ADVANCE SYNERGY BERHAD

annual report 2020

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STRATEGIC REPORT

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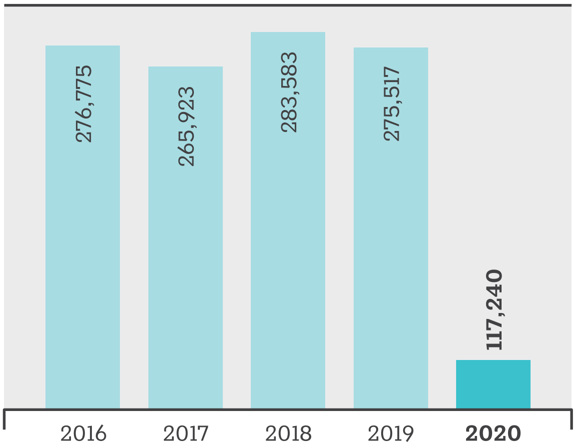
Five-Year Group Financial Highlights

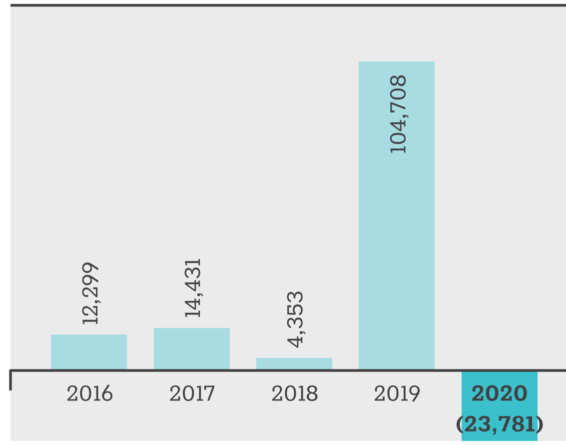
	Year ended 31 December				
	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Statements of Comprehensive Income					
Revenue	276,775	265,923	283,583	275,517	**117,240**
Gross Profit	97,476	89,832	83,879	86,330	**44,946**
Gross Profit Margin (%)	35.2	33.8	29.6	31.3	**38.3**
EBITDA	21,691	21,841	13,640	121,771	**(6,988)**
Profit/(Loss) before tax	7,655	8,360	347	95,614	**(28,814)**
Profit/(Loss) after tax	8,739	3,751	(1,142)	81,329	**(33,172)**
Statements of Financial Position					
Total assets	702,274	699,971	725,347	753,036	**704,198**
Total liabilities	190,784	203,902	238,456	202,268	**187,465**
Shareholders' funds	447,727	432,856	422,186	481,696	**449,074**
Share Information					
Per Ordinary Share					
Earnings/(Loss) per share, basic (sen)	(0.37)	(0.10)	(0.54)	8.07	**(3.69)**
Net assets per share (sen)	67.42	63.86	45.44	51.84	**48.33**
Financial Ratios					
Return on equity (%)	1.71	0.76	(0.23)	14.77	**(6.42)**
Current ratio	3.5 : 1	2.6 : 1	2.0 : 1	3.1 : 1	**3.0 : 1**
Debt-Equity ratio (Note 1)	0.20 : 1	0.20 : 1	0.30 : 1	0.09 : 1	**0.11 : 1**

Note 1 : Debt comprises current and non-current borrowings.

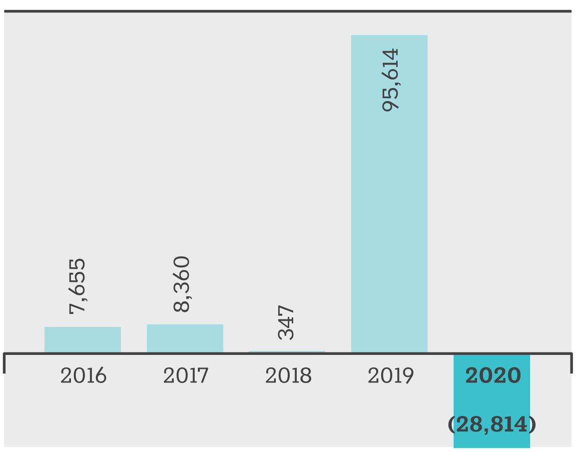
REVENUE
(RM'000)



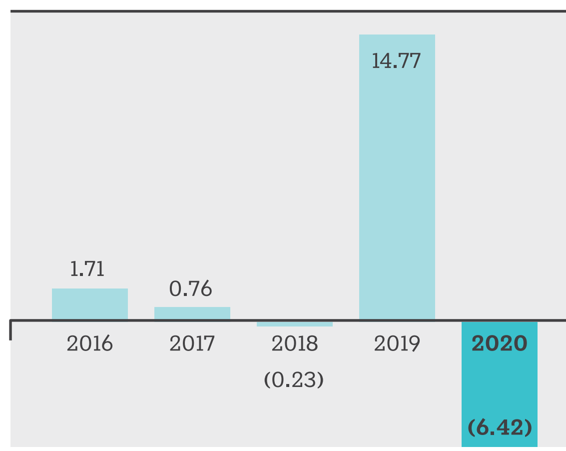
OPERATING PROFIT/(LOSS)
(RM'000)



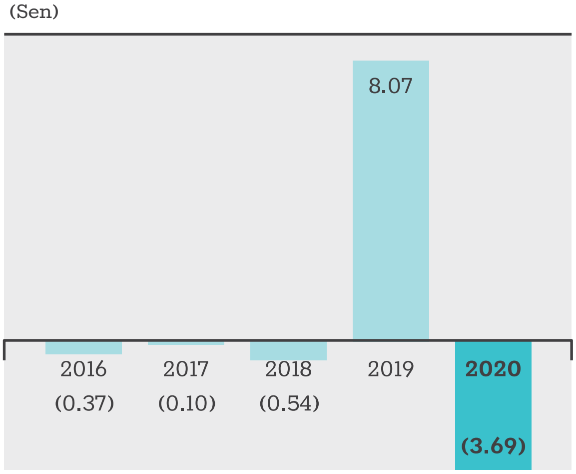
PROFIT/(LOSS) BEFORE TAX
(RM'000)



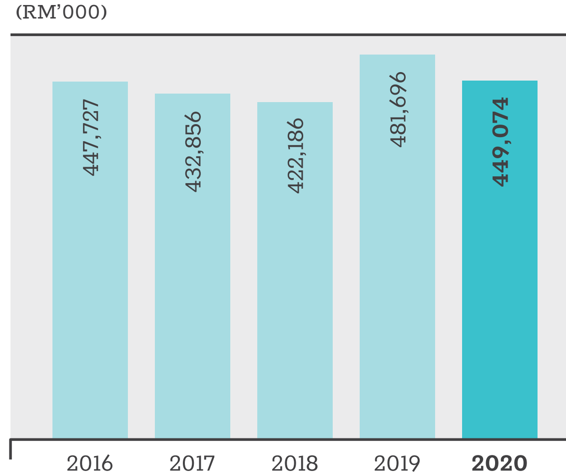
RETURN ON EQUITY
(%)



EARNINGS/(LOSS) PER SHARE
(Sen)



SHAREHOLDERS' FUNDS
(RM'000)



Chair's Statement

Dear Shareholders

Despite the diversity of our businesses, Group financial performance in fiscal 2020 was significantly affected by the COVID-19 pandemic. Group revenue fell to RM117.2 million, a 57.5% decline on the RM275.5 million achieved in fiscal 2019.

The impact of a lingering pandemic in fiscal 2020 was most acutely felt by our travel and tours and hospitality divisions. The imposition of movement restrictions in Malaysia including restrictions on international travel had practically shut down the business of these divisions.

In response to the uncertainties brought about by the pandemic, our Group focused on managing and conserving resources to ensure that our businesses and investments are protected in the short and long term. With the proactive steps taken to manage expenses and conserve cash, the Group delivered a 6.6% reduction in operating expenses, while our net cash balance (after deducting bank borrowings) stood at RM63.6 million at the end of fiscal 2020.

After having a positive start to 2020, the majority of our Group's business divisions were hampered by the pandemic and ultimately ended fiscal 2020 with disappointing results. Save for the information and communications technology ("ICT") division, which remained profitable this year, all our other divisions suffered losses in fiscal 2020. As a result, we ended the year with a Group loss before tax of RM28.8 million.

This unfavourable bottom-line outcome at most of our divisions this year did not however detract from our long-term plans and goals. Our Group is agile enough to bounce back once some form of normalcy returns. Despite the challenging economic environment, I am pleased that our management team continued to execute business plans and we can see progress being made in all our business divisions. Our hospitality division took advantage of the low season to build more facilities for Holiday Villa Beach Resort & Spa Cherating and Holiday Villa Beach Resort & Spa Langkawi. In the second half of 2020, following the easing of UK lockdowns, we also resumed the project to remodel into an upscale apart-hotel, our investment property in Philbeach Gardens, Earls Court, London.

To deliver on the new business plan and product roadmap of our card and payment services division, the process of revamping the technology underpinnings and processes of the business was initiated and progressed well during the year.

Our property development and investment division meanwhile saw good progress being achieved on many fronts. Development approvals were obtained for two projects in Kuching: the first being Phase 2 of Federal Park due for commencement this year, and the second being the Sejijak project targeted for commencement next year. Closer to home, in September 2020 we completed the renovation of our investment property, Synergy 9 in Temasya Glenmarie, Selangor, to house the corporate office of the Company and operational headquarters for several subsidiaries. Another mixed-use investment property, Yap Ah Shak House at 17 Jalan Yap Ah Shak, Kuala Lumpur, has almost completed its renovation and is targeted to open in the second quarter of 2021.

Our Group is committed to high standards of governance and remains steadfast in preventing and combating corruption. Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (amended in 2008) came into force in 2020 and its prescriptions have been recognised and adopted by our Group. In addition, further enhancements to our corporate governance and enterprise risk management systems were effected during the year.

DIVIDEND

The Board recommends for shareholders' approval, a single-tier dividend of 0.15 sen per ordinary share, a slight decrease from the prior year, after taking into account the Group's current cash position and future capital expenditure requirements.

Subject to approval by shareholders at the Annual General Meeting to be held on 30 June 2021, the dividend will be paid on 18 August 2021 to shareholders on the record of depositors as of 28 July 2021.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to our shareholders, customers and associates for your unwavering confidence, trust and support. To the regulatory authorities, we say thank you for your continued guidance. To all our management and staff whose commitment and dedication in this uncertain time have been the source of the Group's resilience, the Board and I are most grateful. We look forward to working closely with all of you in the year ahead.

DATO' AHMAD SEBI BAKAR
Group Chair
30 April 2021

Performance Review

The COVID-19 pandemic significantly impacted the Group in fiscal 2020. Most of our operations were halted or operated with much reduced scale. Fortunately, the impact on our ICT division, which operates primarily in the field of telecommunications, was minimal. The travel and tours and hospitality divisions were the most severely affected. Our Group however, remained resilient and weathered the storm as we did in past economic crises. We recorded revenue of RM117.2 million for the year and a loss before tax of RM28.8 million. Group total assets amounted to RM704.2 million as at 31 December 2020 and our shareholders' funds stood at RM449.1 million.

LOWER REVENUE

We recorded total revenue of RM117.2 million for fiscal 2020, a significant drop of RM158.3 million compared to the preceding financial year's revenue of RM275.5 million. The substantial reduction in revenue was mainly due to the much lower revenue generated by the travel & tours and hospitality divisions. These two divisions bore the brunt of the various restrictions imposed on domestic and international travel.

The biggest contributor to Group revenue in fiscal 2020 was the ICT division, which achieved revenue of RM65.1 million, lower by RM7.2 million compared to fiscal 2019, mainly as a result of lower system sale contract revenues from both GlobeOSS and Unifiedcomms.

The Group's travel and tours division recorded revenue of RM20.3 million, a substantial drop in revenue of RM115.1 million or 85.0% compared to the revenue of RM 135.4 million recorded in fiscal 2019. All ticketing, outbound and inbound businesses were dampened by Covid-19 movement restrictions.

Our hospitality division also recorded lower revenue of RM20.0 million in fiscal 2020 compared to RM55.8 million in fiscal 2019, a steep decline of RM35.8 million or 64.2%. Both average occupancy and average room rates for fiscal 2020 were considerably lower than levels achieved the year before.

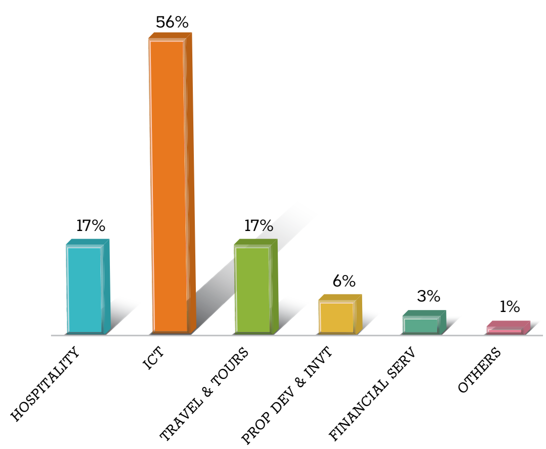
The financial services division also recorded lower revenue of RM4.1 million compared to RM8.9 million in fiscal 2019, due to a decline in merchant sales transactions and a reduction in the number of active merchants during the MCO period.

LOWER REVENUE (continued)

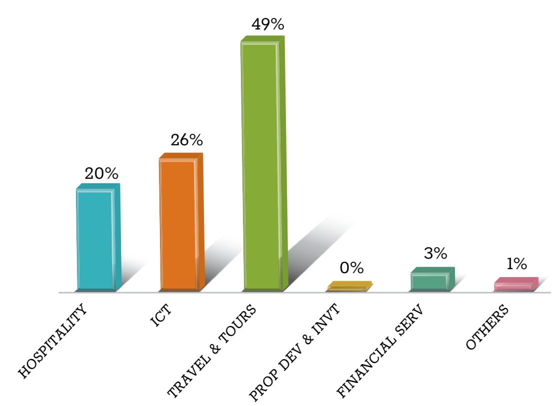
The property development and investment division recorded higher revenue of RM6.9 million compared to RM0.7 million in fiscal 2019. In the absence of new projects, revenue this year was mainly from the sale of single-storey detached houses in Taman Sri Matang that completed construction in the year before.

The revenue of the "Others" division also declined by approximately RM0.8 million compared to fiscal 2019 with both bus-body fabrication and education business units recording lower revenues. The total revenue from this division was RM0.6 million in fiscal 2020 compared to RM1.4 million achieved in the preceding year.

The contribution from each division for fiscal 2020 and 2019 is illustrated below:



2020 REVENUE BY DIVISION



2019 REVENUE BY DIVISION

LOWER GROSS PROFIT BUT HIGHER MARGIN

With the flow-down effect of lower Group revenue in fiscal 2020, the Group recorded lower gross profit of RM44.9 million compared to RM86.3 million in fiscal 2019, a reduction of RM41.4 million or 48.0%. All divisions, except for property development and investment division, registered lower gross profit this year.

Group gross profit margin improved to 38.3% this year compared to 31.3% in fiscal 2019. This gross profit margin improvement was mainly attributable to the change in the contribution mix. In fiscal 2020, the travel and tours division contributed RM2.8 million or 6.2% of Group gross profit compared to RM10.4 million or 12.1% in 2019. The ICT division's gross profit was at RM34.4 million (2019: RM37.7 million) and constituted a higher percentage of Group gross profit in fiscal 2020, amounting to 76.4% of Group's gross profit (2019: 43.7%). The higher contribution from the ICT division, which generally has a higher gross profit margin compared to our other divisions, acted to lift Group gross profit margin. For fiscal 2020, the hospitality division registered a significant reduction in gross profit of RM24.5 million, representing a decline of 73.5% compared to fiscal 2019.

LOWER GROSS PROFIT BUT HIGHER MARGIN (continued)

The ICT division remained the highest contributor to our Group's gross profit, although there was a reduction of RM3.4 million or 9.0% compared to fiscal 2019 due to the flowdown effect of lower revenue. However, this division's gross profit margin was higher at 52.8% compared to 52.2% in fiscal 2019. The improved gross profit margin was mainly attributable to a more favourable sales mix for the year: system sale contract average gross profit margin improved to 59.4% in fiscal 2020, while gross profit margin on managed service contract revenues was relatively flat, showing a marginal decline from 51% in fiscal 2019 to 50.4% this year, mainly attributable to higher third-party costs on certain managed service contracts.

LOWER OTHER INCOMES AND OPERATING EXPENSES BUT HIGHER OTHER OPERATING EXPENSES

For fiscal 2020, the Group reported lower other operating income of RM26.6 million as compared to RM121.5 million in fiscal 2019, a decrease of RM94.9 million. The decrease was mainly due to the absence of one-off gain on disposal of Wisma Synergy of RM90.3 million and insurance claims of RM17.6 million in fiscal 2019, partly mitigated by the cash settlement for the Bali Diwangkara hotel legal case of RM1.7 million and a gain before tax on disposal for the vacant land in Arosa, Switzerland of about RM6.6 million.

Our Group's operating expenses, mainly distribution and administration costs, totalled RM57.2 million, a reduction of RM9.5 million from RM66.7 million in fiscal 2019. The decline in operating expenses in fiscal 2020 was mainly due to lower staff cost, lower distribution cost and cessation of operating costs from the closure of hotels namely City Villa, Kuala Lumpur and Holiday Villa London, United Kingdom.

For other operating expenses, there was an increase from RM36.4 million in fiscal 2019 to RM38.1 million this year mainly due to impairment loss on amount due from associates (RM2.1 million), impairment loss on trade and other receivables (RM3.4 million), and impairment loss on goodwill (RM0.7 million) in fiscal 2020. These impairment losses were partially mitigated by the decrease in the impairment loss and writing off of property, plant and equipment from RM3.8 million in fiscal 2019 to RM1.2 million in fiscal 2020 and the absence of impairment loss in unquoted securities of RM1.2 million for the travel and tours division recorded in fiscal 2019.

LOWER PROFITS FROM ASSOCIATES

The Group's share of profit in associates declined to RM142,000, compared to RM404,000 in fiscal 2019 as there was no contribution from the Group's 40% equity investment in Helenium Holdings Limited, an associate which was disposed in fiscal 2019.

WEAKER FINANCIAL PERFORMANCE FOR MAJOR DIVISIONS

The Group reported a loss before tax ("LBT") of RM28.8 million compared to a profit of RM95.6 million in fiscal 2019. The gain from disposal of Wisma Synergy recorded under our investment holding division contributed the bulk of the profit recorded in fiscal 2019.

For fiscal 2020, four major divisions recorded weaker financial performance. The ICT division remained profitable but reported a lower PBT of RM8.8 million compared to RM10.8 million in fiscal 2019. The other major divisions - hospitality, property development and investment and travel and tours - reported a total LBT of RM10.2 million compared to PBT of RM8.4 million in fiscal 2019.

WEAKER FINANCIAL PERFORMANCE FOR MAJOR DIVISIONS (continued)

The financial services division continued to be loss-making with a higher LBT of RM5.7 million compared to LBT of RM5.0 million in fiscal 2019. The Others division, consisting of bus-body fabrication and education units, reported higher total LBT of RM7.6 million compared to RM5.9 million in fiscal 2019. The increased LBT in the Others division was mainly due to an inventory write-down of RM2.2 million partially mitigated by lower staff cost and receipt of COVID-19 related government subsidy allowance.

LOWER INCOME TAX

Group income tax expense was lower when compared to fiscal 2019 mainly due to the absence of real property gains tax of RM8.2 million in connection with the disposal of Wisma Synergy in fiscal 2019.

The bulk of Group income tax expense in fiscal 2020 was attributable to the income tax expenses of the hospitality and ICT divisions of RM1.6 million and RM2.3 million respectively.

DECREASE IN TOTAL ASSETS

As at 31 December 2020, total assets of the Group decreased by 6.5% to RM704.2 million (2019: RM753.0 million). The decrease was mainly attributable to the reduction in current assets, partially offset by additions to non-current assets.

Current assets reduced by RM52.4 million from RM303.7 million in fiscal 2019 to RM251.3 million in fiscal 2020. Non-current assets increased by RM3.5 million to RM452.9 million in fiscal 2020 from RM449.4 million in 2019.

The major movements in the assets of the Group for fiscal 2020 can be summarised as follows:

1) The increase in property, plant & equipment ("PPE") of RM19.9 million, is attributable mainly to the reclassification of investment property and other receivables to PPE amounting to RM29.1 million and additions to PPE by various divisions such as hospitality, financial services and ICT of RM15.7 million, partly offset by the disposal of land in Arosa, Switzerland amounting to RM19.6 million coupled with depreciation of RM6.9 million during the year;

2) The reduction in investment properties (RM9.6 million) and inventories (RM5.9 million);

3) Trade and other receivables and other assets decreasing to RM77.5 million for fiscal 2020 (2019: RM119.2 million) as all divisions reported reductions except for bus-body fabrication; and

4) The decrease in cash and bank balances and short-term deposits of RM6.8 million.

STRONG CASH FLOW, LOWER LIABILITIES

Total liabilities of the Group decreased from RM202.3 million in fiscal 2019 to RM187.5 million in fiscal 2020, a reduction of RM14.8 million.

The reduction in the total liabilities of the Group by RM14.8 million in fiscal 2020 compared to fiscal 2019 was mainly due to a reduction in trade and other payables and other liabilities of RM21.2 million, partly offset by the increase in the borrowings of RM8.7 million.

STRONG CASH FLOW, LOWER LIABILITIES (continued)

Although the financial result in fiscal 2020 was impacted by the COVID-19 pandemic, the Group was able to maintain a strong cash position of RM121.0 million.

DECREASE IN GROUP EQUITY AND LPS

The Group recorded a loss after tax and minority interests of RM34.3 million in fiscal 2020 compared to a profit of RM74.9 million in fiscal 2019. As a result, Group equity declined by 6.2% to RM516.7 million. For fiscal 2020, the Group recorded a loss per share of 3.69 sen as compared to earnings per share of 8.07 sen in fiscal 2019.

HOSPITALITY DIVISION : PREDICTABLE RESULT

2020 was to be the big year for Malaysia's tourism sector. With the launching of Visit Malaysia Year 2020, hotels and airlines were expecting millions of guests. Instead, COVID-19 struck and with it, the worst crisis Malaysia's tourism industry has ever faced. According to statistics from Tourism Malaysia, the country's international tourist arrivals in fiscal 2020 plunged from 26.1 million a year earlier to 4.33 million, a marked decline of 83.4%. Total tourist receipts fell by 85.3% to RM12.7 billion from RM86.1 billion in the preceding year.

This division's revenue fell to RM20.0 million in fiscal 2020, a substantial reduction of RM35.8 million or 64.2% over the previous year (2019: RM55.8 million). The outbreak of COVID-19 adversely affected the overall performance of our hospitality division resulting in lower revenue from all hotels operated and managed. With restrictions in travel and the closing of international borders in many countries, the effects of the pandemic on the tourism sector can be seen beyond the borders of Malaysia. Most, if not all, of our hotels worldwide suffered devastating losses. Holiday Villa Sihanoukville ceased operations for good in August 2020 and other hotels followed suit with temporary suspension of business at some point in time during the year. In addition, the decision was made to cease operations of City Villa, Malaysia and Holiday Villa London, United Kingdom permanently. In fiscal 2020, the highest contributors for the division's revenue were Holiday Villa Beach Resort & Spa Langkawi followed by Holiday Villa Beach Resort & Spa Cherating.

With the substantial drop in revenue coupled with lower other operating income in fiscal 2020, the hospitality division reported a loss before tax of RM6.4 million compared to a profit before tax of RM5.8 million in fiscal 2019. Lower other operating income in fiscal 2020 was mainly due to absence of insurance claim on Arosa property of RM17.6 million that was recorded in fiscal 2019, but partially mitigated by gain on disposal of land in Arosa, Switzerland of RM6.6 million and the cash settlement of the legal case pertaining to the right to operate and manage Diwangkara Holiday Villa Beach Resort & Spa Bali of RM1.7 million. The lower other operating income in fiscal 2020 was partly mitigated by lower expenses mainly from lower staff costs supported by salary subsidy grants from the Government and lower operating expenses from closure of City Villa and Holiday Villa London during the year. Due to the drastic drop in business, every effort was made to minimise the impact to our staff, although certain hard decisions had to be made. Jobs were saved where possible, but ultimately our hotel division had to implement salary cuts and unpaid leave in fiscal 2020.

HOSPITALITY DIVISION : PREDICTABLE RESULT (continued)

In the second half of fiscal 2020, following the easing of UK lockdowns, the project to remodel into an upscale apart-hotel, the Group's investment property in Philbeach Gardens, Earls Court, London was resumed. The redevelopment of this investment property is expected to complete in mid-2022.

ICT DIVISION : PROFITABILITY CONTINUES

The ICT division entered fiscal 2020 on the back of twelve profitable years.

Our ICT division comprises three main segments: Unifiedcomms, GlobeOSS and Captii Ventures. Unifiedcomms is in the business of providing mobile network operators and integrated telecoms service providers with application and platform software, turnkey solutions and systems and variety of professional and managed services and providing advanced solutions for prepaid credit on a managed service model while GlobeOSS is the systems integration and solution provider in the telecoms big data and analytics field. Captii Ventures is the venture investment arm of the ICT division.

Our Unifiedcomms and GlobeOSS businesses recorded lower revenue in fiscal 2020. Of the two businesses, it was GlobeOSS that recorded a higher decline in revenue of 14.6% to RM28.4 million followed by decline in Unifiedcomms revenue by 6.7% to RM36.9 million.

Lower revenue at Unifiedcomms was mainly attributable to revenue from system sale contracts declining sharply from RM10.3 million in fiscal 2019 to RM4.0 million in fiscal 2020. Unifiedcomms managed service contract revenues improved from RM29.2 million to RM32.9 million but the growth achieved was not enough to offset the sharp decline in system sale contract revenues.

The GlobeOSS business also experienced a decline in system sale contract revenues in 2020. System sales contract revenues of GlobeOSS decreased to RM13.1 million from RM18.2 million achieved in fiscal 2019. Managed service contract revenues increased marginally from RM14.9 million in fiscal 2019 to RM15.2 million in fiscal 2020.

Overall, this division's revenue decreased from RM72.4 million in fiscal 2019 to RM65.1 million in fiscal 2020, a decline of RM7.3 million.

Gross profit recorded by this division was lower this year, in line with the lower level of revenue. However, the magnitude of the decline was lesser than that of revenue - gross profit fell by 9.0% compared to the 10.0% decrease in revenue. This result reflects the considerably higher average gross profit margin for the year of 52.8%, attributable to the favourable sales mix for fiscal 2020. This year the lower margin system sale contract revenues of GlobeOSS comprised a smaller proportion of division revenue.

Efforts to grow the managed serviced business of this division persisted in fiscal 2020. Revenues from this contract type improved by RM4.0 million against fiscal 2019 with the increase being attributable to the higher managed service contract revenues at both Unifiedcomms and GlobeOSS.

ICT DIVISION : PROFITABILITY CONTINUES (continued)

The ICT division's profit before tax came in at RM8.8 million, 18.5% lower compared to the RM10.8 million achieved in fiscal 2019. Although this division's bottom line benefited from the improvement in gross profit margin, the absence of fair value gain on the Captii Ventures' investment portfolio this year resulted in a lower profit before tax in fiscal 2020.

PROPERTY DEVELOPMENT AND INVESTMENT DIVISION : HIGHER REVENUE AND HIGHER EXPENSES

The property development and investment division reported higher revenue of RM6.9 million compared to RM0.7 million in fiscal 2019. In the absence of new projects, revenue was mainly derived from the sale of single-storey detached houses in Taman Sri Matang which were completed in fiscal 2019. These sales were achieved in spite of the challenging economic climate in fiscal 2020 exerting downward pressure on buying sentiment. Only 5 units of single-storey detached houses in Taman Sri Matang remained unsold as at the end of fiscal 2020.

Although higher revenue was recorded in fiscal 2020, this division reported a higher loss of RM2.3 million, compared to a loss of RM0.9 million in fiscal 2019 due to higher operating expenses. During the year, the division completed the renovation of its investment property, Synergy 9 located at Temasya Glenmarie, Shah Alam, Selangor, which houses the corporate office of the Company and operational headquarters of several subsidiaries. Another mixed-use investment property of this division, Yap Ah Shak House located in Kuala Lumpur, was also under renovation in fiscal 2020. There were pre-operating expenses incurred for Yap Ah Shak House resulting in the higher operating expenses in fiscal 2020.

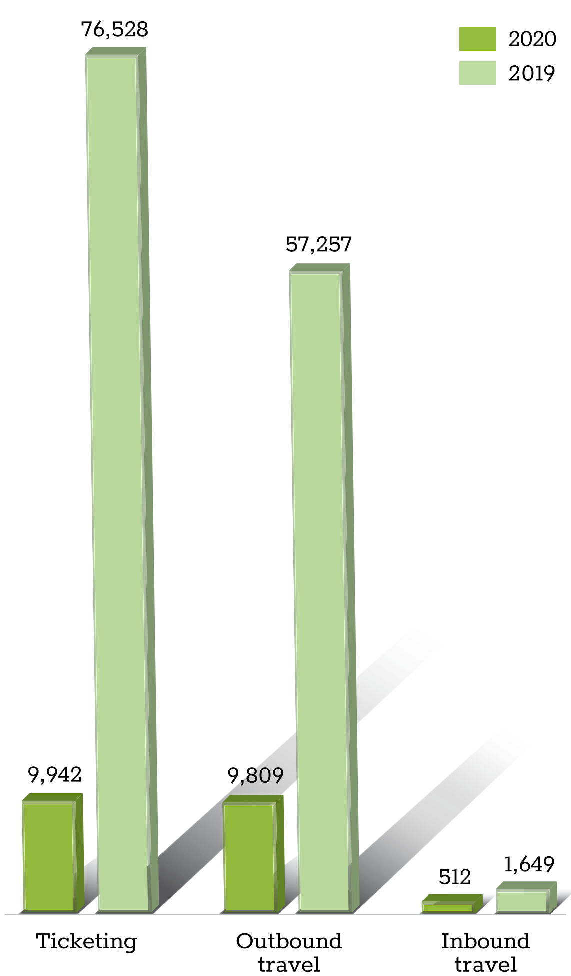
Development approvals have been obtained for Phase 2 of the Federal Park project and also the Sejijak Project. Phase 2 of the Federal Park Project comprising 116 residential houses is expected to be launched in mid-2021. This will be followed by the launching in fiscal 2022 of the Sejijak Project comprising 208 residential houses.

TRAVEL DIVISION : COVID CALAMITY

The travel and tours division started well in fiscal 2020. However, business of the division was significantly affected from February 2020 - first with booking cancellations and then finally with the imposition of MCO in March 2020. Travel was halted with aircraft being grounded, hotels being shuttered and borders closed world-wide. This division recorded a steep drop in revenue of RM115.1 million or approximately 85.0%, achieving revenue of RM20.3 million compared to RM135.4 million in fiscal 2019. All businesses within the division - ticketing and outbound and inbound travel - reported weaker financial performance in fiscal 2020.

TRAVEL DIVISION : COVID CALAMITY (continued)

The adverse impact on revenue was partially mitigated by tight cost-control supported by the government subsidy allowances. However, these measures were not sufficient to offset the fixed overhead costs, resulting in the division recording a loss before tax of RM1.5 million compared to PBT of RM3.6 million in fiscal 2019. In fiscal 2019, there was an impairment loss on investment security of RM1.2 million compared to the impairment loss on investment in associates of RM0.4 million in fiscal 2020.



TRAVEL AND TOURS REVENUE
by Business Units (RM'000)

FINANCIAL SERVICES DIVISION : YEAR OF REENGINEERING

The financial services division comprises Paydee Sdn Bhd ("Paydee"), a card and payment services business and Qurex Sdn Bhd ("Qurex"), a money services business. Paydee is an issuer and acquirer licensed by Bank Negara Malaysia, and a principal licensee of MasterCard Worldwide and Visa International. Qurex meanwhile provides foreign currency exchange and remittance services for business.

The COVID-19 pandemic has severely impacted economic activity globally, including Malaysia. Due to the adverse trading conditions brought about by the pandemic, Paydee reported lower revenue of RM4.0 million in fiscal 2020, a decrease of RM4.5 million or 52.9% compared to RM8.5 million in 2019. For fiscal 2020, Paydee reported a loss before tax of RM4.9 million, slightly higher than LBT of RM4.3 million in fiscal 2019. The higher loss was mainly due to the flow-down effect of lower revenue that was partly mitigated by a concerted effort to reduce operating cost during the year.

Qurex reported significantly lower revenue of RM84,000, a decrease of RM306,000 or 78.5% as compared to fiscal 2019. For fiscal 2020, Qurex reported a loss before tax of RM0.7 million, the lower result being mainly due to a precipitous decline in cross-border leisure and business travel with the implementation of MCO in March 2020.

OTHERS DIVISION : HIGHER LOSS

The Others division comprises the bus-body fabrication and education businesses of the Group. Total revenue generated by this division was lower by RM0.8 million at RM0.6 million in fiscal 2020, compared to RM1.4 million in fiscal 2019. With the lower revenue achieved, the division recorded a higher loss before tax of RM7.6 million compared to LBT of RM5.9 million in fiscal 2019.

Our bus-body fabrication unit recorded lower revenue of RM0.5 million compared to RM1.1 million in fiscal 2019. In fiscal 2020, the unit completed and exported 1 bus to Australia compared to 3 units exported in fiscal 2019. The unit incurred higher loss of RM6.4 million compared to RM4.5 million in the prior year mainly due to an inventory write-down of RM2.2 million in fiscal 2020. Despite our good success in streamlining and restructuring the management and operations of the bus-body fabrication unit, revenue growth was not achieved in fiscal 2020 as it could not ramp up its operations for the export of buses to Australia. This was due to the testing and certification of our bus body by the Australian authority having yet to be completed although the division had sales orders for the year.

Our education unit started fiscal 2020 on a positive note as it had plans to increase the appointment of international agents, widen reach in the local student and corporate markets and focusing on our collaborations with Dewan Bahasa dan Pustaka ("DBP"), Malaysian Press Institute ("MPI") and various writing societies to distinguish itself on language excellence in Bahasa Melayu and English.

The onset of the COVID-19 pandemic and MCO enforced since March 2020 resulted in this unit's business plans being put on hold including the enrolment of local and foreign students. Although management had shifted to teaching online during the year, interest was weak as most foreign students prefer to be in Malaysia for their classes. Promotional efforts on recruiting from the local student and corporate markets also did not yield the expected result as continued restrictions on the opening of the teaching centre, and inter-district and inter-state travel coupled with weakening of the economy, resulted in poor enrolment of local students and limited take-up from the corporate market.

As such, the unit continued to record low revenue of RM0.1 million in fiscal 2020 (2019: RM0.3 million). This unit's loss before tax was however reduced to RM1.2 million in fiscal 2020 compared to RM1.4 million in 2019 as a result of various cost-cutting measures being undertaken during this difficult period.

The Year Ahead...

As we enter fiscal 2021, the COVID-19 pandemic continues to dominate the global landscape.

The International Monetary Fund (IMF) is projecting Malaysia's economy to rebound by 7% in 2021, while the World Bank is forecasting Malaysia's economy to grow by 5.6% to 6.7% in fiscal 2021. Bank Negara Malaysia meanwhile estimated gross domestic product (GDP) growth of 6.5% to 7.5%.

Such recovery forecasts are extremely encouraging for the businesses of the Group. We hope to hasten the implementation of our business development plans, to in turn, deliver better Group financial performance.

HOSPITALITY

Fiscal 2020 was a terrible year for the hospitality division. This pandemic had a huge negative impact on the hospitality industry throughout fiscal 2020 and this will no doubt spill over into fiscal 2021 and beyond. The business outlook for the fiscal 2021 is expected to remain gloomy as economic recovery, the relaxation of travel restrictions and opening of borders are far from certain.

This division took advantage of the slow period in fiscal 2020 to upgrade the facilities in the Holiday Villa Beach Resort & Spa Cherating to focus on the market segment of corporate team building and event management and as a family resort. The renovation undertaken includes a new thematic pool specially designed for corporate team-building activities and a children fun pool for family and is expected to open in Q2 2021. Also newly constructed are facilities for harvesting of rainwater as part of our efforts to green the environment along with the ongoing refurbishment of the restaurant and rooms.

For Holiday Villa Beach Resort & Spa Langkawi, an upgrading plan that includes a complete refurbishment of all guest rooms, a kid’s fun pool & kiddies club and extension of existing ballroom to cater for 100 more guests was initiated. Some of the suites at this property will be suitably fitted with cooking facilities, a high-speed internet connection and other amenities to cater for extended stay and long-term guests.

In line with the division’s business model and strategy, the focus to grow the hotels and resorts regionally is still intact and the division will continue to develop business from the Asia region and major market segments, work with tour operators and local corporate businesses and secure more residential meetings with emphasis on local tourism.

HOSPITALITY (continued)

The hospitality sector has undergone major changes over the years and during this pandemic. We noted new standards, new opportunities and trends that are emerging in the industry. To ensure that we remain competitive in the midst of these new opportunities and trends, this division's focus will be on the following areas:

1) **Safety and Hygiene**
Stay safe programmes would be an important criteria for travellers. It is not so much about how clean our hotels are but, more about demonstrating, explaining and illustrating to the guests the various steps being taken for their well-being. In October 2020, our Holiday Villa Beach Resorts & Spa Langkawi received Clean and Safe Malaysia Hygiene Excellence and Safety Label by Bureau Veritas Malaysia. This provides a good trust benchmark to all our guests domestic or foreign, in using our hotel.

2) **Green and sustainable tourism**
Sustainability has been and will continue to be our overall commitment to environmental protection and this encompasses the whole system of how we operate taking into consideration ethical and environmental issues and making decisions on matters such as green certification, sustainable action from kitchen to the reception, solar energy, green electricity and water-saving. These matters are not only important to us but are also important to our guests especially for those who are sensitive to environmental and social issues. Green and sustainability efforts are on-going in our hotels and the latest addition to the ongoing renovation of Holiday Villa Beach Resort & Spa Cherating includes facilities for harvesting of rain water.

3) **Customisation and Personalisation**
Today's travellers come with many expectations. Above all they expect to be recognised and treated as individuals.

Whilst preparing for the comeback during and after the COVID-19, we took of one fundamental rule that has helped built Holiday Villa's past success: good service is based on friendly staff and happy clientele. Knowing our customers' concerns, using digital technology and digital devices like in-room tablets, contactless check-in and check-out will enhance our position as host. But more than all that, our competitive advantage will mainly depend on how well we listen and interact with our customers and clients. Service is all about people — this is a basic fact that will remain so despite the many changes brought about by the post-COVID 19 world.

To further enhance the comfort of our guests, we are implementing these two (2) programmes for 2021, in all our hotels and resorts:

1. Devoted to Your Well-Being
2. Let Us MANJA U

4) **Emphasis on Tech and new Preferences**
Preference for closer destinations - we have seen the trend in 2020 due to various travel restrictions and it may continue due to uncertainties on cancellation of flights, new lockdowns or travel restrictions. Destinations accessible by highways or road and train will continue to see increase in travellers. The division will place greater emphasis and be more aggressive and creative in marketing its packages to the respective local market of each country as it expects domestic demand to recover faster than international demand.

The trend towards online bookings will continue and more travellers will have last-minute bookings and expect flexible cancellation conditions.

HOSPITALITY (continued)

4) **Emphasis on Tech and new Preferences** (continued)

   Most of our guests are tech-savvy and need to access information daily. We will ensure that all our IT structure and systems are user-friendly and up-to-date. We also recognise the importance to equip our employees with appropriate digital knowledge and skills. With this in mind, our hotel's website has been upgraded to keep it relevant, fast and safe. As travellers are increasingly using mobile devices to make bookings, the website is also optimised across all devices.

Following the easing of UK lockdowns in late fiscal 2020, the project to remodel into an upscale apart-hotel, the Group's investment property in Philbeach Gardens, Earls Court, London was initiated. Redevelopment of this investment property is expected to commence in earnest the second quarter of fiscal 2021 with completion being targeted mid-2022.

ICT

The COVID-19 pandemic has resulted in many countries in our Group's regions of focus reinstating movement and travel restrictions at year-end. Such restrictions have adversely affected many businesses. The uncertainty of economic recovery from the shock caused by COVID-19 and the prospect of a protracted economic slowdown or a slow recovery, especially in the division's regions of focus, have weighed on the minds of the ICT division when considering the outlook for the next twelve months.

The impact of COVID-19 on Unifiedcomms and GlobeOSS has fortunately been minimal in fiscal 2020. This is because these businesses of ICT division operate primarily in the field of telecommunications, an essential service in any economy today. In addition, Unifiedcomms and GlobesOSS businesses have been made capable of fully-functioning under a work-from-home mode of operation, well ahead of movement control restrictions or lockdown orders being enforced. This division's primary customers are telecommunications network operators and service providers that have continued to operate normally throughout COVID-19 restrictions, albeit remotely and through digital engagement, rather than face-to-face interaction. Contracts in-hand continue to be progressed and this division is hopeful that new projects and initiatives requiring its products and services, will continue to be pursued by customers in the year ahead. The possibility remains however, that larger system sale contracts that have yet to be committed in the coming year, may be further deferred, or even abandoned entirely if macroeconomic and industry conditions do not improve significantly. Some managed service contracts of the division which are impacted by government restrictions or directives arising from COVID-19 policy measures, may meanwhile continue to show weaker performance.

At Captii Ventures, the ICT division's venture investment business, the climate for either business development or funding has been challenging. As a result, certain investees in this division's venture investment portfolio had dampened valuations and some faced difficulty in raising further capital. The division has taken active, early measures to perform impact assessment as well as in assisting investees to plan and manage through a hostile environment for both business and funding. Investment management activities to assist investees and protect our investments will continue to be the priority in the year ahead.

ICT (continued)

Against this potentially negative macroeconomic backdrop for the future, the ICT division remains optimistic and will continue to work closely with customers and investees, to minimise the negative impact of COVID-19 related developments on the division's financial performance. This division has in recent months taken an active and measured approach to managing risks to protect the people and assets, and will sustain these efforts until the pandemic resolves.

The ICT division will further the work it has been doing to strengthen its managed service contract portfolio and will invest even more selectively in the venture investment business. Demand for internet-driven application services for enterprises, in the broad domain of fintech, as well as in interest and handset-app delivered digital media, have been heightened in the current environment. These areas will continue to be the focus for the division's venture investment activities, and is expected to complement the organic growth strategies of the Unifiedcomms and GlobeOSS businesses.

TRAVEL & TOURS

Fiscal 2020 was a dark year for the travel & tours division. COVID-19's impact on the travel and tours industry was devastating and unprecedented. However, fiscal 2021 could be one of tourism's most significant years in a decade as expectations are high that the roll-out of vaccines throughout the world will open up borders and travel industry will return to normalcy. Against such backdrop, our travel & tours division expects the progressive recovery of its business in fiscal 2021.

This division will continue to remain focused on building its corporate client base and the wholesale market segment of the ticketing business and in developing and adapting its products to sustain growth in the leisure and corporate group markets for both inbound and outbound travel and tours.

Although the COVID-19 pandemic has temporarily halted our growth, the division is cautiously optimistic on fiscal 2021 financial performance and believes that there are significant growth opportunities in the local and global tourism business once the situation with COVID-19 improves. This division is well-positioned with clear growth strategies focusing on market trends and product diversification.

Despite having continued focus on corporate ticketing, the division recognises certain trends taking hold in the industry which augur well for our outbound and inbound travel and tours businesses. The division provides a complete range of travel products and services from ticketing to room bookings, car rental and visa application to make travel experience as seamless as possible for clients. Increased demand is seen for leisure travel as the pandemic has been hard on many people who may now want to travel after many months of lockdown. Increased emphasis is also expected for local travel and personalised, special purpose tours.

Tourism trends are heavily influenced by the concerns of the travellers. After the pandemic, for a start, there may still be concerns on international travel hence domestic travel is expected to pick up at a faster rate. Also, with more awareness and growing concerns on the environment, we expect more demand for eco-tourism packages. Personalised travel and special interest tours will also see an uptrend in demand. Personal preferences may range from destinations to accommodation and the types of activities to engage in. There is also a rising popularity for special interest tours where travellers pursue their passion and interest and these may include activities like cycling or biking, environmental like nature tourism or student education tours.

TRAVEL & TOURS (continued)

To meet the challenges of new trends, the division has revamped the inbound management team and repackaged their inbound products to target new markets besides their existing European markets. More focus on research and development are undertaken to develop new inbound products. Such inbound products are also suitable for domestic tourism. Our outbound travel unit works closely with partners to ensure that the packages are attractive for our clients taking into consideration the trends and preferences of travellers. All these efforts were showing promising results prior to the pandemic and although things will take time to improve, the actions taken by the division have laid a good foundation for a successful recovery and continued growth.

PROPERTY DEVELOPMENT AND INVESTMENT

The property development and investment division has obtained development approvals for Phase 2 of the Federal Park project and the Sejijak project. Phase 2 of the Federal Park project comprising 116 residential houses is expected to be launched in mid-2021. This will be followed by the launching of the Sejijak project comprising 208 units of residential houses in the following financial year.

The financial performance of the division in the year 2021 will also be complemented by sale of the remaining units of single-storey detached houses in Taman Sri Matang, Kuching and the shophouses under Phase 1 of the Federal Park Project although demand for shophouses is expected to be weak.

Once development works for both Jalan Sejijak and Federal Park projects commence, the division expects to be back on track on its earnings.

As a reputable niche player, the division will remain focused on its target market segment of medium to medium-low properties. Although the division expects the property market in Kuching to remain soft coupled with stringent financing requirements, with the right pricing and affordability for its development properties, the division is confident of the marketability of its properties to provide a steady income stream.

In year 2020, it commenced renovation of the two investment properties, Synergy 9 in Temasya Glenmarie, Selangor and Yap Ah Shak House in Kuala Lumpur, in which it has a 70% equity interest. Synergy 9 has been occupied by the Group to house the Company's corporate office and the operational headquarters of some Group subsidiaries. This investment property will generate recurring income for the division from fiscal 2021 onwards.

Yap Ah Shak House in Kuala Lumpur meanwhile, has been renovated and refurbished in fiscal 2021 to a high-quality mixed-use property comprising serviced-offices, meeting facilities, an event-space as well as two floors of food and beverage operation. This property is expected to be fully operational by mid-2021 and is expected to undergo a more protracted ramp-up period post-opening while the economic impact of and uncertainty brought about by the Covid-19 pandemic continues to linger.

FINANCIAL SERVICES

The emergence of COVID-19 outbreak in fiscal 2020 brought significant economic uncertainty in Malaysia and the markets in which Paydee and Qurex operate.

This division has been working closely with various new strategic partners to launch new payment services including e-commerce and new payment terminal solutions of its own to better address market needs and opportunities. The division is cautiously optimistic that the new product roadmap and business strategies will deliver positive results for the division in the coming years.

The outlook for Qurex, this division's money services business in fiscal 2021 remains negative, with international business travel expected to remain constrained and significantly depressed. This division will continue to practise cost discipline while exploring opportunities to generate new sources of sustainable business.

BUS-BODY FABRICATION

In fiscal 2020, our bus-body fabrication unit, Aviva Master Coach Technology Sdn Bhd, reported good progress in streamlining and restructuring its production to be cost efficient for timely delivery of buses.

This unit's buses are designed and fabricated in compliance with internationally recognised safety standards. The unit has approval from Kementerian Perdagangan Dalam Negeri, Koperasi Dan Kepenggunaan to affix the "Barangan Buatan Malaysia" ("Product Made In Malaysia") logo on our locally designed bus models Autobus ("Autobus") LF 12250, Autobus LF10200 and Autobus SD 12300. For fiscal 2021, this unit will continue to focus on the Australia market and once the testing and certification for its bus body is completed in Australia, the sale of buses to Australia is expected to improve. This unit has entered into an assembly contract with an Australian customer for the design and manufacturing of bus bodies on an Isuzu chassis for the Australia market.

With growing concerns on traffic congestion, increased greenhouse gas emissions and air pollution, it is expected that more countries will be looking at electric vehicles to reduce carbon emissions and investing in public transportation. In its longer-term plan, this division expects to focus more on electric buses/trucks with zero emissions and therefore be eco-friendly. Such vehicles are envisaged to be the preferred mode of public transportation of the future.

This unit has entered into collaboration with one of China's leading electric bus manufacturers for the supply of electric city buses for the local and ASEAN markets. Although the plan is in place, the unit does not expect sales in the electric bus market to materialise in fiscal 2021 as sales progress depends on the successful bidding of tenders and acceptance of the electric bus in the Malaysian and regional markets. Currently, there are electric bus pilot projects undertaken by several organisations in Malaysia and we are hopeful that the roll-out of electric buses throughout the country will be in the near future as neighbouring countries such as Thailand and Indonesia have started promoting electric vehicles by coming up with electric vehicle policies and tax incentives.

EDUCATION

Our education unit, The Language House, is mindful of the impact of the continued threat of the COVID-19 pandemic and has in place mitigation plans related to the health and safety of the students and staff and regular risk assessment reviews.

EDUCATION (continued)

The foreign student market has always been the biggest revenue generator for the education unit. This unit will focus on re-establishing this market once regulations on the recruitment of foreign students are clearer with easing of border restrictions. The unit anticipates the return of foreign students after the first half of fiscal 2021 once vaccination programmes are well in progress. The unit will also continue to focus on the Malaysian market although the domestic economic uncertainty triggered by the pandemic may prove challenging.

For year 2021, the education unit is committed to grow the targeted sectors based on the following 5 key strategies:

1) **Online education programmes**
   - Grow and create more online education segment via combination of blended and online teaching aids with ability to reach a global audience.
   - Activation via adverts on social media, internal database and virtual fairs.

2) **Human Resources Development Fund ("HRDF") and corporate workshops**
   - Focused on short-term, on-demand and online corporate group workshops for employee re-skilling and re-hiring programmes under HRDF.
   - Engage with other edu-tour groups from South-East Asia for language and communication course.
   - Promotion of CEFR (Common European Framework of Reference for Languages) testing and certification testing as part of re-skill and hiring corporate programme to SME (small and medium size enterprise) and corporations.

3) **Specialised courses with edu-partners**
   - Re-engage with our edu-partners in the United Kingdom or other countries that offer unique English programmes.
   - Development of niche programmes targeted to specific media/mass communication sector with the goal to uplift writing and command of English and Bahasa Melayu.

4) **Digital Content Platform**
   - Create integrated digital marketing management platform that is driven by video content.
   - Increase engagement via social media to increase digital footprint and increase SEO (search engine optimisation) rankings.
   - Creation of Bahasa Melayu webpage to reach out to the Malay market.
   - Establishment of digital content library in English and Bahasa Melayu that can be used for our blended courses or as downloadable subscription-based content.

5) **Outreach programmes for the local market**
   - Developing market-driven modular and individual courses such as creation of writing programmes with edu-partners, tailored, short courses for GEP (General English Program) and IELTS (International English Language Testing System) foundation courses and preparation course.
   - Engage with selected private schools and universities to create CEFR test centres and as CEFR test partners.
   - Focus on content and training of English as career building tool.

In order to build the unit's strong academic reputation and differentiate it from others in the industry, focus will be applied to improving the quality of courses by making them more engaging and relevant and improving on the teaching and learning materials besides ensuring that the systems, business processes, policies and procedures comply with the authorities' requirements.

Statement on Sustainability

The Group's Board and Management are committed to establish and maintain an effective Sustainability Management System which is supported by underlying internal controls, risk management practices, clear accountability and reporting process. The Board evaluates the Environmental, Social and Governance ("ESG") risks and opportunities relevant to the Group during the formulation of their overall business strategy, objectives and performance measurements.

The Management identifies the type of relevant ESG issues caused by its day-to-day operations. Management then determines the materiality of the ESG issues based on the level of significance of impact and influence on stakeholder values, and the achievement of the Group's strategic objectives. The Board supports and approves the identification and assessment parameters of material ESG issues.

The key material ESG issues for Advance Synergy Berhad ("ASB") have been identified and reviewed by ASB's Board and Management. The Board and Management shall continue to dedicate leadership and maintain a high standard of sustainability governance to drive continuous and long term growth for all of its stakeholders. The Group will work towards ensuring comprehensive disclosures on the management and monitoring of our sustainability initiatives for continual improvement.

STRATEGIC APPROACH FOR SUSTAINABILITY

At ASB, we continue to refine our management approach to adapt to the changing business and sustainability landscape. Aligning with the perspective of our stakeholders, the Senior Management Team has, within the scope of our business operations, identified that the Environment, Employee Relations, Health & Safety, Product Excellence, Stakeholder Relations and Community constitute key sustainability issues material to our business.

In this regard, we have established sustainability performance management framework (See Exhibit 1), and identified three (3) key pillars, to enhance the monitoring and reporting of our sustainability performance.

STRATEGIC APPROACH FOR SUSTAINABILITY (continued)

Exhibit 1 – ASB Group's Sustainability Performance Management Framework

Three (3) pillars of our sustainability performance

Our Materiality Assessment Process

Supported by a systematic & interactive process to identify, categorise and prioritise material ESG issues

REPORTING PRACTICE AND BOUNDARY

This sustainability report provides detailed disclosure of management of our key sustainability issues for the financial year ended 31 December 2020. The ASB Group comprises operating subsidiaries and associates that service business and consumer markets in a variety of industries. These operating companies are grouped under the several Key Business Divisions of the ASB Group (See Exhibit 2), which include:

Exhibit 2 – Our Key Business Divisions

1. Please refer to the Governance section of the Annual Report.

2. As Captii Limited ("Captii") under ICT division is a subsidiary listed on the Singapore Exchange Securities Trading Limited, it has produced a detailed 2020 sustainability report that provides information on their sustainability performance. Please refer to Captii's sustainability report in their 2020 annual report for further information.

3. The Others division refers to our financial services, bus-body fabrication and education businesses.

UNDERSTANDING WHAT MATTERS TO US

We use a comprehensive materiality assessment to identify priority areas based on the business strategy outlined in our plan. Our materiality assessments were based on the AA1000 Account Ability Principles of Inclusivity and Materiality, as well as the Global Reporting Initiative ("GRI") Principles for Defining Report Content – stakeholder inclusiveness, sustainability context, materiality and completeness. Materiality with respect to sustainability reporting, as defined by GRI Standards, includes topics and indicators that reflect the organisation's significant ESG impacts; and would substantively influence the assessments and decisions of stakeholders.

In 2018, a robust process was undertaken to identify and prioritise the Group's material ESG issues. The process was supported by an independent consultant and involved stakeholder consultations, workshops for senior management, an assessment of long-term global trends and an internal review of our businesses.

Through internal discussion, Management has reviewed stakeholders across the Group's value chain and identified the following as key stakeholder groups for the respective business and there is no significant change for financial year ended 31 December 2020 compared to 2019:

Hotels & Resorts	ICT	Property Development and Investment	Travel & Tours	Others Division – Bus-Body Fabrication	Others Division – Financial Services#	Others Division – Education
1. Channel/ Distribution Partners 2. Government & Regulators 3. Customers 4. Employees	1. Customers 2. Employees 3. Suppliers	1. Government & Regulators 2. Customers 3. Contractors 4. Employees	1. Customers 2. Channel/ Distribution Partners 3. Employees 4. Media	1. Customers 2. Government & Regulators 3. Channel/ Distribution Partners 4. Employees 5. Media	1. Employees 2. Shareholders 3. Government & Regulators	1. Government & Regulators 2. Customers 3. Employees 4. Channel/ Distribution Partners 5. Media

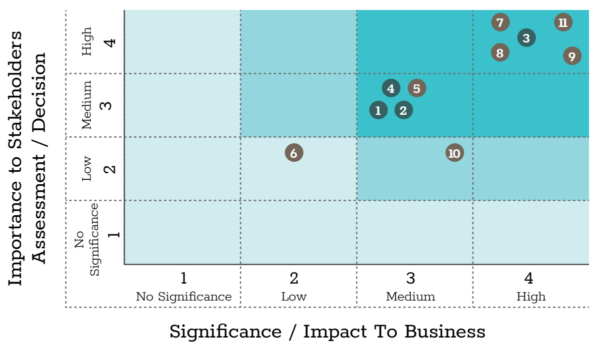
 # In 2019 Annual Report, it was reported as "Others Division – Card & Payment Services and Money Services Business".

Our material issues are identified as those that are ranked as high and medium on the materiality matrix (See Exhibit 3). We therefore focus our sustainability efforts and reporting on these issues that are of the most concern to our business and stakeholders.

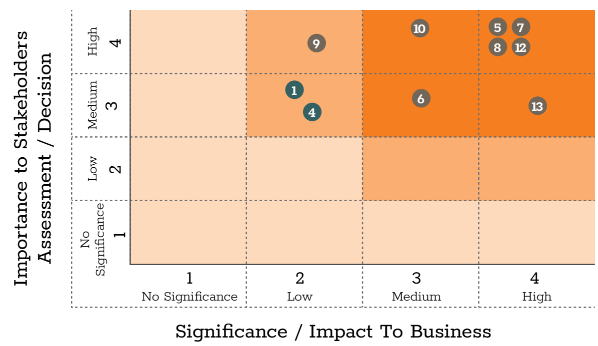
UNDERSTANDING WHAT MATTERS TO US (continued)

Exhibit 3 – ASB's Materiality Matrix

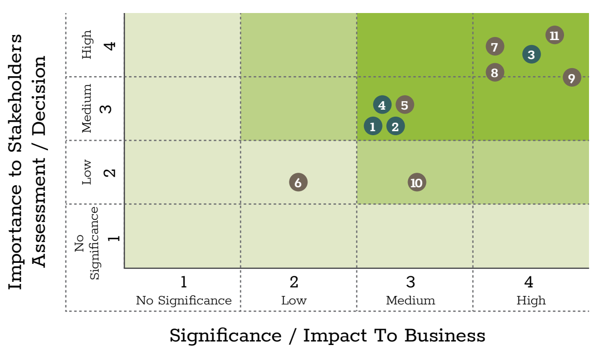
Hotels & Resorts



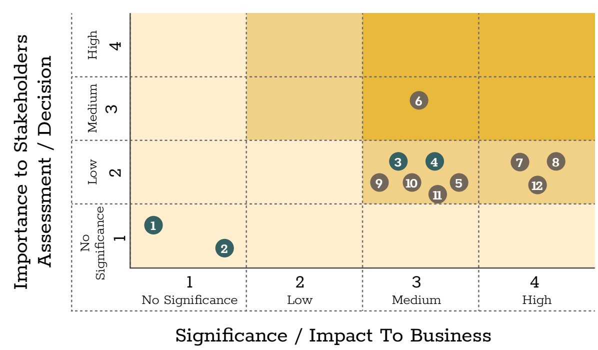
ICT



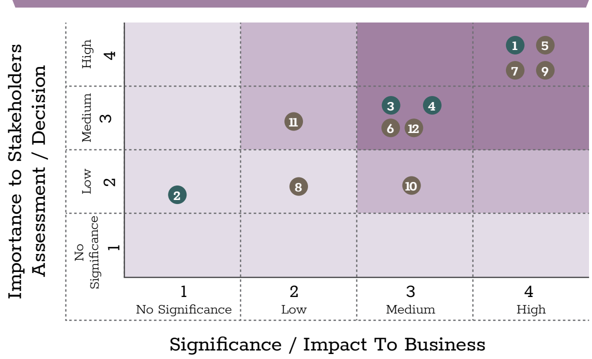
Travel & Tours



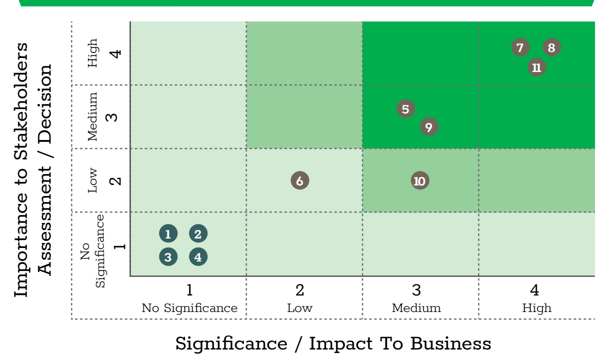
Property Development & Investment



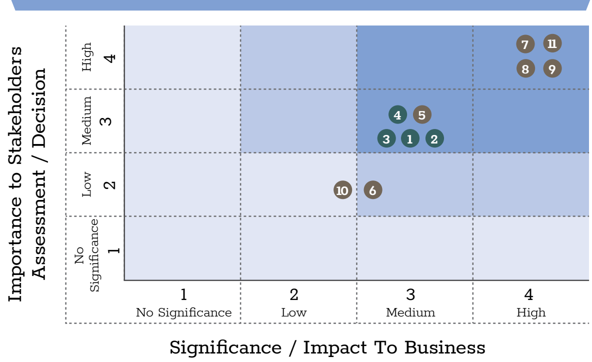
Others Division - Bus-Body Fabrication



Others Division - Financial Services



Others Division - Education



UNDERSTANDING WHAT MATTERS TO US (continued)

ESG Issues That Were Considered		Definition
Environmental	1. Energy Efficiency	Efficiency of energy usage (i.e. electricity consumption).
	2. Water & Effluents	Water consumption and discharge.
	3. Waste Management	Hazardous and non-hazardous waste disposal treatment.
	4. Environmental Compliance	Adherence to relevant environmental laws and guidelines.
Social & Governance	5. Labour Practices	Commitment to fair employment practices, upholding of human rights principles and investing in our people.
	6. Equality & Diversity	
	7. Product & Services Responsibility	Aspects of our products & services that directly affect customers, namely, quality, health and safety, wellbeing, information and labelling, marketing, and privacy.
	8. Data Privacy & Protection	
	9. Health, Safety & Security	
	10. Supply Chain Management	Resiliency and significant social impacts observed or assessed in our supply chain.
	11. Corporate Responsibility	Responsibility to environment and communities where we operate in.
	12. Anti-Corruption & Anti-Fraud	How we guard against corruption, bribery and fraud.
	13. Innovation	Continual effort to improve product excellence through innovation and technology.

The material ESG issues were also reviewed by ASB's Board and deemed to remain relevant. Moving forward, to keep abreast of critical issues, we will continue to review annually our material issues against the changing business environment, stakeholder opinions, and emerging global and local trends.

SUSTAINING GROWTH

ENVIRONMENTAL MANAGEMENT

Environmental sustainability forms an integral part of the Group's sustainability philosophy. We endeavour to integrate the best sustainability practices and compliance across business operations to reduce adverse environmental impact on the ecosystem. In our daily operations, the Group continues to be committed on recycling, energy-saving practices and undertaking measures to reduce wastages, pollution and harmful emissions.

ASB is committed and strive to improve resource efficiency and reduce our environmental impact. We continue to factor in environmental considerations in our businesses.

ENVIRONMENTAL MANAGEMENT (continued)

Our "Going Green @ Holiday Villa" campaign at all Holiday Villa hotels aims to contribute to the preservation of natural resources and environment by focusing on energy conservation, waste management, responsible purchases and landscaping.

Our Holiday Villa hotels work with all stakeholders to promote and implement responsible environmental practices. Both Cherating Holiday Villa and Langkawi Holiday Villa performed environmental impact assessments before the hotels embarked on any development or improvement. We use renewable energy and garbage enzymes made out of fruit peels and vegetables as cleaning agent to reduce environmental impact. The hotels and resorts division also has its own environmental policy in place with the systems that set annual improvement targets to monitor energy consumption, water consumption and waste production. Holiday Villa recognises that resource conservation, biodiversity and pollution prevention are key to a sustainable environment, and will continue to effectively integrate these concepts into our business decision-making. They subscribe to products that are labelled as complying with "*good manufacturing practices*".

Our bus-body fabrication division has a built-in monitoring system on waste production and disposal. The Group ensures that waste materials are deposited at designated environmentally safe areas and disposed off periodically by licensed waste disposal contractors.

For businesses with operations that are concentrated in offices, such as our ICT division, the impact on the environment is relatively limited and confined largely to resource and energy efficiency such as encouraging staff to be environmentally-concious by promoting paperless administration and operational practices to reduce paper usage.

Commitments & Targets

- Continue to improve the environmental management systems of key business units to meet the requirements of the ISO 14001 standard.

- Continue to explore solutions that minimise environmental impact.

- Install or maintain energy efficient equipment and devices at our facilities whenever possible, including LED lights and more energy-efficient cooling solutions.

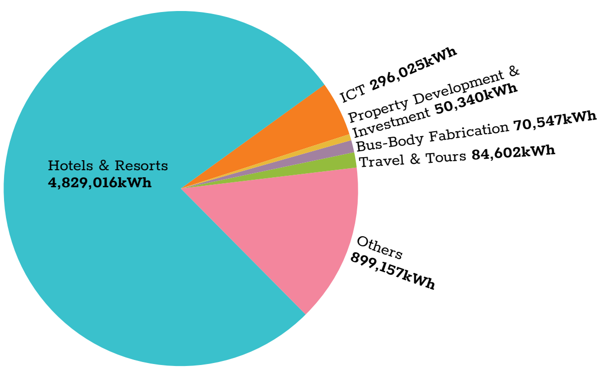
ENVIRONMENTAL MANAGEMENT (continued)

Energy Efficiency

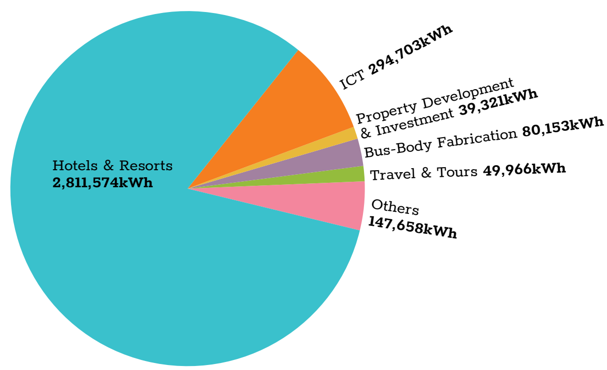
The Group's energy demand comprises a mix of direct and indirect sources of energy. In 2020, the Group consumed about 3,423,375 kWh of energy.

Our electricity consumption has seen a significant reduction in 2020 compared to the previous year as a result of energy-saving initiatives, measures arising from COVID-19 pandemic such as work from home and closure of offices/hotels and reduction in business activities due to the pandemic.

ESG Issues	2019	2020
Total electricity consumption (kWh)	6,229,687	3,423,375



2019



2020

Hotels & resorts division reported the highest reduction in the electricity consumption due to closure of hotel business during lockdown period following COVID-19 pandemic and low occupancy due to the various travel restrictions imposed on domestic and international travels.

The increase in the electricity consumption of the bus-body fabrication division in 2020 was mainly due to higher level of activities.

Water Consumption

Water is a precious resource. The Group continues to strengthen its water conservation efforts through initiatives like promoting water-saving practices, adopting water-efficient technologies and equipment as well as implementing process improvements.

Given that the business operations of most of our divisions are concentrated in normal office spaces, the level of water consumption is relatively limited, except for hotels and resorts division. In 2020, the total consumption by our Group was approximately 146,837 cubic metres (m3) of water as compared to approximately 281,519 cubic metres (m3) in 2019 mainly due to significant reduction in water consumption by our hotels and resorts division resulting from closure of hotel business and low occupancy as explained above.

ENVIRONMENTAL MANAGEMENT (continued)

Environmental Compliance

ASB remains committed to comply with all applicable legal requirements enforced by local governing authorities and relevant enforcers. The Group's operations continue to conform to local environmental laws and regulations. All employees of the Group and that of contractors and consultants are encouraged to be proactive and forthcoming in managing and reporting environmental related issues and complaints.

The environmental regulations that we comply include among others the requirements listed below in Table 1.

Compliance
Environmental Quality Act 1974 (and its Amendments)
Environmental Quality (Scheduled Wastes) Regulations 2005
Environmental Quality (Sewage) Regulations 2009
Environmental Quality (Clean Air) Regulations 2014
Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015
Guidelines from Natural Resources and Environment Board (Sarawak)
Land Conservation Act 1960

Table 1. Environmental Compliance Requirements in Malaysia

During the reporting period, there were no incidents of non-compliance and penalties pertaining to environmental-related issues. To maintain the highest standard of environmental compliance and to prevent future occurrence of incidence, the Management will continue to review and improve the current environmental management system and practices and ensure that all our activities and operations comply with existing regulatory requirements.

PRODUCT EXCELLENCE

We believe that our financial viability hinges on customer satisfaction and our ability to meet customer demand for our products and services. Our business divisions remain committed to execution excellence and building enduring relationships with not only our customers but key stakeholders in our value chain.

PRODUCT EXCELLENCE (continued)

Customers of our card and payment services unit may lodge a complaint through the company's website and the company will resolve such complaint within 14 days as part of its key initiatives undertaken to maintain/ improve customer service/ customer relationship.

Our ICT division has a 24-hour customer careline for customers to lodge feedbacks on service issue. Feedback from customers including complaints are documented for future improvement and development of products and services.

The following are some of the existing commitments made by our hotels and resorts division:

In their quest to deliver superior quality products and services to their customers and comply with applicable legal requirements, the hotels and resorts division has in place its very own MANJA Programme, a quality management system focusing on the service standards, work processes, job instructions and the standard operating procedure for all aspects of the hotels' operations.

The Holiday Villa Group, strives to be known for our good value hospitality, is committed to superior customer services and well-being of our guests.

The hotels and resorts, education and financial services divisions are also building their technology capabilities to provide customised, improved and value-added products and services to be more competitive in the digital era.

Commitments & Targets

- Continue to improve product excellence through innovation and technology.
- Continue to maintain a high level of customer satisfaction across our businesses.

SUPPLY CHAIN MANAGEMENT

The Group continues to support local businesses by procuring from suppliers and contracting services locally. We believe that a strong local supply chain through a productive partnership is vital to the growth of our business.

By such support, we believe that we can positively contribute to the local economy. We select partners who share our work ethics and values and who are willing to provide quality products and services in a responsible manner.

SUPPLY CHAIN MANAGEMENT (continued)

In cases where local suppliers are not suitable, we will source internationally. Where outsourcing is practised, we will ensure that the products conform to our sustainable policies and are labelled with "*good manufacturing practices*". To mitigate supply chain disruption, our business divisions will have periodic review meetings with active suppliers/vendors besides having alternative and/or multiple suppliers/vendors.

We believe the Group's long-term business is built mainly on the trust and confidence of customers. Therefore, feedbacks from customers such as customer satisfaction ratings and customer complaints are documented for future improvement on the development of products and services.

REGULATORY COMPLIANCE

Given the geographical diversity of our businesses, we closely monitor developments in the laws and regulations of countries where the Group operates to ensure that our businesses and operations comply with all relevant laws and regulations.

All our key employees affirm their understanding of the code of business conduct. We regularly engage with local government authorities and agencies to keep abreast of changes to laws and regulations.

We recognise that non-compliance with laws and regulations not only has a significant financial impact but potentially detrimental reputational impact on the Group. To manage and track compliance issues, the Group appoints compliance officers and conducts internal audits.

Commitments & Targets

We are fully committed to strengthening our regulatory compliance framework. Our emphasis is clear and consistently reiterated. We have zero-tolerance for fraud, bribery, corruption and violation of laws and regulations.

Our financial services unit has a set of policy and guidelines that spells out the responsibilities of employees in observing and upholding the company's 'zero tolerance' position against all forms of corruption, bribery and exhortation. Periodic training/refresher sessions on anti-corruption, bribery, extortion, and money laundering are conducted for staff of our financial services business units.

The Audit Committee supports the Board in its oversight of regulatory compliance and is responsible for driving the Group's focus on implementing effective compliance and governance systems. At the operational level, the respective business divisions and departments are responsible to identify, self-assess the adequacy and effectiveness of mitigating measures, and manage their financial, operational, compliance and reputational related risks.

REGULATORY COMPLIANCE (continued)

See Governance on pages 72 to 78 of the Annual Report.
See Risk Management on pages 43 to 52 of the Annual Report.

In 2020, there were no incidents of regulatory non-compliance across the business divisions. The Group continues to work towards reinforcing a full compliant culture.

EMPOWERING LIVES

LABOUR PRACTICES & HUMAN RIGHTS

Our employees are one of our most valuable assets. We are committed to fair employment practices, uphold human rights principles and invest in developing and training our people. At the Group, we strive to foster an inclusive and performance-driven work environment to attract, retain and develop our talents. We are an equal opportunity employer and have instituted a fair system to ensure equal opportunities and non-preferential treatment for all employees. There is no preference or prejudice towards religion, age, ethnicity, race, physical disability or gender. Employees are required to observe and adhere to all relevant Group policies and practices. As at 31 December 2020, the Group has a total number of 558 employees. Staff turnover has been maintained below the target rate.

We continue to engage our workforce and implement initiatives to achieve our long-term goal of improving collaboration and workplace innovation. Employee engagement initiatives are organised throughout the year to forge stronger bonds among employees and enhance communication between management and staff.

Commitments & Targets

- Continue to promote diversity and equal opportunity in the workplace.
- Further develop our workforce through tech-enabled and self-paced training programmes.

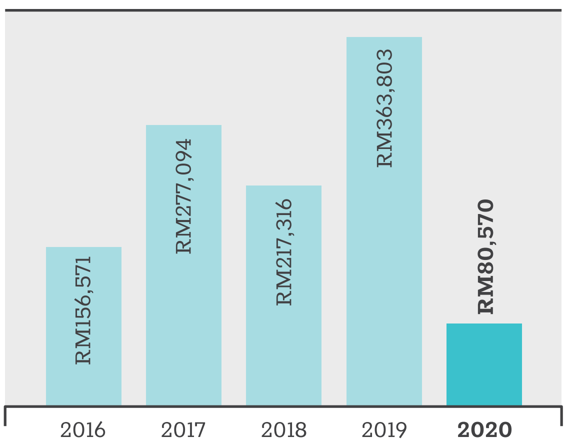
Learning & Development

To encourage and support our employees to develop their fullest potential and have a fulfilling career, the Group places priority on learning and development programmes. Our learning and development roadmap also accounts for future skills required to improve the efficiency of the business. We customise and design training and development activities based on employees' training needs and work requirements. During the financial year ended 31 December 2020, the Group spent close to RM80,570 on training across all our subsidiaries. The lower amount invested on training compared to the amount spent in 2019 was mainly due to lower fees for online programmes/webinars and lesser training participated due to COVID-19 situation. The Group will continue to provide training and education opportunities through comprehensive development programmes and promote a conducive corporate environment where everyone can achieve their potential.

LABOUR PRACTICES & HUMAN RIGHTS
(continued)

Learning & Development (continued)

Total amount invested in employee learning and development since year 2016 until 2020 is as follows:



In a rapidly evolving industry, continuous learning is essential to ensure our Group implements the latest practices and technologies. Besides, other types of training were provided/conducted for employees' development to address key gaps in their behaviour, technical and functional skills and for knowledge enhancement and awareness.

In 2020, our bus-body fabrication unit provided various types of training to enhance the skills and knowledge of employees and amongst others, the following are the 3 training courses:

- Production Training - Penetrant Testing (PT);
- Production Training - Service Tax; and
- Internal Audit Training for production inspection.

Other training attended by the directors, senior management and/or employees of the Group include among others the following:

- ABAC Policies and Procedures;
- AML Policy Update V.7;
- AML Refresher and CDD;
- AML/CFT on Importance Role and Responsibilities, Process in Combating, Actual and Compliance Requirements, and Effective Implementation;
- CCNA - Implementing and Administering Cisco Solutions;
- Global Sanctions Training;
- Next Big Tech Asia;
- PMP Certification;
- Service Tax - Applications on Facilities and Exemption 2020;
- Standard Operating Procedures for Financing Sector during Movement Control Order; and
- WU (Western Union) Agent Standard Operating Procedure.

Besides external training, the Group had organised the following in-house training attended by our Board members and key management from all divisions in relation to:

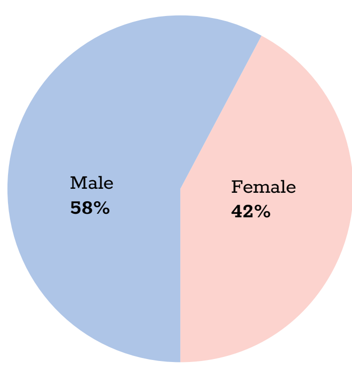
- Anti-Bribery and Anti-Corruption Programme;
- Corporate Liability Provision on Corruption under the MACC Act 2009;
- Devoted to Your Well-being Programme;
- Handling of Covid-19 Situations; and
- Productivity Enhancement Initiatives.

LABOUR PRACTICES & HUMAN RIGHTS (continued)

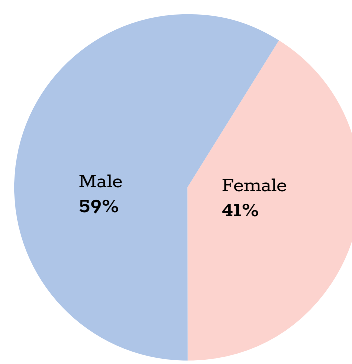
Workforce Diversity & Inclusion

We believe that people should have access to the same opportunities regardless of their ethnicity, religion, gender, marital status or age. We value diversity and inclusion and are committed to the principle of equal employment opportunity. Our hiring policies ensure equal employment opportunities for all. New hires are considered based on individual competencies as well as organisational and job fit. Our employment statistics illustrate the following diversity of our workforce. As at 31 December 2020, 41% of our employees are female compared to 42% as at 31 December 2019.

Embracing Diversity In Workforce

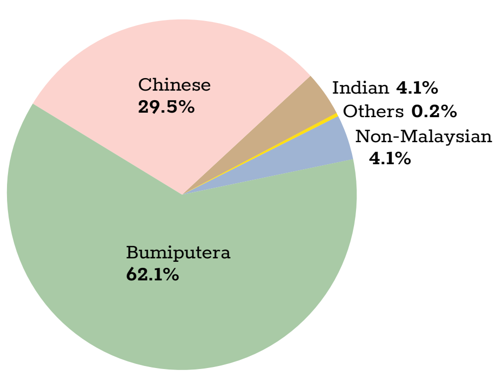


As at 31 December 2019

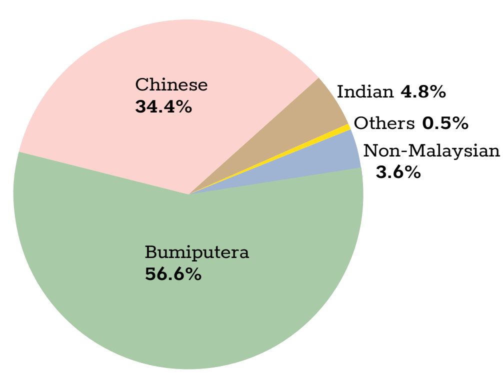


As at 31 December 2020

Male | Female



As at 31 December 2019



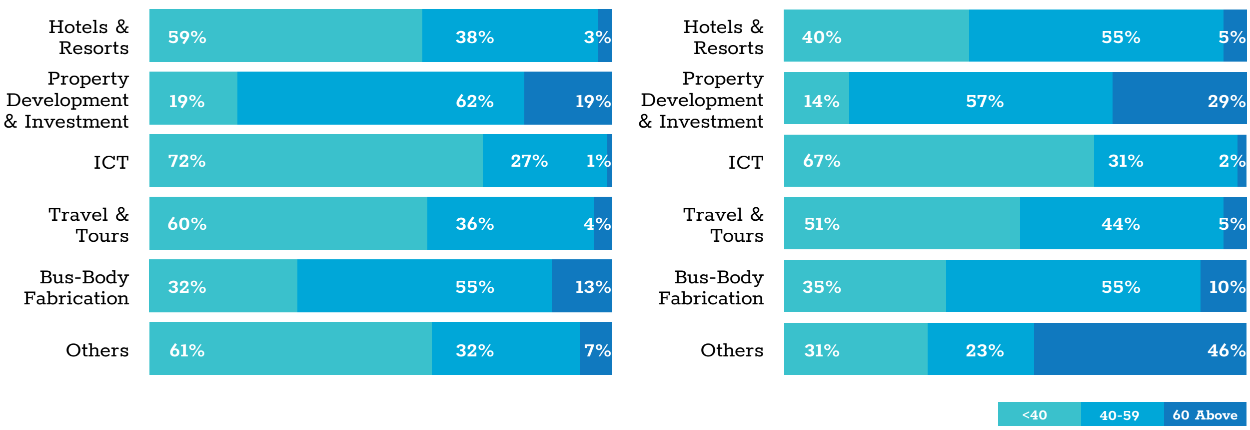
As at 31 December 2020

Bumiputera | Chinese | Indian | Others | Non-Malaysian

LABOUR PRACTICES & HUMAN RIGHTS (continued)

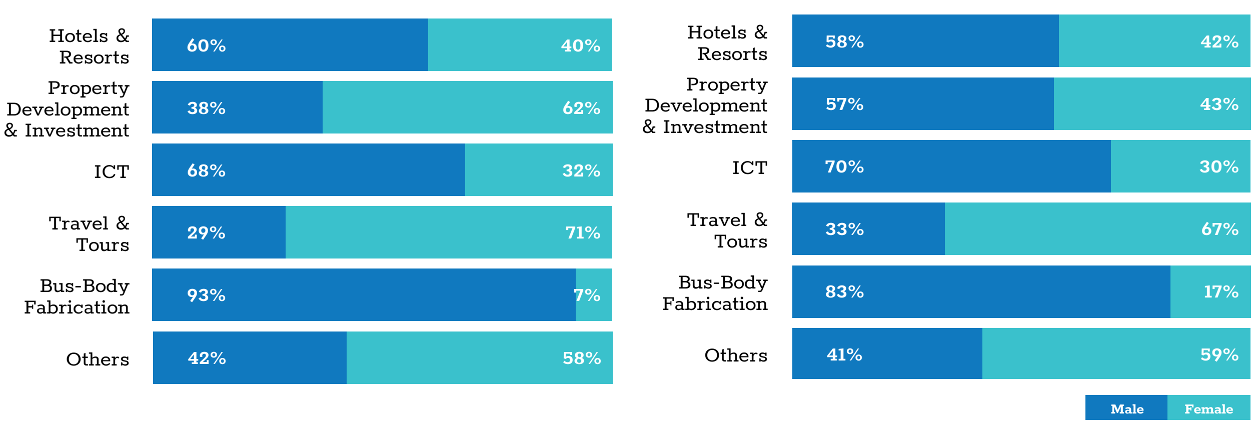
Workforce Diversity & Inclusion (continued)

Distribution by Division & Age (%)



As at 31 December 2019 **As at 31 December 2020**

Distribution by Division & Gender (%)



As at 31 December 2019 **As at 31 December 2020**

The Group believes that hiring from local communities enhances our ability to understand local needs and strengthen our capabilities on the ground. The Group offers graduate placement programmes, industrial training and internship in our hotels and resorts, bus-body fabrication as well as ICT divisions.

Our hotels and resorts division gives first preference to the local workforce in the location where it operates. Our hotels have been very supportive in providing industrial training experience to undergraduates from the colleges or higher institutions, both local and abroad, to undergo their internship programmes and are proud to note the overwhelming responses especially from the hospitality colleges/universities in wanting to send their top-notch undergraduates for the internship programme with Holiday Villa. The hotels and resorts division is also proactively engaged in the delivery of career counselling sessions to the school students especially on the opportunities available in the hotels and resorts industry and collaborated with the Polytechnics Education Division and Ministry of Higher Education in developing or assessing its community programmes.

LABOUR PRACTICES & HUMAN RIGHTS (continued)

Workforce Diversity & Inclusion (continued)

We believe in developing local talents to assume management positions. As of 31 December 2020, more than 90% of our senior management across our business divisions are Malaysians.

Code of Business Conduct and Ethics

We maintain a zero-tolerance for unethical labour practices such as child labour, forced labour, slavery and human trafficking in all our operations. All employees are required to conduct business dealings in line with our Code of Business Conduct and Ethics Policy. We encourage declaration of conflict of interest on an annual basis as a preventive safeguard for fair dealings and transparent business relationships.

To ensure that our internal practices and processes are in adherence and alignment with these latest developments, we took active steps to strengthen our internal processes and practices on anti-corruption including stepping up awareness, education and training programmes on anti-corruption i.e. bribery, fraud, embezzlement and so forth. During the year, the Group implemented the Group Anti-Bribery and Anti-Corruption Framework and Policy and aligned with the new Section 17A of the Malaysian Anti-Corruption Commission Act 2009 as well as the Group Directors Conflict of Interest Policy & Procedures and Group Governance Framework pursuant to the guidelines issued by the Securities Commission Malaysia.

Compliance with Applicable Employment Laws & Regulations

During the year under review, there were no incidents of non-compliance with the applicable employment laws and legislations which include among others the requirements as set out in Table 2 below.

Compliance
Employment Act 1955
Industrial Relations Act 1967
Trade Union Ordinance 1959,
Code of Industrial Harmony, Malaysia 1975
Minimum Wage Order 2012
Personal Data Protection Act 2010
Pembangunan Sumber Manusia Berhad Act 2001

Table 2. Employment Compliance Requirements in Malaysia

LABOUR PRACTICES & HUMAN RIGHTS (continued)

Compliance with Applicable Employment Laws & Regulations (continued)

The Group strives to continuously cultivate a transparent and inclusive environment for all employees, as well as to ensure a top-down approach to promote fair and ethical business dealings. We also have an open-door policy whereby employees are encouraged to speak up or report grievances directly to their superior, head of department, human resource department, chief executive officer and/or independent directors of the Company. This is to reinforce our commitment to our employees to provide them with a workplace that is healthy, safe and secure. Across our businesses worldwide, there were no grievance cases reported in 2020 save for incidents relating to the definition of minimum wage and service charge in our hotels and resorts division.

HEALTH & SAFETY MANAGEMENT

The Group remains committed to maintaining a safe and productive environment, free from harassment in which all individuals are treated with respect and dignity and we expect all our employees and individuals who work at our sites to follow our health and safety policies and procedures and be free from substance abuse at all times.

Our employees and partners are assured of a safe working environment through our Health & Safety and Environment Management system ("HSEMS"). While the HSEMS serves as a point of reference, additional measures have been taken to cultivate a safety-first culture through various initiatives at our corporate office.

Processes and systems are in place to identify, mitigate and report risks and communicate best practices across the Group, and we work with our contractors and subcontractors to ensure that they understand our requirements and expectations.

- In order to ensure our employees are practising safe workplace practices and taking the necessary safety precautions, we provide relevant training programmes conducted internally and through external parties. Safety training programmes are being conducted every year by our bus-body fabrication unit. In 2020, the unit conducted the training programme, "Emergency Response Team - ERT".

HEALTH & SAFETY MANAGEMENT (continued)

During the year, our hotels and resorts division conducted safety training programmes for hotels which are either owned by the Group or managed by this division which include among others, the following:

- Key training programmes;
- OSHA Programme, Safety Training @ Hotel Hot Water Systems, Housekeeping Deep Cleaning Safety, Procedural Training, Electrical / Fire Safety, Poolside Safety Training, CSDS Training (Stewarding / Kitchen Personnel), Safety Procedures @ Chemical Storage, Hot Stone Cookery @ Safety Training;
- Fire fighting / ERT;
- Food Handlers Safety Programme;
- F&B Service & Food Safety Training, Fire Fighting Training, Lost & Found - Hotel Safety & Security Programme, Food Safety Programme, Emergency Response Team Training, Kitchen Safety Programme; and
- Key Control & Guest Safety Training, Safety & Security Training, Food Safety Training.

To safeguard the health and safety of our employees, the Group regularly conducts fogging and housekeeping activities and fire drills at its premises. In 2020, there was no incidence of fatalities across the Group's operations.

Commitments & Targets

- Strive to raise awareness, maintain vigilance and foster a strong health and safety environment - centric culture across the Group and particularly at the ground level.
- Maintain a zero tolerance to unhealthy and unsafe practices.
- Leverage technology to drive improvements in safety performance.

We have a Health and Safety Committee to ensure that the Group complies with the Occupational Safety and Health Act, 1994.

Our hotels and resorts division has set a quantifiable target relating to employee occupational health and safety where it is compulsory for its employees to attend occupational health and safety training programmes. Besides, the division implemented stay safe programmes as health and safety is an important criteria for travellers. The staff are trained in demonstrating, explaining and illustrating to the guests the steps being carried out for their well-being.

To ensure construction safety at the project sites, our tender process and award of contracts to contractors incorporate the required compliance to Malaysia's safety at-work legislation. With regard to workers employed at the construction sites, our main contractors are obligated to comply with all safety, health and welfare regulations pertaining to them.

HEALTH & SAFETY MANAGEMENT (continued)

In 2020, both the Lost Time Injury and Lost Time Accident at Group level were zero. The Group strives to continue to maintain its health and safety standards and drive continuous improvement in our occupational, health and safety performance.

COVID-19 PANDEMIC

Employee well-being and safety has always been one of our top priorities. The COVID-19 pandemic has reinforced the importance of ensuring the safety and well-being of our employees. COVID-19 has forced full or multiple phases of lockdowns in most parts of the world. In Malaysia, the government has also put in place a range of safety measures/directives.

During the year, the Group introduced comprehensive safe management measures at our workplaces to provide a safe working environment and minimise risks of further outbreaks that require employees at work to wear masks, take temperature readings, maintain safe physical distancing, reduce physical interaction, reduce the need for physical meetings and use of hand sanitiser placed at entrance prior to entering the office. The Group also introduced work from home measures for employees where possible. The Group remains committed to closely monitoring the effects of the pandemic and to minimise its impact on our people.

Our hotels and resorts division has evolved certain elements of their operational strategy to ensure they can safely continue to uphold the legacy of offering the highest level of personalised service. With this evolution, Holiday Villa has developed an enhanced health and safety programme - "Devoted to Your Well-being" - with the aim to protect the well-being of guests and team members through the prevention of COVID-19. The programme provides enhanced processes and procedures to create a happy and safe environment where guests can enjoy, including physical distancing guidelines, heightened cleanliness standards, mandatory temperature checks and health declarations for all guests on arrival, frequent disinfection of public spaces and increased sanitisation of high-touch areas, daily temperature checks and personal protective equipment for team members and the implementation of in-depth response plans. All precautionary measures have been taken to prevent the spread of COVID-19. To enable appropriate safe distancing, the new procedures also cover the reorganisation of food and beverage outlets and updates to the recreational facilities to minimise contact. Guests will also enjoy the option of contactless in-room dining instead of having their meals at the hotel restaurants and contactless housekeeping services, whereby clean towels and bed linen in sealed pack will be provided to guests who would like to change these themselves.

To provide a comprehensive overview of the enhanced procedures, team members of all hotels and resorts have undergone intensified efforts of training and re-training on extensive wellness, hygiene and sanitation practices to face this new normal.

NURTURING COMMUNITIES

CORPORATE SOCIAL RESPONSIBILITY

Support initiatives to promote the social development of local communities where we operate

ASB is committed to uphold and to honour our social obligations by contributing to the economic and social wellbeing of every community in which we operate. We also believe in the importance of providing opportunities especially to the younger generation, for the betterment of our society.

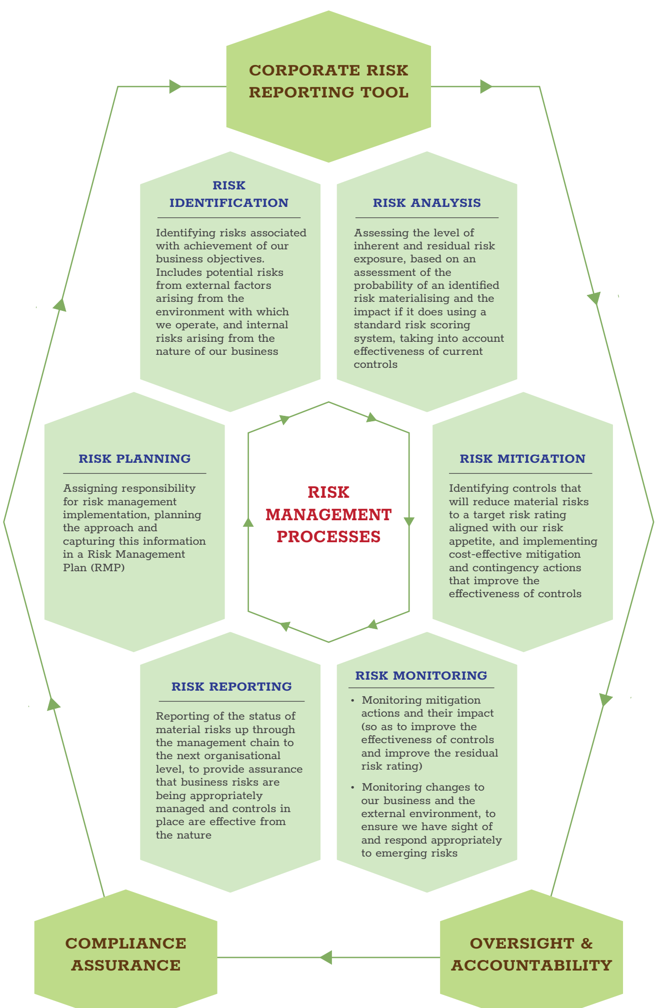
The Group participates in the ACHIEVE Corporate Social Responsibility ("CSR") Programme ("ACHIEVE") which aims to pool and focus the efforts and resources of the Group with like-minded corporations that share the common desire to support and implement meaningful CSR activities. The ACHIEVE Committee was formed with representatives from various divisions of our Group participating as committee members, to spearhead CSR activities via synergy collaboration with identified organisations. In our yearly programmes, our hotels and resorts division also participates in various community projects for the unfortunate, such as, contributing either financially or in-kind to various non-profit organisations, orphanage homes and underprivileged families.

Remaining eco-friendly in our daily operations

We recognise the importance of good environmental management or preservation practices to minimise disruption to the environment in the communities we operate in to sustain growth. In our daily operations, the Group continues to be committed on recycling, energy-saving practices and undertaking measures to reduce wastages, pollution and harmful emissions. We shall continue to expand and adopt our sustainable environment management practices and efforts in our business operations and strive to influence that of stakeholders in our value chain.

Risk Management

The Board is **responsible for establishing the framework** for the Group's Risk Management Committee ("RMC") to operate effectively. The risk management framework includes risk assessment, response, communication and governance as key components to provide a comprehensive and proactive approach in managing risks. The framework is set in place to identify the optimum operating condition to achieve the Group's strategic objective as well as to provide reasonable assurance that internal controls are effective.



IDENTIFYING AND MANAGING RISK

The management of risk is embedded in our culture and it is the responsibility of each employee to ensure that this culture is built into our working practices. Specifically, day-to-day management of risk is delegated by the Board to senior executives across each subsidiary, through appropriate committees, systems and controls. However, the Board provides direction by determining and setting the risk appetite.

Whilst encouraging an entrepreneurial and commercial culture that is focused on generating value for our clients, the Board actively seeks to ensure all relevant risk exposures are managed and mitigated. Note 37(b) to the financial statements describes how the Group manages the financial risks faced in the normal course of business. The Board receives input from other key committees along with the framework employed by the Group to effectively manage risks. The risk management framework covers 6 broad processes as illustrated in the chart with corporate risk reporting tool, oversight and accountability and compliance assurance.

IDENTIFYING AND MANAGING RISK

(continued)

We are subjected to the same general risks as many other businesses; for example, changes in general economic conditions, currency and interest rate fluctuations, changes in taxation legislation, cybersecurity breaches, cost fluctuations of raw materials, impact of competition, political instability, pandemic and natural disasters.

For the purpose of this Statement, the Group means the Company and its subsidiaries, excluding its joint ventures and associate companies. This Statement does not cover the joint ventures and associate companies as the Company does not have full control over the operations, management and internal control system of these companies. However, we may have board representation on the boards of these companies.

OUR RISK STRATEGY

The Board is responsible for establishing the framework for the Group's RMC to operate effectively. This risk management framework includes risk assessment, response, communication and governance as key components to provide a comprehensive and proactive approach in managing risks. The Board is also responsible for ensuring that appropriate and proportionate resources are allocated to risk management activities.

OUR RISK MANAGEMENT FRAMEWORK

Under the RMC, we have a structured risk management framework throughout the Group. This includes a standard set of risk categories, generic risk descriptions and scoring methodology, together with a process to analyse and manage risk. All our subsidiaries use this framework to identify and document their specific risks.

We rank risks in a Risk Register by combining their economic, operational or environmental impact and the likelihood that they may occur. We do this both before and after we identify the controls we have in place to mitigate each risk. Those risks that pose the greatest threat to our business and score the highest are identified as key risks. All our people are responsible for managing risk. By using a common framework, we are able to view risk from both a top-down and bottom-up perspective and so ensure it is considered and managed at every level of our business.

OUR KEY RISKS

Risks affect every area of our business. Their nature and potential impact changes constantly but through our regular reviews, we identify risks that could impact our strategy and allow us to set up controls to mitigate their effects.

We categorise our risks into the following areas:

- **Strategic** risks that could prevent us from achieving our strategic objectives.
- **Operational** risks which, if not successfully managed, would threaten our viability. These relate to our ability to operate a sustainable and safe business.
- **Financial** risks relating to the funding and fiscal security of the Group.
- **Compliance** risks which could affect our compliance with regulations and law, and/or our licences to operate the business.

OUR KEY RISKS (continued)

We have listed below the key risks that may affect our business, although there are other risks that may occur and impact the Group's performance.

Strategic risks	Strategy for risk management
Conditions in the global economy, economic fluctuations, volatility and cyclicality of market and outbreak of diseases or pandemic may adversely affect the results of the Group.	The Group maintains a balanced portfolio of products serving a wide range of end markets around the globe. Segment performance at the business unit level is closely monitored and corrective actions are taken as necessary. For external factor risks which are beyond the control of management, the focus will be on identification, close monitoring and action plans to mitigate the impact. With continuous and steadfast risk management practices, we are confident in gearing our Group towards more sustainable solutions and growth.
The markets in which the Group operates are highly competitive and the Group may lose market share to other competitors.	The Group continues to invest in existing and new products through research and development ("R&D"). The Group continues to invest in new facilities to allow the Group to maintain its key market positions. The Group strengthens its regional position and growth through alliances and collaborations. The Group operates quality management systems, such as The International Organisation for Standardisation ("ISO") and ADR for our bus-body fabrication unit, to ensure products meet customers' agreed standards. The Group maintains a strong and good working relationship with our suppliers and customers to ensure support and regular customer feedback to enhance our products and services.
The Group's strategic plan involves significant change management including cost-effective reforms, joint ventures and tie up with foreign parties to enhance market positions and provide new technologies.	Strategic projects are managed in a structured framework which includes formal identification of risks. The Group has extensive experience in change management and making use of external specialist advice as required.

OUR KEY RISKS (continued)

Strategic risks (continued)	**Strategy for risk management** (continued)
The ability of the Group to compete is highly dependent on its ability to develop technological innovations, introduce new products and protect its intellectual property, trade secrets and know-how.	The Group continues to invest in existing and new technologies through R&D.
The ongoing success of the Group is dependent on attracting and retaining high quality senior management and staff who can effectively manage the Group's operations.	The Group offers competitive compensation packages with annual bonus and long-term incentive arrangements for key employees. Appropriate notice periods and non-compete clauses are used to mitigate short-term risk for key positions.
As a multi-national enterprise, the Group could suffer losses of intellectual property and other assets through theft or fraud which could be significant.	The Group maintains controls both to detect and prevent theft and fraud as appropriate to the nature of the risk.

Operational risk	**Strategy for risk management**
Occupational safety and health risk is the failure in ensuring the safety, health and welfare of people at work as well as protecting other people from the safety and health hazards arising from business activities.	The Group has in place Occupational Safety and Health Act standards applicable to the bus-body fabrication and hospitality divisions as our uncompromising pledge towards excellence and industry recognition. The Group has in place a group-wide operational assessment on the safety and health at the workplace. This plays a crucial role in ensuring a safe working environment to protect the employees. Such practices will mitigate the risk by containing the spread of the virus/diseases at workplace and reduce hazards at workplace. Different human capital strategies were devised in order to ensure safety, among others are work from home, shift rotations and alternate leaves, and other measures in compliance to the regulations such as the National Security Council's standard operating procedures ("SOP").
The failure of the Group to procure key raw materials may lead to production interruptions, and volatility in the prices of such raw materials and energy prices may adversely affect the profitability of the Group and its working capital position.	Sourcing strategies are in place Groupwide to access multiple sources for key raw materials and the Group works closely with key suppliers to ensure availability. The Group looks to identify alternative raw materials where possible. The Group actively manages margins and recovers input cost increases from customers. The Group implements measures for proactive cost management, streamlining of production process and high impact cost and efficiency awareness for all its employees.

OUR KEY RISKS (continued)

Operational risk (continued)	**Strategy for risk management**
The failure or loss of a key production asset, manpower, process, information or communication system, whether temporarily or permanently could occur, directly or otherwise, through natural disasters, epidemic, industrial action, sabotage or the like, and would have an adverse impact on operations.	Crisis management procedures are in place for all subsidiaries. These are reviewed and updated regularly. The Group invests in its infrastructure to ensure appropriate levels of resilience in the event of temporary failures in IT systems. Backups and disaster recovery plans are in place for critical systems and processes.
With increasing use of technology, the Group may be exposed to increased cyber risk such as risk relating to data breaches, and sabotage on information processing and information technology system. Such cyber risks can lead to the commercial losses and negative effect on the Group's businesses.	The Group strategises to be resilient against cyber risk by educating its staff on cyber risk and creating a cyber security culture. Assessment of the cyber risk/threat landscape is followed by risk mitigation planning based on the Group's risk appetite and implementation of a proactive approach to manage any cyber breach before, during and after it occurs. This is to ensure that critical infrastructure is protected to a level that commensurate with the risks.

Compliance risk	**Strategy for risk management**
The Group may be liable for damages based on product liability claims brought against its customers in end-use markets.	Technically qualified personnel and control systems are in place to ensure products meet certification standards.
Compliance with extensive environmental, health and safety laws and regulations could require material expenditure, changes in the operations of the Group or site remediation.	Detailed safety, health and environmental processes are documented in operating guidance which is updated and communicated to staff on a regular basis. Our safety, health, and environmental risks are reviewed and considered in our risk management meetings by our respective Risk Management Unit.
The Group could suffer substantial penalties, damage to reputation and other sanctions for any failure to control anticompetitive behaviour, such as bribery and corruption, or ineffective compliance with local and national legislation.	All employees affirm their understanding of the code of business conduct covering corrupt and anticompetitive business practices. The Group has in place the Group Anti-Bribery and Anti-Corruption Framework and Policy. Malpractice reporting is similarly covered in the Group Whistleblowing Policy and Procedures on protecting our reputation. Training is provided regularly. Our Group constantly monitors new laws and regulations and assess the impact on our Group businesses. To manage and track compliance issues, the Group appoints compliance officers and conducts internal audits.

OUR KEY RISKS (continued)

Financial risks	Strategy for risk management
A significant proportion of the Group's turnover and assets are in currencies other than Ringgit Malaysia and fluctuations in currency exchange rates may significantly impact the results of the Group and may significantly affect the comparability of financial results between financial periods.	The Group has a policy of hedging all significant foreign exchange transactional exposure at the operating company level. There is also a natural hedging process at operating subsidiaries as they source their resources locally in countries where they operate.
The Group's balance sheet and cash flow, and also credit market conditions and credit ratings, may restrict the ability of the Group to obtain credit facilities or to refinance its existing debt facilities in the longer term. In addition, interest rate fluctuations and increases in bank lending margins may increase the Group's costs of borrowing.	The Group closely monitors its operating cash flow and capital expenditure on a monthly basis and regularly reviews covenant compliance. The Group has a policy on leverage limits and has adequate headroom on a twelve-month forecast basis. Interest rate risk is managed through the use of interest rate hedging by a combination of loans with fixed and variable interest rates and the tenure of the loans.

Below are some key areas reviewed by the Group in 2020:

1. **Epidemic Outbreak**

   With COVID-19 pandemic affecting all areas of business, the epidemic outbreak risk was in the highlight across the board. The Group extensively reviewed the assessment of the risk and intensified mitigation controls in order to ensure that the unwanted effects were minimised. Guided by the National Security Council, we adapted our working SOP to minimise exposure of our employees to the COVID-19. In such risk registers, the controls include amongst others, preparing staff and increasing awareness on prevention, health and safety measures and where possible, staff were encouraged to conduct discussions or meetings via online virtual meeting room, and for clients, we maintained constant communication to keep them abreast of the developments in Malaysia - in this instance, our travel and tours division was actively assisting clients in their travel plan changes and updating and monitoring travel restrictions, warnings and alerts from various countries and the World Health Organisation.

2. **Business Strategy Gap**

   Revisiting business strategy was the key focus of the Group following the outbreak of COVID-19 and considerations were made on how the Group can manage and deploy capital and resources efficiently to protect the Group's businesses and investments. This included review of existing and/or new products and services to ensure that the Group is able to meet future demands and internal controls to navigate future shocks. Maintaining close relationship with all our business partners remains prominent in this turbulent and uncertain economy.

OUR KEY RISKS (continued)

3. **Increased Costs and Inefficiencies**

   In view of the significant impact of COVID-19 on the Group's results and the uncertainties in the months ahead, the Group took appropriate cost containment measures to cushion volatility in the revenue line while optimising the free cash-flow position. During the year, the Group regularly reviewed its operations to address any inefficiency that may exist in pockets of the operations and to redeploy resources, reengineer business processes and/or reorganise the workforce. With operations spanning multiple countries, the Group has cash and bank balances, receivables and payables denominated in foreign currencies hence the Group may be subjected to losses due to foreign exchange fluctuations and instances of foreign business downtime as a result of the pandemic. Without sufficient monitoring and management of our assets and liabilities denominated in foreign currencies, the Group would be incurring higher costs of operations due to the depreciation of currency value and delayed transactions that could lead to loss of market share against foreign competitors. The Group had taken all necessary actions to mitigate this risk with meticulous credit control and cash flow measures especially during this unprecedented COVID-19 pandemic year which resulted in uncertainties in various economic areas. In the review, the Group examined and monitored the controls which are in place to ensure that they are robust to mitigate the risk.

4. **Revenue Gap**

   The Group's revenue was significantly impacted by the COVID-19 and thus the Group looked into reshaping the businesses and possibilities to further capitalise by enhancing existing products and/or deploying new products to stay relevant. The Group also continued to review factors which may affect the risk of revenue gap such as competition, economic slowdown and dependence on a few key customers and ensured that the controls put in place within the Group are effective. The assessment included whether to terminate the risk through cessation of business or discontinuation of nonperforming product lines or market segments.

5. **Non-Compliance**

   Non-compliance is another key risk area reviewed as the Group operates in many countries and in regulated industries. During the year, the Group ensured compliance with SOP issued by the National Security Council.

6. **Human Capital Gap**

   The Group's business especially those relating to hospitality, money services as well as travel & tours were significantly impacted by COVID-19 pandemic and consequently, some employees were affected by the risk of furlough and other short-term measures which had to be undertaken to save further jobs. Review was made focusing on addressing the risk of capacity and competency gaps to meet the Group's human capital requirements to minimise disruption and also accelerating on the methodology to enable remote working.

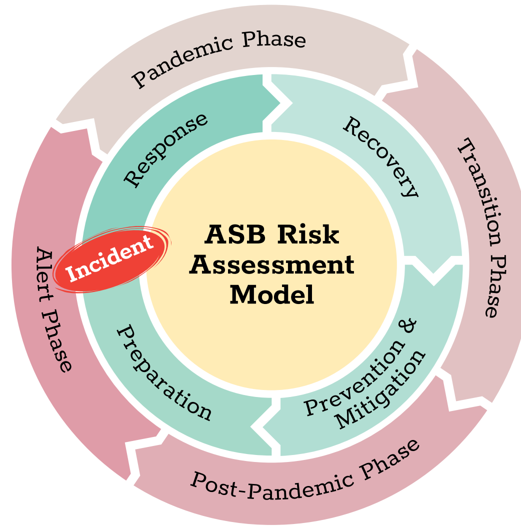
OTHER FOCUS OF THE GROUP DURING THE YEAR AND FOR THE COMING YEAR

The Group recognises the importance of compliance with laws, rules, regulations and guidelines particularly in corporate governance and corporate liability. In view of the Group's stance, the Group has implemented the Group Anti-Bribery and Anti-Corruption Framework and Policy and aligned with the new Section 17A of the Malaysian Anti-Corruption Commission Act 2009 as well as the Group Directors Conflict of Interest Policy & Procedures and Group Governance Framework pursuant to the guidelines issued by the Securities Commission Malaysia.

The Group expects its personnel to conduct themselves with high standard of honesty, integrity and accountability at all times in the performance of their duties and to ensure that all activities or services are conducted in compliance with the applicable laws, rules, regulations and guidelines. These policies and procedures provide a bird's-eye view of the Group corporate governance in place, thereby providing additional assurance to our shareholders and stakeholders knowing that the Group has sound governance and operating with integrity and transparency.

The Group also strengthened its whistleblowing policy by establishing ASB Group Whistleblowing Policy and Procedures across the board and to provide the necessary avenue and reporting channel for internal staff and external parties – summary of incident report will be tabled at the meetings of the RMC and the Whistleblowing Committee respectively for further actions.

Throughout the MCO period, by adopting the above risk assessment model where we map out equivalent strategies against the perceived



pandemic phases, the Group proactively reviews its response and recovery strategies and is on a constant communication with our business units for their business impact assessment and mitigation actions in order to keep everyone in an alert and prepared state at all times. By this exercise, we have managed to gauge the preparedness level of each business unit impacted by the COVID-19 and to provide a clear direction on business sustainability and continuity. Such risk assessment model will remain the focus in the coming year as recovery from the COVID-19 pandemic is still highly uncertain even as vaccination programmes are being rolled out in many countries.

INTERNAL CONTROL SYSTEM

The internal control system focuses on key financial reporting, operational and compliance controls. The system encompasses the policies, processes and activities that contribute to the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with laws and regulations. The internal audit function has operated independently since 2004 reporting to the Audit Committee.

INTERNAL CONTROL SYSTEM (continued)

Each year improvements are implemented to the internal audit reviews including its objectives, scope and procedures to enhance effectiveness.

The processes applied in reviewing the adequacy and effectiveness of the Group's system of internal control include:

- Rigorous review of the quarterly financial results and reports and evaluating the reasons for unusual variances noted thereof by the Board and Audit Committee;
- The Group Managing Director closely monitors the business and operations of the Group and reports to the Board on significant changes in the business and external environment which affect the operations of the Group at large; and
- The Board has in place an organisational structure with defined lines of responsibility, proper segregation of duties and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. The procedures include the establishment of limits of authority and policies on health and safety, training and development, equality of opportunity, staff performance and serious misconduct.

INTERNAL AUDIT FUNCTION

The internal audit adopts a risk-based approach in developing its audit plan based on the Group's key risks profile. Internal audit plan and the scope of the internal audit are presented and approved by the Audit Committee on a yearly basis. The Group's internal audit function is performed by the Internal Auditors (outsourced) who are independent of the activities audited by them. The principal role of the internal audit function is to review the Group's operations, evaluating their efficiency, effectiveness and compliance with corporate policies, procedures, laws and regulations.

In 2020, the Internal Auditors executed the approved audit plan and performed the following:

- Internal controls review on most of the Group's operating units for operating processes relating to revenue, collection, petty cash and post implementation support.
- Compliance review on operating units which are required to comply with guidelines and acts issued by external regulatory bodies.
- Reviewed the control procedures taken by the management on recurrent related party transactions.
- Followed-up on the implementation of corrective action plans agreed by the management.
- Issued reports on the results of the internal reviews, identifying weaknesses with recommendations for improvements.
- Tabled internal audit reports at the Audit Committee meeting on a quarterly basis.

The internal audit function provides assurance of the effectiveness of the internal control system within the Group.

INTERNAL AUDIT FUNCTION (continued)

Internal Auditors perform risk assessment, operational and system review as part of the audit activities. The areas of audit coverage are based on areas of high risk that are independently assessed. All audit findings are deliberated and resolved with the management of the subsidiaries. Follow-up reviews will subsequently be performed to ascertain the effectiveness of the recommended mitigation efforts.

The Audit Committee reviews the internal audit issues identified and recommendations made by the Internal Auditors on a regular basis, in addition to the recommendations from the external auditors during the annual statutory audit.

REVIEW OF ADEQUACY AND EFFECTIVENESS

The RMC had reviewed and reported to the Board the adequacy and effectiveness of the Group's risk management system, including the Group's risk tolerance and the enterprisewide risk governance framework. The Audit Committee had reviewed and reported to the Board the adequacy and effectiveness of the system of internal controls operated by the Group for the year 2020 and till its last meeting prior to the date of the Annual Report. The Board considers the system of internal controls described in this Statement to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment. The Board had received assurance from the Group Managing Director and Senior Finance Manager of the Company that the Group's risk management and internal control system for the current Group's business environment is operating adequately and effectively, in all material aspects, based on the risk management framework adopted by the Group.

The Board and the management of the Group will continuously take measures to strengthen and monitor the internal control framework and environment implemented by the Group. For the financial year under review, the Board is satisfied that the system of internal controls is satisfactory and there are no material losses incurred during the current financial year as a result of weaknesses in internal control.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors had reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2020 and reported to the Board that nothing has come to their attention that caused them to believe that this Statement is not prepared in all materials aspects in accordance with the disclosures required under paragraphs 41 and 42 of the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) nor is it factually inaccurate.

AAPG 3, Guidance for Auditors on the Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants does not require the external auditors to consider whether the Directors' statement on risk management and internal controls covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control procedures including the assessment and opinion by the Board and management thereon. They are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will in fact remedy the problems.