### **7. Effective and Independent AC (Cont'd)**

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

The AC has established formal and transparent arrangements to maintain an appropriate relationship with the external auditors. This includes undertaking an annual assessment to ascertain the suitability, objectivity and independence of the external auditors. The Auditors will highlight to the AC and the Board on matters that require the Board's attention.

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

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

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

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

Where necessary, the AC will meet with the External Auditors without the presence of Executive Directors and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the AC are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the AC, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors.

## **Corporate** GOVERNANCE

### OVERVIEW STATEMENT (CONT'D)

#### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

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

#### **8. Effective Risk Management and Internal Control Framework**

The Board acknowledges the significance of a sound system of risk management and internal control to manage the overall risk exposure of the Group.

The Group has engaged GovernanceAdvisory.com Sdn Bhd to review the key risks over the strategic operation, reporting and compliance aspects to ensure proper management and mitigation of weakness.

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

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

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

The information on the Group's internal control is further presented in the Statement on Risk Management and Internal Control set out in the Annual Report.

#### **9. Internal Audit Function**

The Board has engaged a professional service provider to assume the Internal Audit Function of the Group. The Internal Auditors conducted audit reviews and assess the effectiveness and adequacy of the governance, risk management and internal controls in the Group. These reviews were reported to the AC directly by the Internal Auditors.

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

##### PART I - COMMUNICATION WITH STAKEHOLDERS

#### **10. Continuous Communication between Company and Stakeholders**

As custodians of ARB, the Board aims to keep all stakeholders apprised in a timely manner of all material business events. The Board ensures there is an open line of communication with stakeholders through announcements to Bursa Securities, ARB's website, summaries of key matters discussed at the general meetings.

The Annual Report is made available on ARB's website and it provides a balanced, comparable and meaningful assessment of the Group's position and prospects as well as comprehensive details about business activities and financial performance for the financial year.

The Company's website at <https://www.arbberhad.com/investor-relation> incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the Investor Relations function by including all announcements made by the Company and its annual reports.



## *Corporate* GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### PART I – COMMUNICATION WITH STAKEHOLDERS (CONT'D)

##### 10. Continuous Communication between Company and Stakeholders (Cont'd)

The quarterly financial results are announced to Bursa Securities after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to [ir@arbberhad.com](mailto:ir@arbberhad.com).

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board is of the view that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

The Chairman or the Executive Directors of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at general meetings.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

#### PART II - CONDUCT OF GENERAL MEETINGS

##### 11 Shareholder Participation at General Meeting

The AGM serves as the principal avenue for shareholders to engage the Board and Senior Management in a constructive two-way dialogue. Shareholders are encouraged to actively participate during AGMs by raising questions and providing feedbacks to the Board and Senior Management. All Directors including the respective Chairmen of the Board Committees, were present during the Twenty-Second (22<sup>nd</sup>) AGM to facilitate shareholder engagement and provide clear and meaningful responses to shareholders' concerns and queries. Feedbacks gathered during the AGM are evaluated and considered for further action by the Board and Senior Management.

The notice of the upcoming AGM, which is scheduled to be held on 21 April 2021, has been made available to shareholders with at least twenty-one (21) days prior to the meeting in order to accord shareholders with sufficient time to review the Group's financial and operational performance as well as the resolutions that are to be tabled during the AGM. The upcoming AGM would be conducted virtually through live streaming and online remote voting via the remote participation and voting facilities.

The Company has implemented poll voting for all the resolutions set out in the Notice of AGM and Extraordinary General Meeting ("EGM") to be voted via electronic means to expedite verification and counting of votes. In addition, the Company appointed scrutineer to validate the votes cast at the general meetings.

##### Effective Communication and Proactive Engagement

The Group recognises the need to inform the shareholders of all significant developments concerning the Group on a timely basis, with strict adherence to the MMLR. Shareholders and prospective investors are kept informed of all major developments within the Group by way of announcements via the Bursa Link, the Company's Annual Reports, website and other circulars to shareholders with an overview of the Group's financial and operational performance.

## **Corporate** GOVERNANCE

### OVERVIEW STATEMENT (CONT'D)

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

##### PART II - CONDUCT OF GENERAL MEETINGS (CONT'D)

###### **Effective Communication and Proactive Engagement (Cont'd)**

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

- Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
- Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
- Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by MMLR; and
- AGM.

##### **FOCUS AREA ON CORPORATE GOVERNANCE**

Corporate governance was clearly imperative for the Group against the backdrop of regulatory changes in the domestic corporate governance realm and a relatively challenging economic environment that is characterised by volatile market conditions and commodity prices. Against the aforementioned setting, during the year ended 31 December 2020, the Board directed its focus on the core duties of the Board which is grounded on the creation of long-term value for stakeholders.

The Board will continue to enhance the corporate disclosure requirements in the best interest of the Company's shareholders and stakeholders in the upcoming years. The areas to be prioritised by the Board will be those principles which have not been adopted by the Company as disclosed in the Corporate Governance ("CG") Report.

This Statement together with the CG Report was approved by the Board on 3 March 2021.

## *Statement* OF DIRECTORS RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements prepared for each financial year to give a true and accurate view of the state of the Group and the Company of the results and cash flows of the Group and the Company for the financial year ended.

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

- i) overseeing the overall conduct of the Company's business and that of the Group;
- ii) identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
- iii) reviewing the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
- iv) adopting suitable accounting policies and apply them consistently;
- v) making judgments and estimates that are reasonable and prudent; and
- vi) ensuring compliance with applicable Approved Accounting Standards in Malaysia.

The Directors are responsible for ensuring that proper accounting and other records which are closed with reasonable accuracy at any time the financial position of the Group and ensuring that the financial statements comply with the Listing Requirements, the provisions of the Companies Act, 2016 and applicable Approved Accounting Standards in Malaysia. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2020, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable Approved Accounting Standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.



## *Additional* COMPLIANCE INFORMATION

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

During the financial year, the amounts of audit and non-audit fees paid/payable by the Company and the Group to the External Auditors for the financial year ended 31 December 2020 were as follows:

	Company (RM)	Group (RM)
Audit Fees	36,000	92,000
Non-Audit Fees	6,000	6,000
<b>TOTAL FEES</b>	<b>42,000</b>	<b>98,000</b>

### 2. MATERIAL CONTRACTS

There were no material contracts involving the Directors', chief executive (who is not a Director) and major shareholders' interests, either subsisting at the end of the financial year ended 31 December 2020 or, if not then subsisting, entered into since the end of the previous financial year.

### 3. CONTRACTS RELATING TO LOAN

During the financial year, there were no material contracts relating to loans entered into by the Company involving Directors and major shareholders.

### 4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE

There was no material Recurrent Related Party Transactions of a revenue or trading nature during the financial year ended 31 December 2020 .

However, the Company is seeking approval from the shareholders for the proposed new shareholders' mandate for ARB Berhad to enter into RRPT(s) of a revenue or trading nature pursuant to Paragraph 10.09 and Practice Note 12 of the Main Market Listing Requirement at the forthcoming Annual General Meeting to be convened on Wednesday, 21 April 2021.

### 5. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

No proceeds were raised by the Company from any corporate proposal during the financial year ended 31 December 2020.

# Statement ON RISK MANAGEMENT AND INTERNAL CONTROL

## A. INTRODUCTION

The Board of Directors (“the Board”) of ARB Berhad is pleased to make the following statement on risk management and internal control which outlines the nature and scope of the risk management and internal control within the Group during the financial year 2020. The Statement on Risk Management and Internal Control is made in compliance with paragraph 15.26(b) of the Main Market: Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad and as guided by the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” issued by Bursa Securities.

## B. BOARD RESPONSIBILITY

The Board is committed to its responsibilities to maintain a sound system of risk management and internal control to safeguard the shareholders’ investments and the Group’s assets and for reviewing the adequacy and integrity of the system. Notwithstanding, due to the limitations that are inherent in any system of risk management and internal control, the Group’s risk management and internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and it can only provide reasonable but not absolute assurance against material misstatement or loss, contingencies, fraud or any irregularities.

The Board was assisted by the Audit Committee to fulfill its responsibilities in internal audit function.

## C. RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group’s business operations and that the identification and management of risk will affect the achievement of the Group’s business objectives. The Management is responsible and accountable to the Board for risk management processes being carried out to achieve the Group’s business objectives within the risk appetite parameters. In discharging its responsibilities, the Board has taken into account the guidance of the Malaysian Code on Corporate Governance (“MCCG”) 2017.

Risk management and internal controls are treated as an integral part of overall management process. The Management oversees the Risk Management framework and the scope of work includes evaluating the existing controls for effectiveness and efficiency and providing recommendations for improvement.

## D. KEY ELEMENTS OF INTERNAL CONTROL

The Board is committed to maintain a sound internal control structure to govern the manner in which the Group and its employees conduct themselves. The key features of controls are: -

- (i) the responsibilities of the Board and Management are clearly defined in the organisation structure to ensure both parties’ roles and responsibilities in overseeing the conduct of the group’s business effectively;
- (ii) Senior Management regularly performs review on finance units; and
- (iii) quarterly and comprehensive information provided to the Management, covering financial performance and key business indicators.

## E. INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to GovernanceAdvisory.com Sdn Bhd (“GASB”). GASB is an independent professional firm supports the Audit Committee, and by extension, the Board, by providing an independent assurance on the effectiveness of the Group’s systems of internal control.

During the financial year under review, internal audit review was carried out on operational areas of Information Technology (“IT”) back-up review for ARB Development Sdn Bhd. GASB ensured the data back-up had been carried out periodically, can only be accessed by authorised personnel and the operating systems are equipped with protection features to Safeguard Companies’ information. Internal Audit Review Report carried out for current financial year was tabled and presented to the Audit Committee that the internal controls tested have been applied consistently and effectively, any weakness in the application of internal controls was of a minor nature. No action is required by the Management.

## **Statement** ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### **F. ASSURANCE FROM MANAGEMENT**

According to the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board has received assurance from the Executive Directors regarding the adequacy and effectiveness of the Group's risk management and internal control operation in all material aspect. It is therefore of the view that risk management and internal control system is satisfactory and no material internal control failures was noted.

### **G. REVIEW OF THE STATEMENTS**

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report 2020. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3 ("AAPG 3"): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group. Based on their review, nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

### **H. CONCLUSION**

The Board is satisfied that the present Risk Management and Internal Control available is satisfactory, adequate and effective for the Group's business. The Board however recognises the ever changing dynamic business environment, and hence will endeavour to continue improving, and enhancing the existing system of risk management and internal control to ensure their continued relevance.

This statement was approved by the Board on 3 March 2021.



## Audit COMMITTEE REPORT

The Board of Directors ("the Board") is pleased to present the report of the Audit Committee ("AC") for the financial year ended 31 December 2020.

The AC with delegated oversight responsibilities assists the Board in ensuring that the paramount interest of the shareholders and other stakeholders of the Company and its subsidiaries ("Group") are well protected.

### A. Composition

The AC of the Company consists of three (3) members, all of whom are Independent Non-Executive Directors. The AC comprises the following members:

Directors	Designation
Khor Chin Meng	Chairman/Independent Non-Executive Director
Datuk Junaidi Bin Datuk Haji Abdul Rahman (Appointed w.e.f. 23 February 2021)	Member/Independent Non-Executive Chairman
Dato' Baharon Bin Talib (Resigned w.e.f. 23 February 2021)	Member/Independent Non-Executive Chairman
Khor Ben Jin (Appointed w.e.f. 3 February 2021)	Member/Independent Non-Executive Director
Tan Eik Huang (Resigned w.e.f. 3 February 2021)	Member/Independent Non-Executive Director

The Chairman of the AC, Mr Khor Chin Meng, is a fellow member of the Association of Chartered Certified Accountant (FCCA) which fulfils the requirement under Paragraph 15.09(1)(c) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The composition of the AC is in compliance with Paragraphs 15.09 and 15.10 of the MMLR of Bursa Securities and the Malaysian Code on Corporate Governance 2017 where all three (3) AC members are Independent Non-Executive Directors. None of the Independent Non-Executive Directors had appointed Alternate Directors. All members of the AC are financially literate and are able to analyse and interpret financial statements in order to effectively discharge their duties and responsibilities as members of the AC.

### B. Term of Reference

The principal objective of the AC is to assist the Board in discharging its fiduciary responsibilities relating to financial reporting process and internal control of the Group. The functions of the AC is as set out in the Terms of Reference of the AC which can be found on the Company's website at <https://www.arbberhad.com/corporate-governance-arbberhad>.

### C. Meetings and Attendance

The AC held a total of five (5) meetings during the financial year ended 31 December 2020. The Directors of the Company, internal auditors, external auditors and the relevant key personnel were invited to attend the meeting as and when necessary in order to facilitate direct communications in respect on matters of significant concern of interest. The details of the attendance of the AC members are as follow:-

Directors	Attendance	Percentage of Attendance
Khor Chin Meng (Chairman)	5/5	100%
Dato' Baharon Bin Talib (Resigned 23 February 2021)	5/5	100%
Datuk Junaidi Bin Datuk Haji Abdul Rahman (Appointed w.e.f. 23 February 2021)	N/A	N/A
Khor Ben Jin (Appointed w.e.f. 3 February 2021)	N/A	N/A
Tan Eik Huang (Resigned w.e.f. 3 February 2021)	5/5	100%

## *Audit* COMMITTEE REPORT

### (CONT'D)

#### C. Meetings and Attendance (Cont'd)

The AC meetings were structured through the use of agendas and relevant meeting papers which were distributed to the AC prior to the meetings. The meetings were of adequate length to allow the AC to accomplish its agenda with sufficient time to discuss emerging issues.

The AC conducted its meeting in an open and constructive manner and encouraged focused discussion, questioning and expressions of differing opinions.

The external auditors will report their findings of the significant accounting and auditing issues to the AC for review, deliberation and decision making. While, the finance team will present the unaudited quarterly financial statements, as well as other financial reporting related matters for the AC's deliberation and recommendation to the Board for approval, where appropriate. The Chairman of the AC will report and highlight the key issues discussed at each AC meeting to the Board accordingly.

#### D. Summary of Work

During the financial year ended 31 December 2020, the AC worked closely with the External Auditors, Internal Auditors and Management to monitor, oversee, review and evaluate the effectiveness and adequacy of the Group's risk management and internal control, financial management and reporting. During the financial year ended 31 December 2020, the following activities were carried out by the AC:-

- a) Reviewed the unaudited quarterly financial results announcements of the Company and of the Group prior to the Boards' approval with particular focus on compliance with financial reporting standards in Malaysia and provisions of the Companies Act 2016 and the Group's accounting policies and practice;
- b) Reviewed the Audit Planning Memorandum for the financial year ended 31 December 2020;
- c) Reviewed the external auditors terms of engagement and the audit plan of the Company and of the Group for the financial year ended 31 December 2020;
- d) Evaluated the performance of the external auditors for the financial year ended 31 December 2020 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;
- e) Reviewed and assessed the adequacy of the scope and functions of the internal audit plan;
- f) Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;
- g) Reviewed the effectiveness of the Group's system of internal control;
- h) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;
- i) Reviewed the Company's compliance with the MMLR, applicable Approved Accounting Standards and other relevant legal and regulatory requirements; and
- j) Reviewed the relevant statements/report contained in the Annual Report 2020.

## *Audit* COMMITTEE REPORT

### (CONT'D)

#### **E. Internal Audit Function and Activities**

The Internal Audit ("IA") function is considered an integral part of the assurance framework within the Group. IA function plays an intermediary role in that it assists in the discharge of the oversight function which is delegated by the Board to the AC. It serves as a mean of obtaining sufficient assurance of regular review and/or appraisal of the adequacy and effectiveness of the system of internal controls from the perspective of governance, risks and control.

The Group outsources its IA function to GovernanceAdvisory.com Sdn Bhd ("GASB"), which has adequate resources and appropriate standing to undertake its work independently and objectively to provide reasonable assurance to the AC regarding the adequacy and effectiveness of risk management, internal control and governance systems.

The personnel conducting and carrying out the IA function are free from any relationship or conflict of interest or undue influence of others which could impair their independence. GASB reports directly to the AC.

The total cost incurred for the IA function of the Group in respect of the financial year ended 31 December 2020 amounted to RM10,000.00.

The summary of the works undertaken by the internal auditors during the period under review are as follows:-

- (a) Interviews with respective key personnel/process owners/management;
- (b) Examining the policies, manuals and standards that govern the activities, processes and systems;
- (c) Perform walkthrough of processes and systems relating to the audited area/function, to understand the existing processes/practices and to ascertain whether proper controls are in place;
- (d) Perform testing on randomly selected transactions (within the review period) to assess whether internal controls function as intended;
- (e) Analysing of the data contained in the accounting, and management information systems; and
- (f) Identify improvement areas based on interviews, walkthroughs and testing outcomes; and develop process improvement recommendations for management's consideration.

This report is made in accordance with a resolution passed at the AC meeting held on 3 March 2021.



# FINANCIAL STATEMENT

69		<i>Directors'</i> REPORT
73		STATEMENTS OF <i>Financial Position</i>
75		STATEMENTS OF <i>Profit or Loss</i> AND <i>Other Comprehensive Income</i>
76		STATEMENTS OF <i>Changes in Equity</i>
78		STATEMENTS OF <i>Cash Flows</i>
80		NOTES TO THE <i>Financial Statements</i>
132		STATEMENT BY <i>Directors</i>
132		STATUTORY <i>Declaration</i>
133		INDEPENDENT <i>Auditors' Report</i>

# Directors' REPORT

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

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of management services and investment holding.

The principal activities of the subsidiaries are described in Note 10 to the financial statements.

## RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the financial year attributable to:		
Owners of the Company	43,461	(468)
Non-controlling interests	(591)	-
	<u>42,870</u>	<u>(468)</u>

In the opinion of the Directors, the financial results of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year and the Directors do not recommend any dividend for the current financial year.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year except for issuance of 165,110,849 new ordinary shares pursuant to the conversion of 165,110,849 Irredeemable Convertible Preference Shares ("ICPS") at a conversion price of RM0.20 each.

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

The Company did not issue any new debentures during the financial year.

## IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

In the previous financial year, the renounceable rights issue of 1,008,150,000 new irredeemable convertible preference shares ("ICPS") at an issue price of RM0.01 per ICPS on the basis of fifteen ICPS for every one existing ordinary share held in the Company were issued.

The salient features of the ICPS are disclosed in Note 18 to the financial statements.

Details of ICPS issued to Directors are disclosed in the section on Directors' interests in this report.

# Directors' REPORT

## (CONT'D)

### OPTIONS GRANTED OVER UNISSUED SHARES

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

### DIRECTORS

The Directors who held office during the financial year until the date of this report are:-

#### The Company

Dato' Baharon Bin Talib

Dato' Sri Liew Kok Leong

Khor Chin Meng

Khor Ben Jin

(Appointed on 3.2.2021)

Datuk Junaidi Bin Datuk Haji Abdul Rahman

(Appointed on 23.2.2021)

Kee Yong Chin

(Appointed on 7.7.2020, resigned on 12.1.2021)

Datuk Yeo Wang Seng

(Resigned on 7.7.2020)

Yeo Gee Kuan

(Resigned on 7.7.2020)

Lim Yun Nyen

(Resigned on 9.12.2020)

Tan Eik Huang

(Resigned on 3.2.2021)

#### Subsidiary companies

Chong Hwa Siong

Cao Yu

(Appointed on 9.10.2020)

Er Yan Shuen

(Appointed on 23.7.2020)

Lee Siew Wah

(Appointed on 5.8.2020)

Chua Kian Leong

(Resigned on 2.2.2021)

Dato' Sri Liew Kok Leong

(Resigned on 5.9.2020)

Lee Ping Wei

(Resigned on 29.7.2020)

During and at the end of the financial year, the Company was not a party to any arrangement whose object is to enable the Directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

The Directors holding office at the end of the financial year and their beneficial interests in the shares of the Company and of its related corporations during the financial year ended 31 December 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 were as follow:-

	At 1.1.2020	Number of ordinary shares		At 31.12.2020
		Acquired	(Disposed)	
<b>THE COMPANY</b>				
<b>Direct interest</b>				
Dato' Sri Liew Kok Leong	17,552,165	35,000,000	-	52,552,165
<b>Indirect interest</b>				
Dato' Sri Liew Kok Leong <sup>1</sup>	5,569,700	-	-	5,569,700

	At 1.1.2020	Number of ICPS		At 31.12.2020
		Acquired	(Disposed)	
<b>THE COMPANY</b>				
<b>Direct interest</b>				
Dato' Sri Liew Kok Leong	181,264,457	-	(35,000,000)	146,264,457
<b>Indirect interest</b>				
Dato' Sri Liew Kok Leong <sup>1</sup>	161,660,915	-	-	161,660,915

<sup>1</sup> Indirect interest through shares held by Ukay One Sdn. Bhd.



## *Directors'* REPORT (CONT'D)

### DIRECTORS (CONT'D)

By virtue of his interests in the shares of the Company, the Director is also deemed to be interested in the shares of all the subsidiaries to the extent the Company has an interest.

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

Since the end of previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the notes to the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with a Director or with a firm of which a Director is a member or with a company in which the director has a substantial financial interest.

### DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed in the Note 32 to the financial statements.

### INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the Director, officer or auditor of the Group and of the Company.

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in the Note 10 to the financial statements.

### AUDITORS' REMUNERATION

The auditors' remuneration is disclosed in the Note 28 to the financial statements.

### OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:-
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that no provision for doubtful debts was necessary; and
  - (ii) to ensure that the current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:-
- (i) which would render the amount written off for bad debts inadequate to any substantial extent or require the setting up of provision for doubtful debts in the financial statements of the Group and of the Company; or
  - (ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
  - (iv) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the Group's and the Company's financial statements misleading.

## *Directors'* REPORT

(CONT'D)

### OTHER STATUTORY INFORMATION (CONT'D)

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

- (i) 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 liabilities of any other person; or
- (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:-

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group and of the Company for the current financial year.

### AUDITORS

The auditors, Messrs RSM Malaysia, retire and are not seeking re-appointment at the forthcoming Annual General Meeting.

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

**DATO' SRI LIEW KOK LEONG**

**DATO' BAHARON BIN TALIB**

Kuala Lumpur

3 March 2021

# STATEMENTS OF *Financial Position* AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	6	39,440	18,435	-	-
Right-of-use assets	7	254	8,071	-	-
Intangible assets	8	30,752	24,752	-	-
Goodwill on consolidation	9	45	45	-	-
Investments in subsidiaries	10	-	-	94,113	59,133
Investments in associate	11	-	-	-	-
Other investments	12	10,850	-	-	-
Trade receivables	13	64,140	-	-	-
		<b>145,481</b>	<b>51,303</b>	<b>94,113</b>	<b>59,133</b>
<b>CURRENT ASSETS</b>					
Trade receivables	13	68,230	29,736	58	-
Other receivables, deposits and prepayments	14	15,112	15,338	-	-
Amount due from subsidiaries	15	-	-	-	4,103
Amount due from a related company		-	3,015	-	-
Cash and cash equivalents	16	26,512	27,642	1,271	437
		<b>109,854</b>	<b>75,731</b>	<b>1,329</b>	<b>4,540</b>
<b>TOTAL ASSETS</b>		<b>255,335</b>	<b>127,034</b>	<b>95,442</b>	<b>63,673</b>
<b>EQUITY</b>					
Share capital	17	93,290	60,268	93,290	60,268
Irredeemable convertible preference shares	18	6,204	7,855	6,204	7,855
Other reserves	19	-	887	-	-
Retained earnings/(Accumulated losses)		84,267	40,806	(5,173)	(4,705)
<b>Equity attributable to owners of the Company</b>		<b>183,761</b>	<b>109,816</b>	<b>94,321</b>	<b>63,418</b>
Non-controlling interests		4,874	9,615	-	-
<b>TOTAL EQUITY</b>		<b>188,635</b>	<b>119,431</b>	<b>94,321</b>	<b>63,418</b>



**STATEMENTS OF**  
***Financial Position*** (CONT'D)  
**AS AT 31 DECEMBER 2020**

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>NON-CURRENT LIABILITIES</b>					
Lease liabilities	20	130	407	-	-
Deferred tax liabilities	21	7,288	6,087	-	-
Trade payables	22	41,871	-	-	-
		<b>49,289</b>	<b>6,494</b>	<b>-</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>					
Trade payables	22	6,643	193	-	-
Other payables and accruals	23	10,608	573	122	252
Amount due to a subsidiary	24	-	-	999	3
Amount due to directors	25	-	125	-	-
Lease liabilities	20	158	199	-	-
Current tax liability		2	19	-	-
		<b>17,411</b>	<b>1,109</b>	<b>1,121</b>	<b>255</b>
<b>TOTAL LIABILITIES</b>		<b>66,700</b>	<b>7,603</b>	<b>1,121</b>	<b>255</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>255,335</b>	<b>127,034</b>	<b>95,442</b>	<b>63,673</b>

The annexed 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 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
REVENUE	26	219,454	102,644	58	-
COST OF SALES		(167,432)	(68,718)	-	-
GROSS PROFIT		52,022	33,926	58	-
OTHER INCOME		581	8,470	79	376
ADMINISTRATIVE EXPENSES		(6,395)	(5,209)	(585)	(685)
OTHER OPERATING EXPENSES		-	(4,081)	-	-
RESULTS FROM OPERATING ACTIVITIES		46,208	33,106	(448)	(309)
FINANCE COSTS	27	(1,962)	(65)	-	-
SHARE OF RESULT OF ASSOCIATE COMPANY		(23)	-	-	-
PROFIT/(LOSS) BEFORE TAXATION	28	44,223	33,041	(448)	(309)
TAX EXPENSE	29	(1,353)	(218)	(20)	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		42,870	32,823	(468)	(309)
OTHER COMPREHENSIVE INCOME, NET OF TAX		-	-	-	-
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE FINANCIAL YEAR		42,870	32,823	(468)	(309)
Profit/(Loss) attributable to:					
Owners of the Company		43,461	33,205	(468)	(309)
Non-controlling interests		(591)	(382)	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		42,870	32,823	(468)	(309)
EARNINGS PER SHARE (SEN)					
Basic	30	9.55	11.46		
Diluted	30	8.94	10.09		

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

# STATEMENTS OF

## *Changes in Equity*

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Attributable to owners of the Group					Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	ICPS RM'000	Other reserves RM'000	Distributable retained earnings RM'000	Total RM'000		
Balance as at 1.1.2019, as previously reported	15,748	-	-	7,680	23,428	-	23,428
Effect of adoption of MFRS 16	-	-	-	(79)	(79)	-	(79)
At 1.1.2019, as restated	15,748	-	-	7,601	23,349	-	23,349
Total comprehensive income for the financial year	-	-	-	33,205	33,205	(382)	32,823
<b>Transaction with owners of the Company</b>							
Issuance of ICPS pursuant to rights issue	-	10,081	-	-	10,081	-	10,081
Issuance of shares pursuant to conversion of ICPS	44,520	(2,226)	-	-	42,294	-	42,294
Change in stake in a subsidiary	-	-	887	-	887	4,713	5,600
Acquisition of a subsidiary	-	-	-	-	-	5,284	5,284
<b>Total transactions with owners of the Company</b>	44,520	7,855	887	-	53,262	9,997	63,259
Balance as at 31.12.2019/ 1.1.2020	<b>60,268</b>	<b>7,855</b>	<b>887</b>	<b>40,806</b>	<b>109,816</b>	<b>9,615</b>	<b>119,431</b>
Total comprehensive income for the financial year	-	-	-	43,461	43,461	(591)	42,870
<b>Transaction with owners of the Company</b>							
Issuance of shares pursuant to conversion of ICPS	33,022	(1,651)	-	-	31,371	-	31,371
Disposal of a subsidiary	-	-	(887)	-	(887)	(4,713)	(5,600)
Acquisition of a subsidiary	-	-	-	-	-	563	563
<b>Total transactions with owners of the Company</b>	33,022	(1,651)	(887)	-	30,484	(4,150)	26,334
Balance as at 31.12.2020	<b>93,290</b>	<b>6,204</b>	<b>-</b>	<b>84,267</b>	<b>183,761</b>	<b>4,874</b>	<b>188,635</b>



**STATEMENTS OF**  
***Changes in Equity*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Attributable to owners of the Company			Total equity RM'000
	Share capital RM'000	Non-distributable ICPS RM'000	Distributable Accumulated losses RM'000	
<b>Company</b>				
Balance as at 1.1.2019	15,748	-	(4,396)	11,352
Total comprehensive expense for the financial year	-	-	(309)	(309)
<b>Transaction with owners of the Company</b>				
Issuance of ICPS pursuant to rights issue	-	10,081	-	10,081
Issuance of shares pursuant to conversion of ICPS	44,520	(2,226)	-	42,294
<b>Total transactions with owners of the Company</b>	44,520	7,855	-	52,375
Balance as at 31.12.2019/ 1.1.2020	<b>60,268</b>	<b>7,855</b>	<b>(4,705)</b>	<b>63,418</b>
Total comprehensive expense for the financial year	-	-	(468)	(468)
<b>Transaction with owners of the Company</b>	<b>33,022</b>	<b>(1,651)</b>	<b>-</b>	<b>31,371</b>
Issuance of shares pursuant to conversion of ICPS	<b>93,290</b>	<b>6,204</b>	<b>(5,173)</b>	<b>94,321</b>
Balance as at 31.12.2020				

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

# STATEMENTS OF *Cash Flows*

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(Loss) before taxation	<b>44,223</b>	33,041	<b>(448)</b>	(309)
Adjustments for:				
Depreciation of property, plant and equipment	<b>1,277</b>	802	-	-
Depreciation of right-of-use assets	<b>137</b>	384	-	-
Finance costs	<b>1,962</b>	65	-	-
Gain on disposal of property, plant and equipment	-	(82)	-	-
Gain on disposal of subsidiaries	<b>(735)</b>	-	<b>(77)</b>	(294)
Gain on disposal of associate	<b>(23)</b>	-	-	-
Interest income	<b>(480)</b>	(298)	<b>(2)</b>	(82)
Negative goodwill	<b>(5)</b>	(8,024)	-	-
Depreciation of property, plant and equipment of disposed subsidiary	<b>175</b>	-	-	-
Share of result in associate	<b>23</b>	-	-	-
<b>Operating profit/(loss) before working capital changes</b>	<b>46,554</b>	25,888	<b>(527)</b>	(685)
Decrease in inventories	-	10	-	-
Increase in trade receivables	<b>(102,622)</b>	(23,017)	<b>(58)</b>	-
Decrease/(Increase) in other receivables, deposits and prepayments	<b>213</b>	(14,989)	-	-
Increase/(Decrease) in trade payables	<b>48,456</b>	(353)	-	-
Increase/(Decrease) in other payables and accruals	<b>14,201</b>	(57)	<b>(130)</b>	(96)
<b>Cash generated from/(used in) operations</b>	<b>6,802</b>	(12,518)	<b>(715)</b>	(781)
Interest paid	<b>(1,962)</b>	(65)	-	-
Interest received	<b>480</b>	298	<b>2</b>	82
Income tax paid	<b>(170)</b>	(128)	<b>(20)</b>	(42)
Income tax refund	<b>2</b>	388	-	-
<b>Net cash generated from/(used in) operating activities</b>	<b>5,152</b>	(12,025)	<b>(733)</b>	(741)

## STATEMENTS OF *Cash Flows* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of a subsidiary, net of cash acquired (Note 39)	52	(5,500)	(1,000)	-
Acquisition of intangible assets	(6,000)	-	-	-
Acquisition of other investments	(10,850)	-	-	-
Subscription of additional shares in a subsidiary	-	-	-	(998)
Purchase of property, plant and equipment	(25,837)	(15,432)	-	-
Proceeds from disposal of property, plant and equipment	1	207	-	-
Proceed from disposal of equity interest in a subsidiary	5,186	5,600	5,600	5,600
Repayment from/(Advances to) subsidiaries	-	-	4,103	(2,834)
<b>Net cash (used in)/generated from investing activities</b>	<b>(37,448)</b>	<b>(15,125)</b>	<b>8,703</b>	<b>1,768</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from capital contribution	-	-	(39,503)	(52,610)
Proceeds from issuance of ICPS pursuant to rights issue	-	10,081	-	10,081
Proceeds from issuance of shares pursuant to conversion of ICPS	31,371	42,294	31,371	42,294
Repayment of lease liabilities	(182)	(133)	-	-
Advances from/(Repayment to) a subsidiary	-	-	996	(359)
(Repayment to)/Advances from directors	(3)	58	-	-
Repayment of finance lease liability	-	(59)	-	-
<b>Net cash generated from/(used in) financing activities</b>	<b>31,186</b>	<b>52,241</b>	<b>(7,136)</b>	<b>(594)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,110)</b>	<b>25,091</b>	<b>834</b>	<b>433</b>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<b>27,622</b>	<b>2,531</b>	<b>437</b>	<b>4</b>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD (NOTE 16)</b>	<b>26,512</b>	<b>27,622</b>	<b>1,271</b>	<b>437</b>

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



# NOTES TO THE *Financial Statements* FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 1. PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of management services and investment holding.

The principal activities of the subsidiaries are described in Note 10 to the financial statements.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Malaysian Financial Reporting Standards (“MFRSs”) issued by the Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention and on a going concern basis.

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5. Although these estimates and assumptions are based on the Directors’ best knowledge of events and actions, actual results could differ from those estimates.

### 3.2 Basis of consolidation

#### (a) Subsidiaries

A subsidiary is an entity controlled by the Group, i.e. the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its current ability to direct the entity’s relevant activities (power over the investee).

The existence and effect of potential voting rights that the Group has the practical ability to exercise (i.e. substantive rights) are considered when assessing whether the Group controls another entity.

The Group’s financial statements incorporate the results, cash flows, assets and liabilities of ARB Berhad and all of its directly and indirectly controlled subsidiaries. Subsidiaries are consolidated from the effective date of acquisition, which is the date on which the Group effectively obtains control of the acquired business, until that control ceases.

The non-controlling interests in the net assets and net results of consolidated subsidiaries are shown separately in the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income.

Total comprehensive income (i.e. profit or loss and each component of other comprehensive income) is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interest in a subsidiary that do not result in the Group losing control are accounted for as transactions with owners in their capacity as owners (i.e. equity transactions). The carrying amounts of the Group’s and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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

#### **3.2 Basis of consolidation (Cont'd)**

##### **(a) Subsidiaries (Cont'd)**

Upon loss of control of a subsidiary, the Group's profit or loss is calculated as the difference between (i) the fair value of the consideration received and of any investment retained in the former subsidiary and (ii) the previous carrying amount of the assets (including any goodwill) and liabilities of the subsidiary and any non-controlling interests.

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

##### **(b) Associates**

Associates are entities over which the Group and the Company have the power to participate in their financial and operating policy decisions, but which is not control or joint control. Associates are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of comprehensive income of the associate. On acquisition of the investment, the associate's identifiable assets and liabilities are measured at fair value. Any excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill and included in the carrying amount of the investment. Goodwill is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Distributions received from an investee reduce the carrying amount of the investment.

If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group does not provide for additional losses, unless it has incurred obligations or made payments on behalf of the associate.

Profits or losses on Group transactions with associates are eliminated to the extent of the Group's interest in the relevant associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 3.2 Basis of consolidation (Cont'd)

##### (c) Business combinations

The Group applies the acquisition method to account for all acquired businesses, whereby the identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (with few exceptions as required by MFRS 3 *Business Combinations*).

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, the liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group.

Acquisition-related costs (e.g. finder's fees, consulting fees, administrative costs, etc.) are recognised as expenses in the periods in which the costs are incurred and the services are received.

On acquisition date, goodwill is measured as the excess of the aggregate of consideration transferred, any non-controlling interests in the acquiree, and acquisition date fair value of the Group's previously held equity interest in the acquiree (if business combination achieved in stages) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

If, after appropriate reassessment, the amount as calculated above is negative, it is recognised immediately in profit or loss as a bargain purchase gain.

At acquisition date, non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement is made separately for each business combination. Other components of non-controlling interests are measured at their acquisition date fair values, unless otherwise required by MFRS.

The acquisition date fair value of any contingent consideration is recognised as part of the consideration transferred by the Group in exchange for the acquiree. Changes in the fair value of contingent consideration that result from additional information obtained during the measurement period (maximum one year from the acquisition date) about facts and circumstances that existed at the acquisition date are adjusted retrospectively against goodwill. Other changes resulting from events after the acquisition date are adjusted at each reporting date, only when the contingent consideration is classified as an asset or a liability, and the adjustment is recognised in profit or loss.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. If any, changes in the value of the Group's equity interest in the acquiree that have been previously recognised in other comprehensive income are reclassified to profit or loss, if appropriate had that interest been disposed of directly.

##### (d) Translation of financial statements of foreign entities

The assets and liabilities of foreign operations are translated into RM using exchange rates at the reporting date. The components of shareholders' equity are stated at historical value.

Average exchange rates for the period are used to translate income and expense items of foreign operations. However, if exchange rates fluctuate significantly, the exchange rates at the dates of the transactions are used.

All resulting exchange differences are recognised in other comprehensive income and accumulated in currency translation reserve, a separate component of equity.



## NOTES TO THE

# *Financial Statements* (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 3.2 Basis of consolidation (Cont'd)

##### (d) Translation of financial statements of foreign entities (Cont'd)

Any goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and, as such, translated at the closing rate.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the parent company are reclassified to profit or loss. The cumulative amount of the exchange differences relating to that foreign operation that had been attributed to the non-controlling interests are derecognised, but without reclassification to profit or loss. The same applies in case of loss of control, joint control or significant influence.

On the partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of exchange differences accumulated in the separate component of equity are re-attributed to non-controlling interests (they are not recognised in profit or loss). For any other partial disposal of foreign entity (i.e. associates or jointly controlled entities without loss of significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

##### (e) Transactions eliminated on consolidation

All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

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

#### 3.3 Property, plant and equipment

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

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

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

Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 3.3 Property, plant and equipment (Cont'd)

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value. The principal annual rates are as follow:

Leasehold land	Over the lease period of 51 and 915 years
Building	2%
Plant and machinery	14%
Renovation	10%
Computer system	10% - 20%
Tractors, motor vehicles and tug boats	10% - 20%
Furniture, fittings and office equipment	10%

Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### 3.4 Leases

##### (a) Definition of a lease

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

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

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

## NOTES TO THE

# *Financial Statements* (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 3.4 Leases (Cont'd)

##### (b) Recognition and initial measurement

##### (i) As a lessee

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

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

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

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

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

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

The Group has applied Amendment to MFRS 16 Leases: *COVID-19 Related Rent Concessions*. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

##### (ii) As a lessor

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

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

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.



## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 3.4 Leases (Cont'd)

##### (b) Recognition and initial measurement (Cont'd)

##### (ii) As a lessor (Cont'd)

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

##### (c) Subsequent measurement

##### (i) As a lessee

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

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

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

##### (ii) As a lessor

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

#### 3.5 Intangible assets

##### (a) Goodwill

Goodwill arising in a business combination is initially measured at its cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

##### (b) Separately acquired intangible assets

On initial recognition, intangible assets acquired separately are measured at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

## NOTES TO THE

# *Financial Statements* (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 3.5 Intangible assets (Cont'd)

##### (b) Separately acquired intangible assets (Cont'd)

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. The estimated useful life and amortisation method are revised at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

##### (c) Internally generated intangible assets

Development costs represent typical internally generated intangible assets of relevance for the Group and the Company. Costs incurred in relation to individual projects are capitalised only when the future economic benefit of the project is probable and the following main conditions are met: (i) the development costs can be measured reliably, (ii) the technical feasibility of the product has been ascertained and (iii) management has the intention and ability to complete the intangible asset and use or sell it.

When expenditure is initially recognised as an expense, for example where it cannot be determined whether future economic benefits are probable, it cannot later be recognised as part of the cost of an intangible asset.

Internally generated intangible assets primarily relate to internally developed software and internally developed patented technology as well as processes or recipes.

Research costs are expensed as incurred.

After initial recognition, internally generated intangible assets follow the accounting policies of separately acquired intangible assets as stated above.

##### (d) Intangible assets acquired in a business combination

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

After initial recognition, intangible assets acquired as part of a business combination follow the accounting policies of separately acquired intangible assets as stated above.

##### (e) Amortisation

For intangible assets with finite useful lives, amortisation is calculated so as to write off the cost of the asset, less its estimated residual value, over its useful economic life from the date they are available for use as follow:

Green project contract	30 years
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Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 3.6 Other investments

Investment in quoted and unquoted shares held for long term basis are stated at cost less allowance for diminution in value to recognise any decline, other than a temporary decline in the value of the investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the profit or loss.

#### 3.7 Impairment of non-financial assets

##### (a) Impairment of property, plant and equipment and of intangible assets with finite useful lives

The carrying amounts of such assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs to sell of the individual asset or the cash-generating unit. The recoverable amount 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. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of that unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the unit which impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the unit.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

##### (b) Impairment of goodwill

Irrespective of whether there is any indication of impairment, such assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire were assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Goodwill impairment is not reversed in any circumstances.



## NOTES TO THE

# *Financial Statements* (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 3.8 Financial instruments

##### (a) Initial recognition and measurement

The Group and the Company recognise a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, an entity in the Group and the Company become a party to the contractual provisions of the instruments.

If a contract is a host financial liability or a non-financial host contract that contains an embedded derivative, the Group and the Company assess whether the embedded derivative shall be separated from the host contract on the basis of the economic characteristics and risks of the embedded derivative and the host contract at the date when the Group and the Company become a party to the contract. If the embedded derivative is not closely related to the host contract, it is separated from the host contract and accounted for as a stand-alone derivative. The Group and the Company do not make a subsequent reassessment of the contract unless there is a change in the terms of the contract that significantly modifies the expected cash flows or when there is a reclassification of a financial liability out of the fair value through profit or loss category. Embedded derivatives in host financial assets are not separated.

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

##### (b) Derecognition of financial instruments

For derecognition purposes, the Group and the Company first determine whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial assets, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group and the Company transfer the contractual rights to receive cash flows of the financial asset, including circumstances when the Group and the Company act only as a collecting agent of the transferee, and retain no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group and the Company consider a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

##### (c) Financial assets

For the purpose of subsequent measurement, the Group and the Company classify financial assets into three measurement categories, namely: (i) financial asset at amortised cost ("AC"); (ii) financial assets at fair value through other comprehensive income ("FVOCI") and (iii) financial assets at fair value through profit or loss ("FVPL"). The classification is based on the Group's and the Company's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

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

After initial recognition, the Group and the Company measure financial assets, as follow:

##### (i) Financial assets at AC

A financial asset is measured at AC if: (a) it is held within the Group's and the Company's business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

##### (ii) Financial assets at FVOCI

A financial asset is measured at FVOCI if: (a) it is held within the Group's and the Company's business objective to hold the asset both to collect contractual cash flows and selling the financial asset, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

##### (iii) Financial assets at FVPL

A financial asset is measured at FVPL if it is an equity investment, held for trading (including derivative assets) or if it does not meet any of the condition specified for the AC or FVOCI model.

Other than financial assets measured at FVPL, all other financial assets are subject to review for impairment in accordance with Note 3.8(f).

##### (d) Financial liabilities

After initial recognition, the Group and the Company measure all financial liabilities at AC using the effective interest method, except for:

- (i) Financial liabilities at FVPL (including derivatives that are liabilities) are measured at fair value.
- (ii) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. Paragraph 3.2.15 and 3.2.17 of MFRS 9 apply to the measurement of such financial liabilities.
- (iii) Financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of: (a) the amount of the loss allowance; and (b) the amount initially recognised less, when appropriate, the cumulative of income recognised in accordance with the principles in MFRS 15 *Revenue from Contracts with Customers*.

##### (e) Fair value measurement

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique as described in Note 3.18.

## NOTES TO THE

# *Financial Statements* (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

##### (f) Impairment of financial assets

The Group and the Company apply the expected credit loss ("ECL") model of MFRS 9 to recognise impairment losses of financial assets measured at AC or at FVOCI. Except for trade receivables, a 12-month ECL is recognised in profit or loss on the date of origination or purchase of the financial assets. At the end of each reporting period, the Group and the Company assess whether there has been a significant increase in credit risk of a financial asset since its initial recognition or at the end of the prior period. Other than for financial assets which are considered to be of low risk grade, a lifetime ECL is recognised if there has been a significant increase in credit risk since initial recognition. For trade receivables, the Group and the Company have availed the exception to the 12-month ECL requirement to recognise only lifetime expected credit losses.

The assessment of whether credit risk has increased significantly is based on quantitative and qualitative information that include financial evaluation of the creditworthiness of the debtors or issuers of the instruments, ageing of receivables, defaults and past due amounts, past experiences with the debtors, current conditions and reasonable forecast of future economic conditions. For operational simplifications: (a) a 12-month ECL is maintained for financial assets which investment grades that are considered as low credit risk, irrespective of whether credit risk has increased significantly or not; and (b) credit risk is considered to have increased significantly if payments are more than 30 days past due if no other borrower-specific information is available without undue cost or effort.

The ECL is measured using an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, discounted for the time value of money and applying reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecast of future economic conditions. The ECL for a financial asset (when assessed individually) or a group of financial assets (when assessed collectively) is measured at the present value of the probability-weighted expected cash shortfalls over life of the financial asset or group of financial assets. When a financial asset is determined as credit-impaired (based on objective evidence of impairment), the lifetime ECL is determined individually.

For trade receivables, the lifetime ECL is determined at the end of each reporting period using a provision matrix. For each significant receivables, individual lifetime ECL is assessed separately. For significant receivables which are not impaired and for all other receivables, they are grouped into risk classes by type of customers and businesses, and the ageing of the receivables. Collective lifetime ECLs are determined using past loss rates, which are updated for effects of current conditions and reasonable forecasts for future economic conditions. In the event that the economic or industry outlook is expected to worsen, the past loss rates are increased to reflect the worsening economic conditions.

#### 3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value with original maturities period of three months or less.

For the purpose of the statements of cash flows only, cash and cash equivalents are presented net of pledged deposit.

#### 3.10 Equity

Equity instruments are contracts that give a residual interest in the net assets of the Group and the Company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of costs directly attributable to the transaction.



## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 3.11 Provisions

Where, at reporting date, the Group and the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group and the Company will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

#### 3.12 Employees benefits

##### (i) Short-term benefit

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

##### (ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund ("EPF"). The contributions are recognised as a liability after deducting any contribution already paid and as an expense in profit or loss in the period in which the employee render their services. Once the contributions have been paid, the Group and the Company has no further payment obligations.

#### 3.13 Revenue recognition

##### (a) Revenue from contracts with customers

The Group's and the Company's revenue comprise resell customised Enterprise Resource Planning ("ERP") software system, Information Technology Outsourcing ("ITO") services and Internet of Things ("IoT") related products.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group and the Company applies revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group and the Company reasonably expects that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

For a service contract with a customer, when control of the promised service is transferred over time to the customer (and hence the performance obligation is satisfied over time), revenue is recognised in profit or loss over time or progressively by reference to the stage of completion in a performance obligation. For service contracts, the stage of completion is measured using the value of work performed to date as a percentage of estimated total contract value basis (an output method). Revenue is recognised at a point in time when control of the service is passed to the customer, which is the point in time when the significant risks and rewards are transferred to the customer and the transaction has met the probability of inflows and measurement reliability requirement of MFRS 15.

When the outcome of service contract cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The Group and the Company measure revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivables, which is usually the invoice price, net of a trade discounts and volume rebates given to the customer. If the transaction price includes variable considerations, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range of possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

For a contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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

#### 3.13 Revenue recognition (Cont'd)

**(b) Management fee**

Management fee is recognised on the accrual basis when services are rendered.

**(c) Interest income**

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

**(d) Rental income**

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

#### 3.14 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### 3.15 Income taxes

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the statement of financial position liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base, with the exception of goodwill not deductible for tax purposes and temporary differences arising on initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that the Group and the Company consider that it is probable (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Group's and the Company's intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. Where tax arises from the initial accounting for a business combination, it is included in the accounting for the business combination.

## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 3.16 Earnings per ordinary share

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

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

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

#### 3.17 Operating segments

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

#### 3.18 Fair value measurements

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. When measuring the fair value of an asset or a liability, the Group and the Company use market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group and the Company (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Group and the Company at the end of the reporting period during which the change occurred.



## NOTES TO THE

# *Financial Statements* (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

#### 4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

##### 4.1 MFRSs, Amendments to MFRSs and Interpretations adopted

For the preparation of the financial statements, the following accounting standards, amendments and interpretations of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2020:

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 *Business Combination – Definition of a Business*
- Amendments to MFRS 101 *Presentation of Financial Statements* and MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

During the financial year, the Group and the Company have early adopted the Amendment to MFRS 16 *Leases – Covid-19-Related Rent Concessions*.

The adoption of the above-mentioned accounting standards, amendments and interpretations have no significant impact on the financial statements of the Group and the Company other than as disclosed in notes to the financial statements.

##### 4.2 New/Revised MFRSs, Amendments to MFRSs and Interpretations not adopted

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the MASB but have not been adopted by the Group and the Company:

##### MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2021

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

##### MFRSs, Amendments to MFRSs and Interpretations effective for annual periods 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

##### MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

##### MFRSs, Amendments to MFRSs and Interpretations effective date yet to be confirmed

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

The Directors anticipate that the above-mentioned accounting standards, amendments and interpretations will be adopted by the Group and the Company when they become effective.

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts* have not been taken into consideration because they are not applicable to the Group and the Company.

## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing its financial statements, the Group and the Company have made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Group and the Company periodically monitor such estimates and assumptions and make sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

#### (a) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the coronavirus (COVID-19) pandemic has had, or may have, on the Group and the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group and the Company operate. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group and the Company unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

#### (b) Depreciation of property, plant and equipment and right-of-use assets

The cost of an item of property, plant and equipment and right-of-use asset is depreciated on a straight-line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment and right-of-use asset may differ from the estimates applied.

#### (c) Impairment of property, plant and equipment and investments in subsidiaries

The Group and the Company assess impairment of property, plant and equipment and investment in subsidiaries when the events or changes in circumstances indicate that the carrying amounts of the cash-generating units may not be recoverable. In assessing such impairment, the recoverable amount of the cash generating unit is estimated using the higher of value in use and the fair value less costs to sell.

#### (d) Determining the value-in-use

The Group allocates goodwill and intangible assets to cash-generating units for the purpose of impairment testing. In determining the value-in-use of a cash-generating unit, management uses reasonable and supportable inputs about sales, cost of sales and other expenses based upon past experience, current events, the impact of the coronavirus (COVID-19) pandemic and reasonably possible future developments. Cash flows are projected based on those inputs and discounted at an appropriate discount rate. The actual outcome or event may not coincide with the inputs or assumptions and the discount rate applied in the measurement, and this may have a significant effect on the Group's financial position and results.

#### (e) Measurement of lease liabilities and right-of-use assets

The measurement of a lease liability and the corresponding right-of-use asset includes in-substance fixed payments, variable lease payments linked to an inflation-related index or rate, estimates of lease term, option to purchase, payments under residual value guarantee and penalties for early termination. The actual payments may not coincide with these estimates. The Group reassesses the lease liability for any change in the estimates and a corresponding adjustment is made to the right-of-use asset.

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

**(f) Loss allowances of financial assets**

The Group and the Company recognise impairment losses for trade receivables under the expected credit loss model. Individually significant trade receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts, current economic trends, the impact of the coronavirus (COVID-19) pandemic and forward-looking information that is available. The actual eventual losses may be different from the allowance made and this may affect the Group's and the Company's financial positions and results.

**(g) Income taxes**

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

**(h) Deferred tax estimation**

Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits being available in the future. Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Group and the Company making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.



**NOTES TO THE**  
**Financial Statements** (CONT'D)  
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**6. PROPERTY, PLANT AND EQUIPMENT**

<b>Group 2020</b>	<b>Buildings RM'000</b>	<b>Plant and machinery RM'000</b>	<b>Tractors, motor vehicles and tug boats RM'000</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Computer system RM'000</b>	<b>Renovation RM'000</b>	<b>Construction work-in- progress RM'000</b>	<b>Total RM'000</b>
<u>Cost</u>								
At 1.1.2020	1,513	72,060	5,433	525	15,283	65	1,654	96,533
Additions	-	-	-	40	25,797	-	-	25,837
Disposal	-	-	-	(1)	-	-	-	(1)
Disposal of subsidiaries	(1,513)	(72,060)	(5,433)	(399)	-	-	(1,654)	(81,059)
At 31.12.2020	-	-	-	165	41,080	65	-	41,310
<u>Accumulated depreciation</u>								
At 1.1.2020	98	71,746	5,322	349	580	2	-	78,097
Charge for the financial year	-	-	-	14	1,257	6	-	1,277
Disposal of subsidiaries	(98)	(71,746)	(5,322)	(338)	-	-	-	(77,504)
At 31.12.2020	-	-	-	25	1,837	8	-	1,870
<u>Accumulated impairment loss</u>								
At 1.1.2020	-	-	-	1	-	-	-	1
Disposal	-	-	-	(1)	-	-	-	(1)
At 31.12.2020	-	-	-	-	-	-	-	-

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

<b>Group 2019</b>	<b>Buildings RM'000</b>	<b>Plant and machinery RM'000</b>	<b>Tractors, motor vehicles and tug boats RM'000</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Computer system RM'000</b>	<b>Renovation RM'000</b>	<b>Construction work-in- progress RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>								
At 1.1.2019, as previously reported	16,749	72,060	6,407	445	-	-	1,654	97,315
Effect of adoption of MFRS 16	(15,236)	-	-	-	-	-	-	(15,236)
At 1.1.2019, as restated	1,513	72,060	6,407	445	-	-	1,654	82,079
Additions	-	-	-	84	15,283	65	-	15,432
Disposal	-	-	(974)	(2)	-	-	-	(976)
Disposal of a subsidiary	-	-	-	(2)	-	-	-	(2)
At 31.12.2019	1,513	72,060	5,433	525	15,283	65	1,654	96,533
<b>Accumulated depreciation</b>								
At 1.1.2019, as previously reported	7,509	71,669	6,082	329	-	-	-	85,589
Effect of adoption of MFRS 16	(7,441)	-	-	-	-	-	-	(7,441)
At 1.1.2019, as restated	68	71,669	6,082	329	-	-	-	78,148
Charge for the financial year	30	77	91	22	580	2	-	802
Disposal	-	-	(851)	-	-	-	-	(851)
Disposal of a subsidiary	-	-	-	(2)	-	-	-	(2)
At 31.12.2019	98	71,746	5,322	349	580	2	-	78,097
<b>Accumulated impairment loss</b>								
At 1.1.2019/ 31.12.2019	-	-	-	1	-	-	-	1
<b>Net carrying amount</b>								
At 31.12.2020	-	-	-	140	39,243	57	-	39,440
At 31.12.2019	1,415	314	111	175	14,703	63	1,654	18,435

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**7. RIGHT-OF-USE ASSETS**

	Office spaces RM'000	Leasehold lands RM'000	Group Leasehold lands (owned) RM'000	Total RM'000
<u>At cost</u>				
At 1.1.2019/31.12.2019	528	132	7,795	8,455
Disposal of subsidiaries	-	(132)	(7,795)	(7,927)
At 31.12.2020	<b>528</b>	<b>-</b>	<b>-</b>	<b>528</b>
<u>Accumulated depreciation</u>				
At 1.1.2019	-	-	-	-
Charge for the financial year	137	16	231	384
At 31.12.2019	137	16	231	384
Charge for the financial year	137	-	-	137
Disposal of subsidiaries	-	(16)	(231)	(247)
At 31.12.2020	<b>274</b>	<b>-</b>	<b>-</b>	<b>274</b>
<u>Net carrying amount</u>				
At 31.12.2020	<b>254</b>	<b>-</b>	<b>-</b>	<b>254</b>
At 31.12.2019	391	116	7,564	8,071

The Group leases a number of leasehold lands and rental of office spaces.

(a) Short-term leases and low-value assets

For short-term leases with lease term of 12 months or less and for leases of low-value assets, the Group has availed the exemption in MFRS 16 not to recognise the right-of-use assets and lease liabilities. Instead, payments made for these leases are recognised as expense when incurred (Note 28).

(b) Significant judgements and assumptions in relation to leases

The Group applied judgements and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgements to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

(c) In the previous financial year, included in the net carrying amount of leasehold lands (owned) of the Group amounted to RM57,000 were registered in the name of a third party.



**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

## 8. INTANGIBLE ASSETS

	Green project contract RM'000	Group Photovoltaic cell project RM'000	Total RM'000
Cost			
At 1.1.2019	-	-	-
Acquisitions	24,752	-	24,752
At 31.12.2019	24,752	-	24,752
Addition	-	6,000	6,000
At 31.12.2020	<b>24,752</b>	<b>6,000</b>	<b>30,752</b>
Net carrying amount			
At 31.12.2020	<b>24,752</b>	<b>6,000</b>	<b>30,752</b>
At 31.12.2019	24,752	-	24,752

There is no amortisation expense recognised during the financial year (2019: nil) as the green project contract and photovoltaic cell project are expected to commence in financial year 2021.

## 9. GOODWILL ON CONSOLIDATION

	Group 2020 RM'000	2019 RM'000
At cost:		
At 1 January/31 December	<b>45</b>	45
Accumulated impairment loss:		
At 1 January/31 December	-	-
Net carrying amount		
At 31 December	<b>45</b>	45

## 10. INVESTMENTS IN SUBSIDIARIES

	Company 2020 RM'000	2019 RM'000
Unquoted shares, at cost	<b>2,000</b>	32,065
Accumulated impairment losses	-	(25,542)
	<b>2,000</b>	6,523
Capital contribution	<b>92,113</b>	52,610
	<b>94,113</b>	59,133

# NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 10. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follow:-

Name of Subsidiary		Country of Incorporation	Effective Interest 2020 %	2019 %	Principal Activities
Aturmaju (Sabah) Holding Sdn. Bhd.	1	Malaysia	-	51	Manufacturing of wood products.
ARB Development Sdn. Bhd.		Malaysia	100	100	Reselling customised ERP software system and Information Technology ("IT") related business.
ARB Lab Sdn. Bhd.	2(#)(^)	Malaysia	100	-	Business in Research and Development of IT and IoT for software and hardware.
<u>Subsidiary of Aturmaju (Sabah) Holding Sdn. Bhd.</u>					
Kalabakan Tug Boat Sdn. Bhd.	1	Malaysia	-	100	Hire of scows and tug boat.
<u>Subsidiaries of ARB Development Sdn. Bhd.</u>					
Baritech Sdn. Bhd.		Malaysia	100	100	Consulting services for project management.
ARBIOT Sdn. Bhd.		Malaysia	100	100	IoT, internet and multimedia development and consultancy services, and project management.
C&M Renewable Energy Technology Sdn. Bhd.		Malaysia	51	51	Dormant.
ARB Investment (Cambodia) Co., Ltd.	(#)(^)	Cambodia	100	100	Dormant.
ARB System Sdn. Bhd.	3	Malaysia	100	51	Business in provision of ERP and Customer Relationship Management system.
ARB Cloud Sdn. Bhd.	4 (#)(^)	Malaysia	100	-	Dormant.
<u>Subsidiaries of ARBIOT Sdn. Bhd.</u>					
ARB Net Sdn. Bhd.	5	Malaysia	100	-	Dormant.
ARB Distribution Sdn. Bhd.	6	Malaysia	51	-	Business in distribution of IoT related products.

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

## 10. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follow:- (Cont'd)

Name of Subsidiary	Country of Incorporation	Effective Interest 2020 %	Effective Interest 2019 %	Principal Activities
<u>Subsidiaries of ARB System Sdn. Bhd.</u>				
ARB PAY Sdn. Bhd.	Malaysia	100	100	Business in provision of platform for general tradings and services in retail industry.
ARB Fintech Sdn. Bhd. (formerly known as ARB Wellness System Sdn. Bhd.)	Malaysia	100	-	Dormant.
ARB Eatfixs Sdn. Bhd.	Malaysia	100	-	Dormant.
Databook Pte. Ltd.	Singapore	100	-	Business in financial/accounting software development and software distribution.

<sup>1</sup> On 24 June 2020, the Company had disposed 17,340,000 ordinary shares of Aturmaju (Sabah) Holding Sdn. Bhd. representing 51% equity interest, for a total consideration of RM5,600,000.

<sup>2</sup> On 16 December 2020, the Company had incorporated ARB Lab Sdn. Bhd.

<sup>3</sup> On 15 May 2020, ARB Development Sdn. Bhd. had further acquired 490,000 ordinary shares of ARB System Sdn. Bhd. representing 49% equity interest, for a total consideration of RM490,000.

<sup>4</sup> On 14 October 2020, ARB Development Sdn. Bhd. had incorporated ARB Cloud Sdn. Bhd.

<sup>5</sup> On 1 July 2020, ARBIOT Sdn. Bhd. had incorporated ARB Net Sdn. Bhd.

<sup>6</sup> On 1 July 2020, ARBIOT Sdn. Bhd. had incorporated ARB Distribution Sdn. Bhd.

<sup>7</sup> On 27 May 2020, ARB System Sdn. Bhd. had incorporated ARB Fintech Sdn. Bhd. (formerly known as ARB Wellness System Sdn. Bhd.).

<sup>8</sup> On 28 May 2020, ARB System Sdn. Bhd. had incorporated ARB Eatfixs Sdn. Bhd.

<sup>9</sup> On 18 May 2020, ARB System Sdn. Bhd. had acquired 500,000 ordinary shares of Databook Pte. Ltd. representing 100% equity interest, for a total consideration of SGD 1.

(#) Subsidiaries not audited by RSM Malaysia.

(\*) Consolidated based on management accounts as at 31 December 2020.



# NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 10. INVESTMENTS IN SUBSIDIARIES (CONT'D)

### Non-controlling interests in subsidiaries

In the previous financial year, summarised information of companies with non-controlling interests that are material to the Group was set out below. The summarised financial information presented below was the amount before inter-company elimination.

For current financial year, the non-controlling interests of the companies were not material to the Group, thus not presented in the notes to the financial statements.

	2019		
	Aturmaju (Sabah) Holding Sdn. Bhd. and its subsidiary RM'000	Others RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	49%	49%	
Carrying amount of NCI	4,395	5,220	9,615
Loss allocated to NCI	(317)	(65)	(382)
<b>As at 31 December</b>			
Non-current assets	11,234	92	11,326
Current assets	4,274	15	4,289
Non-current liabilities	(119)	-	(119)
Current liabilities	(7,625)	(241)	(7,866)
Net assets/(liabilities)	7,764	(134)	7,630
<b>Year ended 31 December</b>			
Revenue	153	1,568	1,721
Loss for the year and total comprehensive expense	(1,482)	(625)	(2,107)
Cash flows from operating activities	2,054	(620)	1,434
Cash flows from investing activities	(2,544)	398	(2,146)
Cash flows from financing activities	(320)	232	(88)
Net (decrease)/increase in cash and cash equivalent	(810)	10	(800)

## 11. INVESTMENT IN ASSOCIATE

During the financial year, the Group acquired 49% equity interest in Yes's Data Sdn. Bhd. for RM980,098. Subsequently on 16 November 2020, the Group disposed the entire 49% equity interest for RM980,098.

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

## 12. OTHER INVESTMENTS

	Group 2020 RM'000	2019 RM'000
Unquoted shares, at cost		
At 1 January	-	-
Addition during the year	10,850	-
At 31 December	10,850	-

On 11 June 2020, the Group has acquired 100,000 redeemable convertible preference shares of Solidvest Properties Sdn. Bhd. for a total consideration of RM5,400,000.

On 1 July 2020, a Management Control Agreement ("Agreement") was established between the Group and Yes's Comm. Enterprise Sdn. Bhd. where the Group obtained full control, management and supervision of business and affairs for a total consideration of RM5,450,000. The Agreement shall come in force for a period of five (5) plus five (5) years subject to review and modification as mutually agreed upon by both parties, effective from 1 January 2021.

## 13. TRADE RECEIVABLES

	Group 2020 RM'000	2019 RM'000
Non-current	64,140	-
Current	68,230	29,736
	132,370	29,736

The Group's normal trade credit terms range from 180 to 210 (2019: 180 to 210) days. Other credit terms are assessed and approved on a case-by-case basis.

## 14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group 2020 RM'000	2019 RM'000
Other receivables	3,519	176
Deposits	11,592	15,153
Prepayments	1	9
	15,112	15,338

	Company 2020 RM'000	2019 RM'000
Other receivables	-	658
Less: Impairment losses	-	(658)
	-	-

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**15. AMOUNT DUE FROM SUBSIDIARIES**

	Company 2020 RM'000	2019 RM'000
Non-trade balances	-	5,554
Less: Impairment losses	-	(1,451)
	<u>-</u>	<u>4,103</u>
Impairment losses:		
At 1 January	1,451	2,109
Transfer to other receivables during the financial year	-	(658)
Written off	(1,451)	-
At 31 December	<u>-</u>	<u>1,451</u>

Amount due from subsidiaries were non-trade in nature, unsecured, interest-free, repayable upon demand and were to be settled in cash.

**16. CASH AND CASH EQUIVALENTS**

	Group 2020 RM'000	2019 RM'000	Company 2020 RM'000	2019 RM'000
Deposits with licensed institution	2,000	26,143	-	-
Cash and bank balances	24,512	1,499	1,271	437
Balance as stated in the Statements of Financial Position at 31 December	<u>26,512</u>	<u>27,642</u>	<u>1,271</u>	<u>437</u>
Less: Fixed deposit pledged with licensed bank	-	(20)	-	-
Balance for Statements of Cash Flows purposes at 31 December	<u>26,512</u>	<u>27,622</u>	<u>1,271</u>	<u>437</u>

In the previous financial year, the Group's fixed deposit was pledged to a licensed bank for bank guarantee granted to a subsidiary.

The interest rates for deposits are ranging from 1.70% to 3.00% (2019: 2.90% to 3.95%) per annum.



## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 17. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2020 '000	2019 '000	2020 RM'000	2019 RM'000
<b>Issued and fully paid</b>				
<u>Ordinary shares</u>				
At 1 January	289,813	67,210	60,268	15,748
Issuance of shares pursuant to conversion of ICPS	165,111	222,603	33,022	44,520
At 31 December	<b>454,924</b>	289,813	<b>93,290</b>	60,268

During the financial year, the Company issued 165,110,849 (2019: 222,602,700) new ordinary shares pursuant to the conversion of 165,110,849 (2019: 222,612,200) Irredeemable Convertible Preference Shares ("ICPS") at a conversion price of RM0.20 each.

### 18. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES

	Group and Company			
	Number of ICPS of RM0.01 each		Amount	
	2020 '000	2019 '000	2020 RM'000	2019 RM'000
At 1 January	785,538	-	7,855	-
Subscription of rights issue	-	1,008,150	-	10,081
Conversion to ordinary shares	(165,111)	(222,612)	(1,651)	(2,226)
At 31 December	<b>620,427</b>	785,538	<b>6,204</b>	7,855

The Irredeemable Convertible Preference Shares ("ICPS") issued at an issue price of RM0.01 each have been admitted to the Official List of Bursa Malaysia Securities Berhad and the listing of and the quotation for 1,008,150,000 ICPS was granted with effect from 18 January 2019.

The salient features of the ICPS are as follow:-

- Each registered holder of the ICPS shall have the right at any time during the conversion period of five years commencing from the issue date of the ICPS of 16 January 2019 up to the maturity date of 15 January 2024 which is the date immediately preceding the fifth anniversary of the issue date of the ICPS.
- Based on the conversion price of RM0.20, the ICPS can be converted by way of surrendering twenty ICPS of RM0.01 each for one new ordinary share or by a combination of such number of ICPS and cash with an aggregate value equal to the conversion price, subject to a minimum of one ICPS, and paying the difference between the aggregate value of the ICPS surrendered and the conversion price in cash for one new ordinary share.
- The ICPS have a tenure period of 5 years from the date of issue and will not be redeemable in cash. All outstanding ICPS will be mandatorily converted by the Company into new ordinary shares at the conversion price of RM0.20 each on the maturity date, with any fractional new ordinary shares arising from the mandatory conversion of the ICPS on the maturity date shall be disregarded.
- Upon conversion of the ICPS into new ordinary shares, such shares upon allotment and issuance, rank pari passu in all respects with the then existing ordinary shares, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of such new ordinary shares.

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**19. OTHER RESERVES**

**Capital reserve**

In the previous financial year, capital reserve represents the Group's share of net assets before and after the change in its ownership interest in a subsidiary.

**20. LEASE LIABILITIES**

**(a) Lease liabilities**

	Group	
	2020 RM'000	2019 RM'000
Future lease payment payable:		
- Not later than one year	178	240
- Later than one year and not later than five years	142	452
- More than five years	-	15
	<b>320</b>	<b>707</b>
Less: Future interest charges	<b>(32)</b>	<b>(101)</b>
Present value of lease liabilities	<b>288</b>	<b>606</b>
Repayable as follow:-		
<b>Current</b>		
- Not later than one year	158	199
<b>Non-current</b>		
- Later than one year and not later than five years	130	393
- More than five years	-	14
	<b>288</b>	<b>606</b>

**(b) Cash outflows for leases as a lessee**

	Group	
	2020 RM'000	2019 RM'000
Included in net cash from operating activities:		
- Payment of short-term leases	92	84
- Interest paid for lease liabilities	32	50
	<b>124</b>	<b>134</b>
Included in net cash from financing activities:		
- Payment of lease liabilities	182	133
Total cash outflows for leases	<b>306</b>	<b>267</b>

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**20. LEASE LIABILITIES (CONT'D)**

**(c) Short-term leases and low-value assets**

	Group 2020 RM'000	2019 RM'000
Future commitment for lease payment:		
- Not later than one year	58	63

The Group lease office spaces with contract terms of 1 year. These leases are short-term and/or leases of low-value assets. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Reconciliation of liabilities arising from financing activities:-

	Group 2020 RM'000	2019 RM'000
At 1 January	606	59
Cash flows:-		
Addition of lease liabilities	-	739
Disposal of a subsidiary	(136)	-
Interest paid for lease liabilities	32	50
Repayment of finance lease liability	-	(59)
Payment of rental expense	(214)	(183)
At 31 December	288	606

**21. DEFERRED TAX LIABILITIES**

	Group 2020 RM'000	2019 RM'000
At 1 January	6,087	4
Acquisition of a subsidiary	-	5,940
Recognised in profit or loss (Note 29)	1,201	143
At 31 December	7,288	6,087

The components and movements of deferred tax liabilities during the financial year are as follow:-

	Group 2020 RM'000	2019 RM'000
Excess of net carrying amount over tax written down value of property, plant and equipment	1,768	1,116
Intangible asset	5,940	5,940
Unabsorbed capital allowance	(60)	(969)
Unutilised tax losses	(360)	-
	7,288	6,087



**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**22. TRADE PAYABLES**

	Group 2020 RM'000	2019 RM'000
Non-current	41,871	-
Current	6,643	193
	<b>48,514</b>	<b>193</b>

The Group's normal trade credit terms range from 30 to 210 (2019: 0 to 120) days.  
The non-current trade credit term is 5 years.

**23. OTHER PAYABLES AND ACCRUALS**

	Group 2020 RM'000	2019 RM'000	Company 2020 RM'000	2019 RM'000
Other payables	205	371	65	179
Accruals	10,403	199	57	73
Deposit received	-	3	-	-
	<b>10,608</b>	<b>573</b>	<b>122</b>	<b>252</b>

**24. AMOUNT DUE TO A SUBSIDIARY**

The amount due to a subsidiary is non-trade in nature, unsecured, interest free, repayable upon demand and is to be settled in cash.

**25. AMOUNT DUE TO DIRECTORS**

	Group 2020 RM'000	2019 RM'000	Company 2020 RM'000	2019 RM'000
Non-trade balances	-	125	-	-

In the previous financial year, the amount due to Directors were unsecured, interest free, repayable upon demand and were to be settled in cash.

## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 26. REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Sales of goods	8,487	-	-	-
Rental income	-	153	-	-
Rendering of information technology services	210,967	102,491	-	-
Management fee	-	-	58	-
	<b>219,454</b>	<b>102,644</b>	<b>58</b>	<b>-</b>
Timing of revenue:-				
At a point in time	219,177	102,491	58	-
Over time	277	153	-	-
	<b>219,454</b>	<b>102,644</b>	<b>58</b>	<b>-</b>

### 27. FINANCE COSTS

	Group	
	2020 RM'000	2019 RM'000
<i>Interest expense of financial liabilities measured at amortised cost:-</i>		
- Unwinding of discounts of long-term financial instruments	1,930	-
- Lease liabilities	32	50
- Finance lease liability	-	1
	<b>1,962</b>	<b>51</b>
- Other	-	14
	<b>1,962</b>	<b>65</b>

### 28. PROFIT/(LOSS) BEFORE TAXATION

(a) Profit/(Loss) before taxation is stated after charging/(crediting):-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration				
- statutory audit	92	68	36	30
- other services	6	36	6	36
Depreciation on property, plant and equipment	1,277	802	-	-
Depreciation of right-of-use assets	137	384	-	-
Directors' fees	91	36	36	36
Directors' other emoluments	430	866	-	-
Loss on disposal of property, plant and equipment	-	58	-	-
Incorporation expenses	7	-	-	-
Rental of cylinder	-	5	-	-
Rental of equipment	2	-	-	-
Rental of premises	90	84	-	-
Staff cost:				
- salaries and other benefits (Note 31)	2,938	1,465	-	-
Gain on disposal of property, plant and equipment	-	(140)	-	-
Gain on disposal of subsidiaries	(735)	-	(77)	(294)
Gain on disposal of associate	(23)	-	-	-
Interest income	(480)	(298)	(2)	(82)
Negative goodwill	(5)	(8,024)	-	-
Rental income from premises	-	(2)	-	-

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**28. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)**

(b) Net gains/(losses) arising from financial instruments

	Group 2020 RM'000	2019 RM'000	Company 2020 RM'000	2019 RM'000
Net (losses)/gains on:- Financial assets and financial liabilities at amortised cost	(1,482)	233	2	82

**29. TAX EXPENSE**

	Group 2020 RM'000	2019 RM'000	Company 2020 RM'000	2019 RM'000
Current financial year				
- income tax expense	119	55	1	-
- deferred tax expense	1,200	143	-	-
	1,319	198	1	-
Under provision in prior financial year				
- income tax expense	33	20	19	-
- deferred tax expense	1	-	-	-
	1,353	218	20	-

A reconciliation of income tax expense/(credit) on profit/(loss) before taxation with the applicable statutory income tax rate is as follow:-

	Group 2020 RM'000	2019 RM'000	Company 2020 RM'000	2019 RM'000
Profit/(Loss) before taxation	44,223	33,041	(448)	(309)
Tax at the statutory tax rate of 24% (2019: 24%)	10,614	7,930	(107)	(74)
Tax effects of:-				
Effect of tax rates in foreign jurisdiction	(17)	-	-	-
Non-deductible expenses	230	-	108	142
Deferred tax assets not recognised	2	174	-	22
Non-taxable income	-	(560)	-	(90)
Tax exempt income	(9,510)	(7,346)	-	-
Current financial year tax expense	1,319	198	1	-

As at 31 December 2020, the Group has the following deferred tax assets which are not recognised in the financial statements due to uncertainty in the availability of future taxable income:-

	Group 2020 RM'000	2019 RM'000
Other deductible temporary differences	(6)	(7)
Unutilised tax losses	1	-
	(5)	(7)

With effect from year of assessment (YA) 2018, unutilised tax losses can only be carried forward for a maximum period of 7 consecutive YAs to be utilised against income from any business source. Unutilised tax losses accumulated as of YA 2020 of RM4,000 can be utilised for another 7 YAs and will be disregarded in YA 2028.



## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 30. EARNINGS PER SHARE

#### (a) Basic earnings per share

The basic earnings per ordinary share of the Group is calculated based on the profit attributable to owners of ordinary shares divided by the weighted average number of ordinary shares in issue.

	Group 2020	2019
Profit attributable to owners of the Company (RM'000)	<b>43,461</b>	33,205
Weighted average number of ordinary shares at 31 December ('000)	<b>454,924</b>	289,813
Basic earnings per share (sen)	<b>9.55</b>	11.46

#### (b) Diluted earnings per share

The diluted earnings per share of the Group is calculated based on the profit attributable to owners of ordinary shares divided by the weighted average number of ordinary shares in issue adjusted to assume conversion of all dilutive potential ordinary shares arising from ICPS as follow:-

	Group 2020	2019
Profit attributable to owners of the Company (RM'000)	<b>43,461</b>	33,205
Weighted average number of ordinary shares at 31 December ('000)	<b>454,924</b>	289,813
Adjustment for dilutive effects of: - ICPS	<b>31,021</b>	39,277
	<b>485,945</b>	329,090
Diluted earnings per share (sen)	<b>8.94</b>	10.09

### 31. STAFF COST

	Group 2020 RM'000	2019 RM'000
Salaries, wages and allowances	<b>2,308</b>	1,266
EPF contributions	<b>241</b>	149
SOCSSO contributions	<b>20</b>	14
EIS contributions	<b>2</b>	1
Others	<b>367</b>	35
	<b>2,938</b>	1,465

# NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 32. DIRECTORS' REMUNERATION

The aggregate amounts of emoluments received and receivable by Directors of the Group and of the Company during the financial year are as follow:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive Directors:				
- fee	55	10	-	10
- non-fee emoluments	430	866	-	-
Non-executive Directors:				
- fee	36	26	36	26
	<b>521</b>	<b>902</b>	<b>36</b>	<b>36</b>

## 33. SIGNIFICANT RELATED PARTY DISCLOSURES

### (a) Identities of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include Key Management Personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The Key Management Personnel include all the Directors of the Group and of the Company.

The Group has related party relationship with its subsidiaries, Directors and companies in which Directors of the Group have interest.

### (b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are as follow:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Management fees received/ receivable from subsidiaries	-	-	58	-
Rental paid/payable to a company in which a Company's Director has substantial financial interests				
- office premises	159	204	-	-
Key Management Personnel compensation:				
- short-term employee benefits	521	902	36	36

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

### **34. OPERATING SEGMENTS**

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its Chief Operating Decision Maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main business segments as follow:-

- (a) Investment holdings and others segment.
- (b) Enterprise Resource Planning ("ERP") system segment.
- (c) Internet of Things ("IoT") segment.

The Board of Directors of the Group assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly investments and related income, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

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



**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**34. OPERATING SEGMENTS (CONT'D)**

**Business segments**

	Investment holdings and others RM'000	ERP system RM'000	Internet of Things RM'000	Group RM'000
<b>2020</b>				
<u>Revenue</u>				
External revenue	-	150,541	68,913	219,454
Inter-segment revenue	58	43,082	1,445	44,585
	<u>58</u>	<u>193,623</u>	<u>70,358</u>	<u>264,039</u>
Adjustments and eliminations				(44,585)
Consolidated revenue				<u>219,454</u>
<u>Results</u>				
Results before following adjustments	(449)	40,323	7,451	47,325
Adjustments and eliminations	(38,105)	41,609	(3,344)	160
Depreciation	-	(11)	(1,266)	(1,277)
Segment results	<u>(38,554)</u>	<u>81,921</u>	<u>2,841</u>	<u>46,208</u>
Finance costs				(1,962)
Share of result of associate company				(23)
Tax expense				(1,353)
Consolidated profit after taxation				<u>42,870</u>
<u>Assets</u>				
Segment assets	<u>50,864</u>	<u>123,461</u>	<u>105,807</u>	<u>280,132</u>
Adjustments				(24,797)
Consolidated total assets				<u>255,335</u>
<u>Liabilities</u>				
Segment liabilities	<u>12,003</u>	<u>52,112</u>	<u>8,525</u>	<u>72,640</u>
Adjustments				(5,940)
Consolidated total liabilities				<u>66,700</u>

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

### 34. OPERATING SEGMENTS (CONT'D)

#### Business segments (Cont'd)

	Investment holdings and others RM'000	Manufac- turing of wood products RM'000	Barging RM'000	Information technology RM'000	Group RM'000
<b>2019</b>					
Revenue					
External revenue	-	-	153	102,491	102,644
Inter-segment revenue	-	-	-	33,299	33,299
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	153	135,790	135,943
Adjustments and eliminations					(33,299)
Consolidated revenue					<hr/> <hr/> 102,644
Results					
Results before following adjustments	(309)	(944)	(111)	31,323	29,959
Adjustments and eliminations	(4,374)	-	-	8,517	4,143
Depreciation	-	(385)	(21)	(590)	(996)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	(4,683)	(1,329)	(132)	39,250	33,106
Finance costs					(65)
Tax expense					(218)
Consolidated profit after taxation					<hr/> <hr/> 32,823
<u>Assets</u>					
Segment assets	437	15,174	9	136,211	151,831
Adjustments					(24,797)
Consolidated total assets					<hr/> <hr/> 127,034
<u>Liabilities</u>					
Segment liabilities	251	510	179	12,603	13,543
Adjustments					(5,940)
Consolidated total liabilities					<hr/> <hr/> 7,603

## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 34. OPERATING SEGMENTS (CONT'D)

#### Geographical information

The Group operates predominantly in Malaysia and revenue from overseas is insignificant. Accordingly, the information by geographical segment is not presented.

#### Major customers

There are four (4) (2019: four (4)) major customers contributing to 93% (2019: 98%) of the Group's revenue.

### 35. FINANCIAL INSTRUMENTS

Categories of financial instruments of the Group and the Company are as follow:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets at amortised cost				
- other investments	10,850	-	-	-
- trade receivables	132,370	29,736	58	-
- other receivables and deposits	15,111	15,329	-	-
- amount due from subsidiaries	-	-	-	4,103
- amount due from a related company	-	3,015	-	-
- cash and cash equivalents	26,512	27,642	1,271	437
	<b>184,843</b>	<b>75,722</b>	<b>1,329</b>	<b>4,540</b>
Financial liabilities at amortised cost				
- trade payables	48,514	193	-	-
- other payables and accruals	10,608	573	122	252
- amount due to a subsidiary	-	-	999	3
- amount due to directors	-	125	-	-
- lease liabilities	288	606	-	-
	<b>59,410</b>	<b>1,497</b>	<b>1,121</b>	<b>255</b>



## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 36. FINANCIAL RISK MANAGEMENT

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

- (a) Market risk
- (b) Credit risk
- (c) Liquidity risk

#### (a) Market risk

##### (i) Foreign currency risk

The Group is exposed to foreign currency risk on sales that are denominated in U.S. Dollar ("USD"). As at 31 December 2020, the Group has trade receivables denominated in USD amounted to RM8,863,543 (2019: RM6,723,934).

A 10% (2019: 10%) strengthening of the RM against USD at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amount shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	<b>Group Profit or loss</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
USD	<b>674</b>	<b>511</b>

A 10% (2019: 10%) weakening of RM against USD at the end of the reporting period would have been equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remained constant.

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 36(c) to the financial statements.

##### *Interest rate risk sensitivity analysis*

The Group is not exposed to interest rate risk as the interest-bearing financial instruments carry fixed interest rates and are measured at amortised costs. As such, sensitivity analysis is not disclosed.

##### (iii) Equity price risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 36. FINANCIAL RISK MANAGEMENT (CONT'D)

#### (b) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

##### **Receivables**

The Group's sales to customers are on credit terms of 180 to 210 days. The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group.

When an account is more than 210 days past due, the credit risk is considered to have increased significantly since the initial recognition. The Group identifies as a default account if it is more than 1 year past due and the customer is having significant financial difficulties (analysed by financial measures of reported losses, negative cash flows, and qualitative evaluation of the customer's characteristics). The Group classifies an impaired receivable when a customer is in default, in liquidation or other financial reorganisation.

For each significant receivable that is credit-impaired, individual lifetime ECL is recognised using the probability of default technique. The inputs used are: (i) the percent chance of default, and (ii) the expected cash shortfalls. The lifetime ECL is measured at the probability-weighted expected cash shortfalls by reference to the Group's past experience, current conditions and forecast of future economic benefits.

For significant receivables that are not individually credit-impaired and all other receivables, the Group uses a provision matrix that categorises the different risk classes (low risk, medium risk and high risk) and the ageing profiles. The collective lifetime ECLs are measured based on the Group's past lost rate experiences, current conditions and forecast of future economic conditions. The past lost rates are adjusted upward in the measurement in worsening current conditions and forecasts of future macroeconomic conditions.

##### **Concentration of credit risk**

The Group assesses concentrations of credit risk by exposure to single-large customers, industry sectors and overseas jurisdictions.

There are three (3) (2019: 4) customers concentrated in trade receivables balances. There was no significant exposure to single customers or to industry groups.

##### **Exposure to credit risk**

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the end of the reporting period.

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

### 36. FINANCIAL RISK MANAGEMENT (CONT'D)

#### (b) Credit risk (Cont'd)

##### Receivables (Cont'd)

##### Exposure to credit risk (Cont'd)

The exposure of credit risk for trade and other receivables by geographical region is as follow:-

	Group 2020 RM'000	2019 RM'000
Malaysia	126,993	23,188
Cambodia	8,863	6,724
Singapore	33	-
	<u>135,889</u>	<u>29,912</u>

##### Past due and impaired financial assets

The exposure of credit risk for trade receivables as at the end of the reporting period by business segment is as follow:-

	Group 2020 RM'000	2019 RM'000
Information technology	131,512	29,736
Sales of goods	858	-
	<u>132,370</u>	<u>29,736</u>

The ageing analysis of trade receivables at the end of the reporting period is as follow:-

	Gross balance RM'000	Group Loss allowance RM'000	Net balance RM'000
<b>2020</b>			
Not past due	64,528	-	64,528
Past due 1-30 days	77	-	77
Past due 31-120 days	30,096	-	30,096
Past due 121-210 days	27,338	-	27,338
Past due more than 210 days	7,310	-	7,310
Retention sum receivables	3,021	-	3,021
	<u>132,370</u>	<u>-</u>	<u>132,370</u>



**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**36. FINANCIAL RISK MANAGEMENT (CONT'D)**

**(b) Credit risk (Cont'd)**

**Receivables (Cont'd)**

***Past due and impaired financial assets (Cont'd)***

	<b>Gross balance RM'000</b>	<b>Group Loss allowance RM'000</b>	<b>Net balance RM'000</b>
<b>2019</b>			
Not past due	5,886	-	5,886
Past due 1-30 days	2,644	-	2,644
Past due 31-120 days	7,996	-	7,996
Past due 121-210 days	9,328	-	9,328
Past due more than 210 days	3,882	-	3,882
	<b>29,736</b>	<b>-</b>	<b>29,736</b>

There is no allowance made for impairment losses of trade receivables for the Group during the financial year.

**(c) Liquidity risk**

Liquidity risk arises mainly from general funding and business activities. The Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

### 36. FINANCIAL RISK MANAGEMENT (CONT'D)

#### (c) Liquidity risk (Cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Contractual interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	Over 1 year RM'000
<b>2020</b>					
<b>Group</b>					
<i>Non derivative financial liabilities</i>					
Trade payables	2.10	48,514	52,143	6,643	45,500
Other payables and accruals	-	10,608	10,608	10,608	-
Lease liabilities	6.81	288	320	178	142
		<u>59,410</u>	<u>63,071</u>	<u>17,429</u>	<u>45,642</u>
<b>Company</b>					
Other payables and accruals	-	122	122	122	-
Amount due to a subsidiary	-	999	999	999	-
		<u>1,121</u>	<u>1,121</u>	<u>1,121</u>	<u>-</u>
<b>2019</b>					
<b>Group</b>					
<i>Non derivative financial liabilities</i>					
Trade payables	-	193	193	193	-
Other payables and accruals	-	573	573	573	-
Amount due to directors	-	125	125	125	-
Lease liabilities	6.81	606	706	240	466
		<u>1,497</u>	<u>1,597</u>	<u>1,131</u>	<u>466</u>
<b>Company</b>					
Other payables and accruals	-	252	252	252	-
Amount due to a subsidiary	-	3	3	3	-
		<u>255</u>	<u>255</u>	<u>255</u>	<u>-</u>

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**37. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory requirement, if any. The debt-to-equity ratio calculated as total borrowings from financial institutions divided by total equity.

There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Group at the end of the reporting period was as follow:-

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Lease liabilities	<b>288</b>	606
Less: Cash and bank balances	<b>(26,512)</b>	(27,642)
Net asset	<b>(26,224)</b>	(27,036)
Total equity	<b>188,635</b>	119,431
Debt-to-equity ratio	<b>(0.14)</b>	(0.23)

The Group has insignificant external borrowings. The debt-to-equity ratio does not provide a meaningful indicator of the risk of borrowings.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less RM40 million. The Company has complied with this requirement.



**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

### 38. FAIR VALUE MEASUREMENT

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Group											
	Fair value of financial instruments carried at fair value					Fair value of financial instruments not carried at fair value					Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000			
<b>2020</b>												
<u>Financial assets</u>												
Trade receivables	-	-	-	-	-	-	-	-	64,140	64,140	64,140	64,140
<u>Financial liabilities</u>												
Trade payables	-	-	-	-	-	-	-	-	41,871	41,871	41,871	41,871
Lease liabilities	-	-	-	-	-	-	-	-	288	288	288	288
	-	-	-	-	-	-	-	-	42,159	42,159	42,159	42,159
<b>2019</b>												
<u>Financial liabilities</u>												
Lease liabilities	-	-	-	-	-	-	-	-	606	606	606	606

## NOTES TO THE *Financial Statements* (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 38. FAIR VALUE MEASUREMENT (CONT'D)

#### Policy of transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### Level 1 fair value

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

#### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

#### Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either directions).

#### Level 3 fair value

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

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Valuation technique
Lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date.
Trade receivables and Trade payables	Discounted cash flows using a rate based on the current market rate of fixed deposit of the Group at the reporting date.

#### Valuation process applied by the Group for Level 3 fair value

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

## NOTES TO THE

# *Financial Statements* (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 39. ACQUISITION OF SUBSIDIARY COMPANIES

On 18 May 2020, the Group acquired 100% of the shares in Databook Pte. Ltd. for a total consideration of SGD 1, satisfied in cash and from that date the Group gained control.

The effects of the acquisition of the subsidiary on the financial results of the Group between the date of acquisition and the end of the financial year are as follow:

	Group 2020 RM'000
Sales	277
Cost of sales	96
Other income	72
Administrative expenses	(266)
	<hr/>
Profit before tax	179
Tax expense	(2)
	<hr/>
Net profit for the period	177

If the above acquisition had occurred on 1 January 2020, the management estimates that the consolidated Group profit after tax for the financial year would have been RM42,932,000.

The following summarise the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Group 2020 RM'000
<b>Identified assets acquired and liabilities assumed</b>	
Trade receivables	11
Other receivables	119
Cash at bank	52
Other payables	(177)
	<hr/>
Fair value of net identifiable assets acquired	5

#### Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	Group 2020 RM'000
Total consideration transferred	*
Fair value of net identifiable assets acquired	(5)
	<hr/>
Negative goodwill	(5)

\*represent RM3



**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**39. ACQUISITION OF SUBSIDIARY COMPANIES (CONT'D)**

In the previous financial year, on 20 June 2019, the Group acquired 51% of the shares in C&M Renewable Energy Technology Sdn. Bhd. for a total consideration of RM5,500,000, satisfied in cash and from that date the Group gained control. The company has yet to commence operations.

The effects of the acquisition of the subsidiary on the financial results of the Group between the date of acquisition and the end of the financial year are as follow:

	<b>Group 2019 RM'000</b>
Sales	-
Administrative expenses	(119)
Net loss for the period	<u>(119)</u>

If the above acquisition had occurred on 1 January 2019, the management estimates that the consolidated Group profit after tax for the financial year would have been RM32,319,000.

The following summarise the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	<b>Group 2019 RM'000</b>
<b>Identified assets acquired and liabilities assumed</b>	
Intangible asset	24,752
Deferred tax liability	(5,940)
Other payables	(4)
Fair value of net identifiable assets acquired	<u>18,808</u>

**Goodwill**

Goodwill was recognised as a result of the acquisition as follows:

	<b>Group 2019 RM'000</b>
Total consideration transferred	5,500
Fair value of net identifiable assets acquired	(18,808)
Non-controlling interest	5,284
Negative goodwill	<u>(8,024)</u>

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

#### 40. DISPOSAL OF SUBSIDIARIES

On 24 June 2020, the Group had disposed 17,340,000 ordinary shares of Aturmaju (Sabah) Holding Sdn. Bhd. ("AHSB") representing 51% equity interest, for a total consideration of RM5,600,000. As a result, the Group also lost control in the subsidiary of AHSB, Kalabakan Tug Boat Sdn. Bhd.

Profit attributable to the discontinued operation was as follow:

##### Results of discontinued operation

	Group 2020 RM'000	2019 RM'000
Revenue	-	153
Expenses	(498)	(1,636)
Result from operating activities, net of tax	(498)	(1,483)
Included in results from operating activities are:		
Depreciation of property, plant and equipment	175	211

The results from discontinued operation of RM498,000 (2019: RM1,483,000) is 51% attributable to the owners of the Company.

##### Cash flows from/(used in) disposed subsidiary

	Group 2020 RM'000	2019 RM'000
Net cash (used in)/from operating activities	(239)	2,054
Net cash used in investing activities	(116)	(2,544)
Net cash from/(used in) financing activities	34	(320)
Effect on cash flows	(321)	(810)

**NOTES TO THE**  
***Financial Statements*** (CONT'D)  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**40. DISPOSAL OF SUBSIDIARIES (CONT'D)**

**Effect of disposal on the financial position of the Group**

	2020 RM'000
Property, plant and equipment	3,379
Right-of-use asset	7,679
Other receivables	65
Amount due from related companies	1,895
Fixed deposit with licensed bank	20
Cash and cash equivalents	414
Trade payables	(135)
Other payables and accruals	(262)
Amount due to ultimate holding company	(5,532)
Amount due to directors	(121)
Lease liabilities	(136)
	<hr/> 7,266
Non-controlling interest	(4,150)
Realisation of group level adjustments	1,749
	<hr/> 4,865
Net assets	735
Gain on disposal of subsidiaries	<hr/>
Consideration received, satisfied in cash	5,600
Cash and cash equivalents disposed of	(414)
	<hr/>
Net cash inflow	<hr/> <b>5,186</b> <hr/>

**41. SIGNIFICANT EVENT**

The World Health Organisation declared the coronavirus disease ("COVID-19") a global pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 to 3 May 2020 and had subsequently entered into the conditional and recovery phases of the MCO until 31 March 2021 in all states and federal territories in Malaysia.

The restrictions imposed have not significantly impacted the Group's financial performance. Based on the assessment of the Group, there were no material financial impact arising from the COVID-19 pandemic. The Group will continue to assess any impact of the COVID-19 pandemic on the financial statements of the Group for the financial year ending 31 December 2021.



## NOTES TO THE

# *Financial Statements* (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

#### 42. SUBSEQUENT EVENTS

- (a) The impact of the COVID-19 pandemic is ongoing and while it has been financially positive for the Group and the Company up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 13 January 2021, the Government of Malaysia had reimposed the Movement Control Order ("MCO 2.0") in several states and all federal territories in Malaysia to curb the third wave of COVID-19 pandemic in the country.

As at the date of authorisation of the financial statements, the COVID-19 pandemic situation is still evolving and uncertain. The Group will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic. Nevertheless, with the Group's past focus on cost efficiency, strong cash position and the resilient fundamentals of its business, the Group expects to sustain its operational and financial performance for the financial year ending 31 December 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's and the Company's operations, the results of those operations, or the Group's and the Company's state of affairs in future financial years.

- (b) On 11 January 2021, the Group had incorporated a wholly-owned subsidiary company namely ARB Holdings Sdn. Bhd. ("ARBH"), under Malaysia Companies Act, 2016 with an issued share capital of RM400,000 comprising of 400,000 ordinary shares.
- (c) On 18 January 2021, the Group had incorporated an indirect wholly-owned subsidiary company namely ARB Digital Technology Sdn. Bhd. ("ARBDT"), under Malaysia Companies Act, 2016 with an issued share capital of RM1 comprising of 1 ordinary shares.
- (d) On 25 January 2021, the Group had incorporated an indirect 51% owned subsidiary company namely ARB Logistic Technologies Sdn. Bhd. ("ARBLT"), under Malaysia Companies Act, 2016 with an issued share capital of RM100,000 comprising of 100,000 ordinary shares.
- (e) On 27 January 2021, the Group had incorporated an indirect wholly-owned subsidiary company namely Techenergy Power Sdn. Bhd. ("TP"), under Malaysia Companies Act, 2016 with an issued share capital of RM2 comprising of 2 ordinary shares.

#### 43. OTHER INFORMATION

- (a) The Company is a limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.
- (b) The registered office of business is situated at:
- TB 8285, Lot 20C  
Perdana Square Commercial Centre  
Miles 3½, Jalan Apas  
91000 Tawau  
Sabah
- (c) The principal place of business is situated at:
- 17-03, Q Sentral  
2A, Jalan Stesen Sentral 2  
KL Sentral 50470  
Kuala Lumpur
- (d) The financial statements are expressed in Ringgit Malaysia, which is also the Group's and the Company's functional currency.

#### 44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 3 March 2021.

## STATEMENT BY *Directors*

### PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, the undersigned, being two of the Directors of **ARB BERHAD (Registration No. 199701033435 (448934-M))** do hereby state that, in the opinion of the Directors, the financial statements set out on pages 73 to 131 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2020 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

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

**DATO' SRI LIEW KOK LEONG**

**DATO' BAHARON BIN TALIB**

Kuala Lumpur

3 March 2021

## STATUTORY *Declaration*

### PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **DATO' BAHARON BIN TALIB**, being the Director primarily responsible for the financial management of **ARB BERHAD (Registration No. 199701033435 (448934-M))** do solemnly and sincerely declare that the financial statements set out on pages 73 to 131 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**DATO' BAHARON BIN TALIB**

Subscribed and solemnly declared  
by the abovenamed at Kuala Lumpur  
in the Federal Territory on 3 March 2021

Before me

# INDEPENDENT *Auditors' Report* TO THE MEMBERS OF ARB BERHAD

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of ARB Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 73 to 131.

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

### *Basis for Opinion*

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

### *Independence and Other Ethical Responsibilities*

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of 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.

#### **(a) Revenue recognition**

Refer to Note 3.13 Significant Accounting Policies – Revenue Recognition and Note 26 – Revenue.

##### **The key audit matter**

Revenue recognition is a presumed fraud risk as the Group may be under pressure by external parties (i.e. expectations by shareholders and market analysts) and internal parties (i.e. performance of management). This may lead to potential overstatement of revenue.

##### **How the matter was addressed in our audit**

We performed the following audit procedures, among others:

- We have evaluated the key terms and conditions of significant new revenue agreements entered during the financial year to check the accuracy of revenue recognition.
- We have performed walkthrough and test of controls on sales cycle.
- We have performed substantive testing to ascertain that the revenue was fairly stated.
- We have assessed the cut-off procedures implemented by the management to ascertain that revenue is recorded in the proper financial period.



# INDEPENDENT *Auditors' Report*

## TO THE MEMBERS OF ARB BERHAD

### (CONT'D)

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

#### **(b) Recoverability of trade receivables and deposits**

Refer to Note 5(f) Significant Accounting Estimates and Judgements, Note 13 – Trade Receivables and Note 14 – Other Receivables, Deposits and Prepayments.

##### **The key audit matter**

The Group has significant trade receivables and deposits as at 31 December 2020. The management made significant judgement over assumptions about risk of default and expected loss rate.

##### **How the matter was addressed in our audit**

We performed the following audit procedures, among others:

- Developed understanding of the design and implementation of controls associated with the monitoring of outstanding receivables and deposits impairment calculation.
- Developed understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports.
- Obtained confirmation of balances from selected debtors and suppliers.
- Checked subsequent receipts, customers/suppliers correspondence, and consider level of activity with customers/suppliers and management's explanation on recoverability with significantly past due balances.
- Assessed the reasonableness and calculation of expected credit losses as at end of the reporting period.

We have determined that there is no key audit matter in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current 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.

# INDEPENDENT *Auditors' Report* TO THE MEMBERS OF ARB BERHAD (CONT'D)

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 10 to the financial statements.

## Other Matters

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

**RSM Malaysia**  
AF: 0768  
Chartered Accountants

Kuala Lumpur

3 March 2021

**Yeoh Kian Teck**  
03322/08/2021 J  
Chartered Accountant



# STATISTICS OF ORDINARY *Shareholdings* AS AT 18 FEBRUARY 2021

Total Number of Issued Shares	:	468,701,949
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

## Distribution of Shareholdings (Based on Record of Depositors as at 18 February 2021)

Size of Shareholdings	No. of Holders	No. of Shares Held	(%)
Less than 100 shares	27	960	0.0002
100 to 1,000 shares	902	509,853	0.1088
1,001 to 10,000 shares	4,473	28,815,810	6.1480
10,001 to 100,000 shares	4,279	155,010,700	33.0723
100,001 to less than 5% of issued shares	616	231,812,461	49.4584
5% and above of issued shares	1	52,552,165	11.2123
<b>Total</b>	<b>10,298</b>	<b>468,701,949</b>	<b>100.0000</b>

## Directors' Interests in Ordinary Shares (Based on Register of Directors' Shareholdings as at 18 February 2021)

No.	Name of Directors	No. of Shares Held		No. of Shares Held	
		Direct	(%)	Indirect	(%)
1	Dato' Baharon Bin Talib	-	-	-	-
2	Dato' Sri Liew Kok Leong	52,552,165	11.2123	5,569,700	1.1883
3	Khor Chin Meng	-	-	-	-
4	Khor Ben Jin	-	-	-	-
5	Datuk Junaidi Bin Datuk Haji Abdul Rahman	-	-	-	-

## List of Substantial Shareholders (Based on Register of Substantial Shareholders as at 18 February 2021)

No.	Name of Substantial Shareholder	No. of Shares Held		No. of Shares Held	
		Direct	(%)	Indirect	(%)
1	Dato' Sri Liew Kok Leong	52,552,165	11.2123	5,569,700	1.1883

# STATISTICS OF ORDINARY

## *Shareholdings*

### AS AT 18 FEBRUARY 2021 (CONT'D)

#### List of Top 30 Largest Securities Accounts Holders (Based on Register of Depositors as at 18 February 2021)

No.	Shareholder	No. of Shares	%
1	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liew Kok Leong	52,552,165	11.2123
2	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Lim Loi Heng (PB)	10,285,500	2.1945
3	Aspirasi Puspita Sdn Bhd	7,752,961	1.6541
4	Chan Tiang Seng	6,000,000	1.2801
5	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Au Yee Boon	5,001,300	1.0671
6	Shin Kong Kew @ Chin Kong Kew	4,000,000	0.8534
7	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Ukay One Sdn Bhd (SMART)	4,000,000	0.8534
8	Foo Choon Tow	3,800,000	0.8107
9	Seah Tin Kim	3,750,000	0.8001
10	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Hong Ming (MARGIN)	3,500,000	0.7467
11	Affin Hwang Investment Bank Berhad IVT (BSH)	2,000,000	0.4267
12	Ho Chu Chai	2,000,000	0.4267
13	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Chee Kei (MY3637)	1,881,700	0.4015
14	Ong Lam Huat	1,800,000	0.3840
15	Liew Yoon Kee	1,700,000	0.3627
16	Chong Kon Chong	1,600,000	0.3414
17	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ukay One Sdn Bhd (MGN-LKL0017M)	1,569,700	0.3349
18	Toh Chin Chong	1,500,000	0.3200
19	Lee Aek Hong	1,490,000	0.3179
20	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pak Sow Loon (7003662)	1,437,000	0.3066
21	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeoh Ooi Chat (E-BBB/BBA)	1,388,800	0.2963
22	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Saw Chon Wing	1,288,800	0.2750
23	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Lee Foon (E-SS2)	1,265,200	0.2699
24	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pak Sow Loon (B PTR PCHG-CL)	1,162,300	0.2480
25	Kuan Woon Pang	1,140,000	0.2432
26	Yung Boon Hong @ Yang Kok Ching	1,100,000	0.2347
27	Hoo Wan Fatt	1,050,000	0.2240
28	Tee Alek @ Tee Bee Soon	1,000,000	0.2134
29	Tan Kin Seng	1,000,000	0.2134
30	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siaw Kok Tong (CCTS)	1,000,000	0.2134
Total		129,015,426	27.5261

# STATISTICS OF *Irredeemable Convertible Preference Shares* ("ICPS") AS AT 18 FEBRUARY 2021

Total Number of Issued ICPS : 605,370,551  
Class of Shares : ICPS

## Distribution of ICPS Holdings (Based on Record of Depositors as at 18 February 2021)

Size of Shareholdings	No. of ICPS Holders	No. of ICPS Held	(%)
Less than 100 ICPS	1	57	0.0000
100 to 1,000 ICPS	30	14,700	0.0024
1,001 to 10,000 ICPS	185	1,384,800	0.2288
10,001 to 100,000 ICPS	650	32,702,400	5.4020
100,001 to less than 5% of issued ICPS	335	309,949,122	51.1999
5% and above of issued ICPS	2	261,319,472	43.1669
<b>Total</b>	<b>1,203</b>	<b>605,370,551</b>	<b>100.0000</b>

## Directors' Interests in ICPS (Based on Register of Directors' Shareholdings as at 18 February 2021)

No.	Name of Directors	No. of ICPS held		No. of ICPS held	
		Direct	(%)	Indirect	(%)
1	Dato' Baharon Bin Talib	-	-	-	-
2	Dato' Sri Liew Kok Leong	146,264,457	24.1611	161,660,915	26.7045
3	Khor Chin Meng	-	-	-	-
4	Khor Ben Jin	-	-	-	-
5	Datuk Junaidi Bin Datuk Haji Abdul Rahman	-	-	-	-



# STATISTICS OF *Irredeemable Convertible Preference Shares* ("ICPS") AS AT 18 FEBRUARY 2021 (CONT'D)

## List of Top 30 Largest ICPS Holders (Based on Register of Depositors as at 18 February 2021)

No.	ICPS Holder	ICPS	%
1	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Ukay One Sdn Bhd (SMART)	161,660,915	26.7045
2	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Liew Kok Leong (PB)	99,658,557	16.4624
3	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Liew Kok Leong (SMART)	26,595,000	4.3932
4	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Au Yee Boon (SMART)	20,181,200	3.3337
5	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liew Kok Leong	20,010,900	3.3056
6	Lim Jit Hai	13,520,000	2.2333
7	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Lee Foon (E-SS2)	9,828,000	1.6235
8	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Au Yee Boon	8,518,671	1.4072
9	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Tee Yew (E-SRB)	8,363,900	1.3816
10	Chia Tee Peng	7,500,000	1.2389
11	Soon Thiam Lam	6,000,000	0.9911
12	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chew Seng Too (E-BMM)	5,952,000	0.9832
13	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teoh Kiat Kiong (MY1847)	5,000,000	0.8259
14	Tan Chin Hoe	4,734,051	0.7820
15	Cheong Sau Wah	4,465,000	0.7376
16	Syarikat Rimba Timur (RT) Sdn Bhd	4,400,000	0.7268
17	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for TNTT Realty Sdn Bhd	4,000,000	0.6608
18	Ngo Seh Tee	3,500,000	0.5782
19	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dark Rock Sdn Bhd	3,451,000	0.5701
20	Maybank Nominees (Tempatan) Sdn Bhd Chan Zhi Weng	3,438,000	0.5679
21	Chong Poh Onn	3,154,500	0.5211
22	Chua Kok Sian	3,000,000	0.4956
23	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chia Siew Fung	3,000,000	0.4956
24	Low Hing Noi	2,900,000	0.4790
25	Toh Chin Chong	2,650,000	0.4377
26	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Kah Wah (E-TCS)	2,600,000	0.4295
27	Puah Chin How	2,501,000	0.4131
28	Leow Pek Fong @ Liew Pek Fong	2,500,000	0.4130
29	Tan Pey Ern	2,500,000	0.4130
30	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ee Kow Chai (J D B TUNGGAL-CL)	2,400,000	0.3965
<b>Total</b>		<b>447,982,694</b>	<b>74.0014</b>

# Notice OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Third (23<sup>rd</sup>) Annual General Meeting ("AGM") of **ARB BERHAD** ("ARB" or "the Company") will be conducted virtually through live streaming from the broadcast venue at No. 17-02, Q Sentral, 2A, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia on Wednesday, 21 April 2021 at 8.30 a.m. for the transaction of the following businesses:-

## AGENDA

### AS ORDINARY BUSINESS

- |    |   |   |
|----|---|---|
| 1. | To receive the Audited Consolidated Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon.   | <b>Please refer to Explanatory Notes to Ordinary Business</b> |
| 2. | To re-elect Dato' Baharon Bin Talib who is retiring pursuant to Clause 105 of the Company's Constitution and being eligible, has offered himself for re-election.   | <b>Ordinary Resolution 1</b>                                  |
| 3. | To re-elect Datuk Junaidi Bin Datuk Haji Abdul Rahman who is retiring pursuant to Clause 114 of the Company's Constitution and being eligible, has offered himself for re-election.   | <b>Ordinary Resolution 2</b>                                  |
| 4. | To re-elect Mr Khor Ben Jin who is retiring pursuant to Clause 114 of the Company's Constitution and being eligible, has offered himself for re-election.   | <b>Ordinary Resolution 3</b>                                  |
| 5. | To approve the Directors' fees amounting of up to RM70,000 for the period from the 23 <sup>rd</sup> AGM up to the 24 <sup>th</sup> AGM of the Company and other benefits payable of up to RM2,000,000 for the period from the 23 <sup>rd</sup> AGM up to the 24 <sup>th</sup> AGM of the Company. | <b>Ordinary Resolution 4</b>                                  |
| 6. | To appoint Messrs Deloitte PLT as the new Auditors of the Company in place of Messrs RSM Malaysia who is retiring as Auditors of the Company, and to authorise the Directors to fix the new Auditors' remuneration.   | <b>Ordinary Resolution 5</b>                                  |

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions:-

- |    |  |                              |
|----|--|------------------------------|
| 7. | <b>AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016</b>   | <b>Ordinary Resolution 6</b> |
|    | <p>"THAT subject to passing of the Special Resolution 1 of the Notice of AGM dated 30 March 2021, and subject to the Companies Act, 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Additional Temporary Relief Measure to Listed Corporation for Covid-19, issue by Bursa Securities on 16 April 2020 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised and empowered pursuant to Section 75 and 76 of the Act, to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time ("20% General Mandate"); AND THAT the Directors be and are hereby also empowered to obtain approval from the Bursa Securities for the listing and quotation of the additional shares so issued pursuant to the 20% General Mandate on Bursa Securities;</p> <p>AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company."</p> |                              |
| 8. | <b>PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")</b>   | <b>Ordinary Resolution 7</b> |
|    | <p>"THAT, subject to the Act, the provisions of Constitution of the Company, the MMLR of Bursa Securities and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-</p>   |                              |

## *Notice* OF ANNUAL GENERAL MEETING (CONT'D)

- (i) the aggregate number of shares purchased or held as treasury shares does not exceed 10% of the total number of issued and paid-up shares of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares be backed by an equivalent amount of retained profits; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares, or cancel the shares, or retain part of the shares so purchased as treasury shares and cancel the remainder, or resell the shares, or transfer the shares or distribute the shares as dividends;-

AND THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until: -

- (i) the conclusion of the next AGM at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto.”

### 9. **PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“PROPOSED MANDATE”)**

**Ordinary Resolution 8**

“THAT, subject to the provisions of the MMLR of Bursa Securities, approval be and is hereby given for the Company and its subsidiary companies, to enter into recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.4 of the Circular to Shareholders dated 30 March 2021 in relation to the Proposed Mandate which are necessary for the day-to-day operations and/or in the ordinary course of business of the Company and its subsidiary companies on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the AGM at which such ordinary resolution for the Proposed Mandate was passed, at which time it will lapse, unless by ordinary resolution passed at that general meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;



## Notice OF ANNUAL GENERAL MEETING (CONT'D)

AND THAT the estimated aggregate value of the transactions conducted pursuant to the Proposed Mandate during a financial year will be disclosed, in accordance with the MMLR, in the Annual Report of the Company for the said financial year;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company and its subsidiary companies to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution."

### 10. PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY Special Resolution 1 (“PROPOSED AMENDMENTS”)

“THAT the Proposed Amendments as set out in the Appendix A which has been circulated to the shareholders together with this notice, be approved and adopted AND THAT the Directors and/or Secretary of the Company be authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the said Proposed Amendments for and on behalf of the Company.”

11. To transact any other business of the Company for which due notice shall have been given.

#### By Order of the Board

TAN TONG LANG (MAICSA 7045482/SSM PC No. 201908002253)  
THIEN LEE MEE (LS0009760/SSM PC No. 201908002254)  
LEE HOOI CHING (MIA 45397/SSM PC No. 202008004387)  
Company Secretaries

Kuala Lumpur  
30 March 2021

#### Notes:-

1. Please refer the Administrative Guide for the procedures to register and participate and vote in the virtual meeting. Shareholders and proxies will not be allowed to attend the 23<sup>rd</sup> AGM in person at the broadcast venue on the day of the meeting.
2. A member entitled to attend and vote at the general meeting is entitled to appoint proxy/proxy(ies) to attend and vote in his/her stead.
3. Where a member appoints two (2) proxies or more, the appointment of such proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each such proxy. There is no restriction to the qualification of the proxy.
4. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A (1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or signed by attorney so authorised.
6. The Form of Proxy must be deposited at the Share Registrar Office of the Company, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
7. For the purposes of determining a member who shall be entitled to attend, speak and vote at the 23<sup>rd</sup> AGM, the Company shall be requesting the Record of Depositors as at 15 April 2021. Only a depositor whose name appears on the Record of Depositors as at 15 April 2021 shall be entitled to attend and vote at the meeting or appoint proxy(ies) to attend, speak and vote on his/her stead.

## *Notice* OF ANNUAL GENERAL MEETING (CONT'D)

### **Explanatory Notes to Ordinary Business**

#### Item 1 of the Agenda - Audited Financial Statements for the financial year ended 31 December 2020

This item of the Agenda is for discussion purposes only, as Section 340(1)(a) of the Companies Act 2016 does not require the shareholders to formally approve the Audited Financial Statements. Therefore, this item will not be put forward for voting.

### **Explanatory Notes to Special Business**

#### **1. Ordinary Resolution 6 – Renewal authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Act**

The proposed Ordinary Resolution 6 is a renewal general mandate and if passed, will empower the Directors of the Company to allot and issue new shares in the Company at any time, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit ("General Mandate"), provided that the number of shares issued pursuant to this General Mandate, when aggregated with the total number of any such shares issued during the preceding twelve (12) months, does not exceed 20% of the total number of issued shares of the Company at the time of issue. This General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The 20% General Mandate is pursuant to directive letter from Bursa Securities dated 16 April 2020 in relation to a temporary relief measures in view of the trying and challenging times due to the Covid-19 pandemic for listed issuer to seek a higher general mandate of not more than 20% of the total number of issued shares (excluding treasury shares) instead of 10%. The previous mandate which was obtained at the last AGM held on 20 May 2020 was not utilised and therefore, no proceeds were raised.

Having considered the current economic climate arising from the global Covid-19 pandemic and future financial needs of the Group, the Board would like to procure approval for the 20% General Mandate, inclusive of the Extended Utilisation Period, pursuant to Section 76(4) of the Act, from its shareholders at the forthcoming 23<sup>rd</sup> AGM of the Company.

The Directors of the Company, after due consideration, is of the opinion that in the face of unprecedented challenges to the Company brought by Covid-19 pandemic, this 20% General Mandate will enable the Company further flexibility to raise funds expeditiously other than incurring additional interest costs as compared to bank borrowings, thereby allowing the Company to preserve its cash flow and achieve a more optimal capital structure. Any funds raised from this 20% General Mandate is expected be used as working capital to finance day-to-day operational expenses, on-going projects or future projects/investments to ensure the long-term sustainability of the Company.

The Directors, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 20% General Mandate is in the best interest of the Company and its subsidiaries.

#### **2. Ordinary Resolution 7: Proposed Renewal of Share Buy-Back Authority**

This Ordinary Resolution 7, if passed, will allow the Directors of the Company to exercise the power of the Company to purchase not more than ten percent (10%) of the total number of issued shares of the Company at any time within the time period stipulated in the MMLR. This authority, unless revoked or varied by the Company at a general meeting, shall continue to be in full force until the conclusion of the next AGM of the Company. The Company has not purchased any of its own shares since obtaining the said mandate from its shareholders at the last AGM held on 20 May 2020. Further details are set out in the Circular to Shareholders dated 30 March 2021.

## *Notice* OF ANNUAL GENERAL MEETING (CONT'D)

### **3. Ordinary Resolution 8 – Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The Ordinary Resolution 8, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company.

This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

For further information on this resolution, please refer to the Circular to Shareholders dated 30 March 2021 in relation to Proposed Mandate which is despatched together with the Annual Report 2020.

### **4. Special Resolution 1 – Proposed Amendments To The Constitution Of The Company (“Proposed Amendments”)**

The Proposed Amendments is primarily to provide further clarify on certain terms of the Constitution and provide more flexibility for the Company and to ensure the compliance with the Companies Act 2016, MMLR of Bursa Securities. The Proposed Amendments to be made to the Constitution are listed as per Appendix A, which is circulated together with the Notice of the 23<sup>rd</sup> AGM dated 30 March 2021.



## *Notice* OF ANNUAL GENERAL MEETING (CONT'D)

### APPENDIX A

#### PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

The Constitution of the Company is proposed to be amended in the following manner: -

Clause No.	Existing Clause	Clause No.	Proposed Amendment
21.	Subject to the Listing Requirement, the Central Depositories Act and or the Rules, and notwithstanding the existence of a resolution pursuant to relevant provisions of the Act, the Company must ensure that it shall not issue any shares or convertible Securities if those shares or convertible Securities, when aggregated with any such shares or convertible Securities issued during the preceding twelve (12) months, exceeds ten per cent (10%) of the value of the issued and paid-up capital of the Company, except where the shares or convertible Securities are issued with the prior approval of the shareholders in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible Securities that may be issued by the Company, if the Security is a convertible Security, each such Security is counted as the maximum number of shares into which it can be converted or exercised.	21.	Subject to the Listing Requirements and without limiting the generality of Section 75 and 76 of the Act, the Company must not issue any ordinary shares or other securities with rights of conversion to ordinary shares if those shares or securities, when aggregated with any such shares or securities which the Company has issued during the preceding twelve (12) months, <u>exceeds the threshold by the prevailing rules and regulations</u> (excluding treasury shares), except where the shares or securities are issued with the prior shareholders' approval in a general meeting of the precise terms and conditions of the issue;

**ARB BERHAD**  
[Registration No. 199701033435 (448934-M)]  
(Incorporated in Malaysia)

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

**PROXY FORM**

(Before completing this form please refer to the notes below)

I/We (Full Name in Block Letters).....  
NRIC No./Passport No./Company No.....  
of .....  
being a member/members of ARB Berhad [Registration No. 199701033435 (448934-M)], hereby appoint

Name of Proxy	NRIC No./Passport No.	% of Shareholdings to be Represented
<b>Address</b>		
<b>Email</b>		

and / or failing him/her

Name of Proxy	NRIC No./Passport No.	% of Shareholdings to be Represented
<b>Address</b>		
<b>Email</b>		

or failing him/her, the Chairman of the Meeting as \*my/our proxy to attend and vote for \*me/us and on my/our behalf at the Twenty-Third (23<sup>rd</sup>) Annual General Meeting of the Company to be conducted virtually through live streaming from the broadcast venue at No. 17-02, Q Sentral, 2A, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia on Wednesday, 21 April 2021 at 8.30 a.m. and at any adjournment thereof in the manner as indicate below:-

Agenda	For	Against
<b>Ordinary Resolution 1</b> To re-elect Dato' Baharon Bin Talib as Director.		
<b>Ordinary Resolution 2</b> To re-elect Datuk Junaidi Bin Datuk Haji Abdul Rahman as Director.		
<b>Ordinary Resolution 3</b> To re-elect Khor Ben Jin as Director.		
<b>Ordinary Resolution 4</b> To approve the Directors' fees amounting of up to RM70,000 for the period from the 23 <sup>rd</sup> AGM up to the 24 <sup>th</sup> AGM of the Company and other benefits payable of up to RM2,000,000 for the period from the 23 <sup>rd</sup> AGM up to the 24 <sup>th</sup> AGM of the Company.		
<b>Ordinary Resolution 5</b> To appoint Messrs Deloitte PLT as the new Auditors of the Company in place of Messrs RSM Malaysia who is retiring as Auditors of the Company, and to authorise the Directors to fix their remuneration.		
<b>Ordinary Resolution 6</b> Authority to allot shares pursuant to sections 75 and 76 of the Companies Act, 2016.		
<b>Ordinary Resolution 7</b> Proposed renewal of authority for the company to purchase its own shares.		
<b>Ordinary Resolution 8</b> Proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.		
<b>Special Resolution 1</b> Proposed amendments to the Constitution of the company.		

(Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his/her discretion)

Dated this.....day of.....2021

Signature:.....

(If shareholder is a corporation, this form should be executed under seal)

**Notes:-**

- Please refer the Administrative Guide for the procedures to register and participate and vote in the virtual meeting. Shareholders and proxies will not be allowed to attend the 23<sup>rd</sup> AGM in person at the broadcast venue on the day of the meeting.
- A member entitled to attend and vote at the general meeting is entitled to appoint not more than proxy/proxy(ies) to attend and vote in his/her stead.
- Where a member appoints two (2) proxies or more, the appointment of such proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each such proxy. There is no restriction to the qualification of the proxy.
- Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A (1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or signed by attorney so authorised.
- The Form of Proxy must be deposited at the Share Registrar Office of the Company, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
- For the purposes of determining a member who shall be entitled to attend, speak and vote at the 23<sup>rd</sup> AGM, the Company shall be requesting the Record of Depositors as at 15 April 2021. Only a depositor whose name appears on the Record of Depositors as at 15 April 2021 shall be entitled to attend and vote at the meeting or appoint proxy(ies) to attend, speak and vote on his/her stead.

*Fold this flap for sealing*

*Then fold here*

Affix Stamp

**THE SHARE REGISTRAR OF  
ARB BERHAD**  
[Registration No. 199701033435 (448934-M)]  
Level 15-2, Bangunan Faber Imperial Court,  
Jalan Sultan Ismail,  
50250 Kuala Lumpur,  
Wilayah Persekutuan, Malaysia.

*1<sup>st</sup> fold here*



## REQUEST FORM FOR PRINTED COPY OF ARB BERHAD'S ANNUAL REPORT 2020

To: ARB Berhad  
c/o Mega Corporate Services Sdn Bhd  
Level 15-2, Bangunan Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur, Malaysia

Please find below my complete particulars for the delivery of a printed copy of ARB's Annual Report 2020:

### **Particulars of Shareholder**

Name:  
Identity Card No./Passport No./Company No.:  
CDS Account No.:  
Mailing Address:  
Telephone No.:  
Date:

Signature of Shareholder:

---

Name:

**ARB BERHAD**  
199701033435 (448934-M)  
[www.arbberhad.com](http://www.arbberhad.com)



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