KPS

KPS Consortium Berhad
198501011364 (143816-V)

ANNUAL REPORT 2021

PAPER MILLING

PAPER CONVERTING

BUILDING MATERIALS

INVESTMENT

PROPERTY DEVELOPMENT & CONSTRUCTION

OTHER TRADING

www.kpsconsortium.com.my

CONTENTS

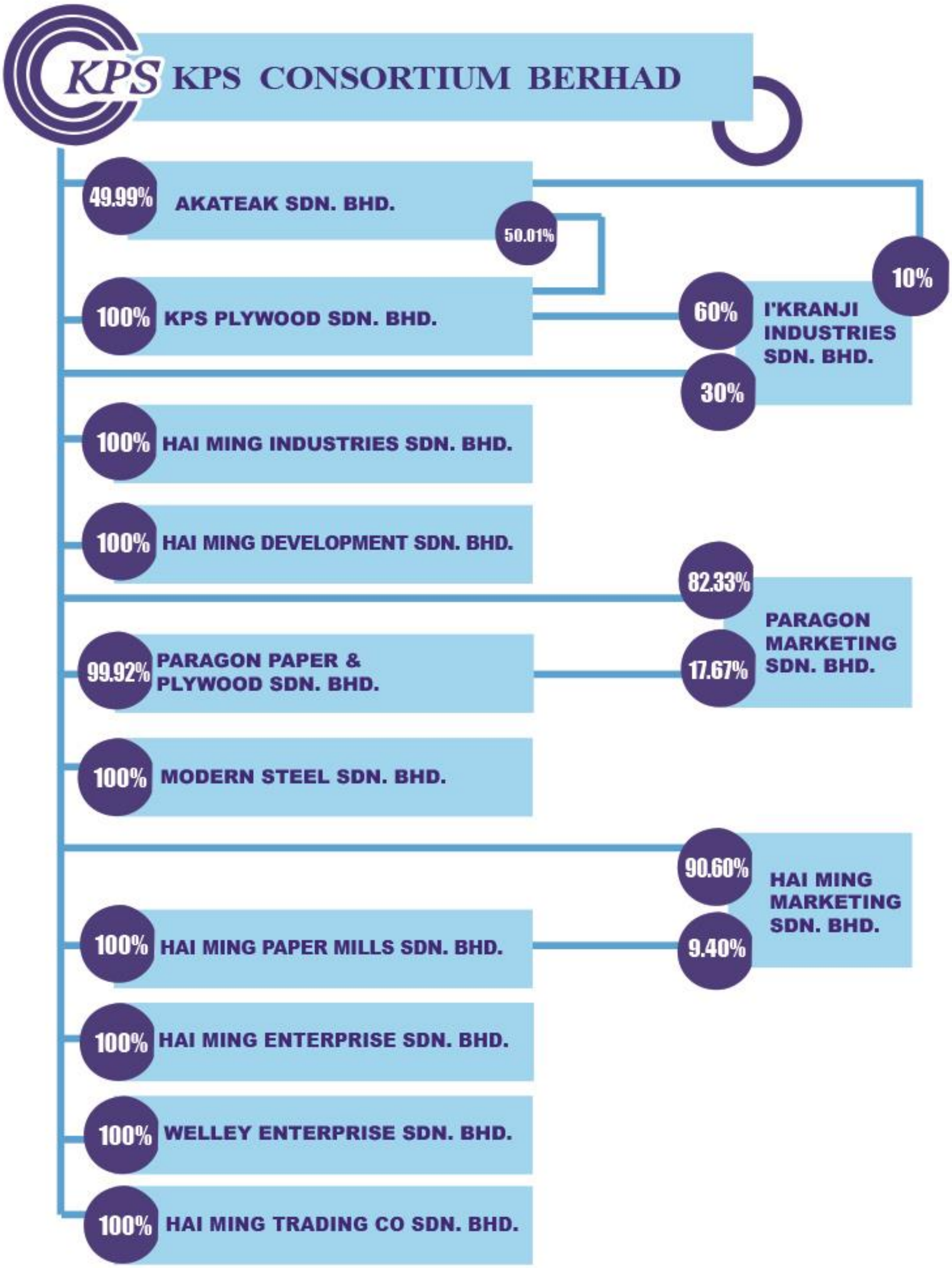
CORPORATE INFORMATION

BOARD OF DIRECTORS	Datuk Chua Hock Gee Non-Independent Non-Executive Chairman Lau Fook Meng Executive Director Tan Kong Ang Independent Non-Executive Director Lim Choon Liat Independent Non-Executive Director Hew Chee Hau Independent Non-Executive Director
COMPANY SECRETARIES	Lim Seck Wah (MAICSA 0799845) (SSM Practicing Certificate No. 202008000054) M. Chandrasegaran A/L S. Murugasu (MAICSA 0781031) (SSM Practicing Certificate No. 202008002193)
AUDIT COMMITTEE **Chairman** **Member** **Member**	 Hew Chee Hau Tan Kong Ang Lim Choon Liat
NOMINATION COMMITTEE **Chairman** **Member** **Member**	 Lim Choon Liat Tan Kong Ang Hew Chee Hau
REMUNERATION COMMITTEE **Chairman** **Member** **Member**	 Lim Choon Liat Tan Kong Ang Hew Chee Hau

CORPORATE INFORMATION (CONT'D)

REGISTERED OFFICE	Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Tel: (603) 26924271 Fax: (603) 27325388
PRINCIPAL PLACE OF BUSINESS	Lot 622, Jalan Lapis Dua, Kampung Sementa Batu 6, Jalan Kapar 42200 Klang Selangor Darul Ehsan Tel: (603) 32915566 Fax: (603) 32914489
REGISTRAR	Mega Corporate Services Sdn. Bhd. Registration No. 198901010682 (187984-H) Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Tel: (603) 26924271 Fax: (603) 27325388 Website: www.megacorp.com.my
AUDITORS	Grant Thornton Malaysia PLT (201906003682 & LLP0022494-LCA) (Member Firm of Grant Thornton International Ltd.) Chartered Accountants (AF 0737) Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Tel: (603) 26924022 Fax: (603) 27325119 Website: www.grantthornton.com.my
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad Main Market Stock Code: 9121
WEBSITE	http://www.kpsconsortium.com.my
E-MAIL ADDRESS	info@kpsconsortium.com.my

CORPORATE STRUCTURE



PROFILE OF THE BOARD OF DIRECTORS

At the date of this report, the Board of Directors of KPS Consortium Berhad ("KPSCB" or "the Company") comprises one (1) Non-Independent Non-Executive Chairman, one (1) Executive Director and three (3) Independent Non-Executive Directors.

The Board meets quarterly and additional Board Meetings are held as and when required. The Board met four (4) times during the financial year ended 31 December 2021.

Particulars of the Directors are as follows:-

DATUK CHUA HOCK GEE, male, Malaysian, age 61, was appointed as an Executive Director of KPSCB on 24 May 2014 and re-designated to Executive Chairman on 19 January 2015. On 4 April 2018, he was re-designated to Non-Independent Non-Executive Chairman. He obtained Diploma in Electrical Engineering from a Polytechnic.

From 1982 to 1984, he worked as Production cum Engineering Superintendent in United Malaysia Timber Products Sdn. Bhd. in Kemaman, Terengganu. He was in charge of planning of raw material, manpower requirements and monitoring all the maintenance and up-keep factory machinery.

Between 1985 and 1991, he joined Lion Group Berhad as Senior Project Executive and as Project Coordinator at Mechanical (M&E) Department. He was involved in vast projects including aquaculture project in Puchong, Selangor Darul Ehsan; Kuala Sedili, Johor; Kota Belut and Tawau, Sabah. He was also responsible in planning and executing overall mechanical and enginering renovation in Parkson Sg. Wang and Keramunsing, Sabah. He set up the preventive maintenance system in ASM Steel Mill Sdn. Bhd., Bukit Raja, Klang, Selangor Darul Ehsan.

From 1992 to 2004, he was appointed as an Executive Director of Syarikat CHG Plywood Sdn. Bhd., Syarikat Cheng Hin Timber Industry, Syarikat Galas Setia and OSK Timber Concession Sdn. Bhd. He was responsible in overall planning of the above companies operations which involved raw material, manufacturing and marketing. He was assigned to develop new products and explore into a new market sector. He was in charge in planning, searching and developing of alternative source of materials and mechanisation of process manufacturing.

From 2007 till to-date, he is an active member in the Palm Plywood Project Phase 1 and 2 funded by Levy Fund of Ministry of Plantation Industries and Commodity which is also directly involved. This project involved the collaboration of Malaysian Timber Industry Board ("MTIB"), Forest Research Institute Malaysia, Malaysia Palm Oil Board and Universiti Putra Malaysia ("UPM").

From 2011 until present, he is a consultant for JES Development Ptd. Ltd., Singapore involving in international timber products trading.

Datuk Chua attended all four (4) Board of Directors' Meeting held during the financial year ended 31 December 2021.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

LAU FOOK MENG, male, Malaysian, age 70, was appointed as an Executive Director of KPSCB on 19 September 2002. He is a Chartered Accountant. He obtained his Fellowship from the Institute of Chartered Accountant of England & Wales. Upon graduation, he joined Asiatic Development Berhad in 1981 as an Accountant until 1983. In 1984, he joined Unico Holdings Berhad as the Group Accountant and left in 1992. From 1993 to 2002, he was the General Manager of Nichmurni Sdn. Bhd.

Mr. Lau attended all four (4) Board of Directors' Meeting held during the financial year ended 31 December 2021.

TAN KONG ANG, male, Malaysian, age 62 was appointed as an Independent Non-Executive Director of KPSCB on 26 May 2009. He has been a Member of Chartered Institute of Marketing UK for more than 20 years.

He has more than 27 years of working experiences in sales, marketing, purchasing, operation, administration and management. He possesses extensive working experiences in the textile industry, electrical and electronic, agencies house, wholesaler, retailer, distributor, oil and gas, hardware, building material, chemical, steel industry, financial products, life and general insurance organisations.

He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Tan attended all four (4) Board of Directors' Meeting held during the financial year ended 31 December 2021.

LIM CHOON LIAT, male, Malaysian, age 61 was appointed as an Independent Non-Executive Director of KPSCB on 26 May 2009. He has a Bachelor of Science (Forestry) and M.Sc. (Wood Industries Management) from Faculty of Forestry of UPM in Serdang, Selangor Darul Ehsan.

Between 1986 and 1991, he worked as a Technical Training Officer at Malaysian Timber Industry Board ("MTIB"), Ministry of Primary Industries. Subsequently, he was appointed as the Executive Director in Furnicom Machinery Sdn. Bhd, Camycom Sdn. Bhd. and Camycom Engineering Sdn. Bhd. from 1991 to 1995.

From 1995 to present, he is the Managing Director of Bonaprimo Resources Sdn. Bhd., a woodworking machinery business and consultancy services in the furniture industries. He is also an Associate Senior Consultant of Sage Forestry & Timber Consultants Sdn. Bhd. He is involved in providing consultancy services for Pengurusan Danaharta, in assessing the assets of failed furniture companies with non-performing loans and in the study for Malaysian Investment Development Authority on the Impact of ASEAN Free Trade Area and ASEAN Investment Area on the wood/cane/ bamboo-based industry in Malaysia. Up to date, he has authored two books related to the supply of raw materials and wood-based panels industry in Malaysia, and also a series of articles in scientific and trade journals.

Mr. Lim Choon Liat is the Chairman of the Nomination Committee and Remuneration Committee. He is also a member of the Audit Committee.

Mr. Lim attended all four (4) Board of Directors' Meeting held during the financial year ended 31 December 2021.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

HEW CHEE HAU, male, Malaysian, age 45 was appointed as an Independent Non-Executive Director of KPSCB on 10 December 2020. He has a Degree of Accounting from University of Malaya and a Member of Malaysian Institute of Accountants.

Mr. Hew Chee Hau is a Chartered Accountant. He is a Managing Director for various companies providing accounting, tax advisor, corporate secretarial and corporate advisory services. He also serves as corporate advisor and strategic partner in financial and strategic planning to propel execution of growth strategies in several businesses in Malaysia for more than 10 years.

Mr. Hew Chee Hau is the Chairman of the Audit Committee. He is also a member of the Nomination Committee and Remuneration Committee.

Mr. Hew attended all four (4) Board of Directors' Meeting held during the financial year ended 31 December 2021.

Note:

All the above-named Directors of the Company have no family relationship with any director or major shareholder of the Company; and have not been convicted of any criminal offences within the past five (5) years (other than traffic offences, if any) and do not have any conflict of interest in the Company.

PROFILE OF KEY SENIOR MANAGEMENT

LAU FOOK MENG

Malaysian, male, age 70

As detailed on Page 6 - Profile of The Board of Directors in this Annual Report.

LOW TECK CHEONG

Malaysian, male, age 59
Qualification: Diploma in Business Administration

Mr. Low Teck Cheong joined Hai Ming Industries Sdn. Bhd. on 15 June 2009 as General Manager. He has been working with KPSCB group for more than twelve (12) years. He is a Director to the Board of the subsidiaries of KPSCB since 2015 namely, Hai Ming Industries Sdn. Bhd., Hai Ming Paper Mills Sdn. Bhd. and Hai Ming Trading Co. Sdn. Bhd. where he is in charge of paper converting division and other trading divisions.

He does not have any family relationship with any director or major shareholder of KPSCB group.

He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) and does not has any conflict of interest in the Company.

KOH KOK HOOR

Malaysian, male, age 37
Qualification: Secondary school education

Mr. Koh Kok Hoor has been working with KPSCB group for more than sixteen (16) years. He is a Director to the Board of subsidiaries of KPSCB since 2004. He is in charge of purchasing and marketing in the building materials division.

Mr. Koh Kok Hoor is the son of Mr. Koh Poh Seng, the major shareholder of KPSCB group.

He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) and does not has any conflict of interest in the Company.

YONG CHEE WEI

Malaysian, male, age 40
Qualification: Higher National Diploma in Mechanical Engineering, UPM

Mr. Yong Chee Wei worked in a Taiwanese company as Assistant Production Manager for eight (8) years. He joined KPS Consortium Berhad group since 2010. He is a Director of Hai Ming Development Sdn. Bhd., Hai Ming Marketing Sdn. Bhd. and Modern Steel Sdn. Bhd.. Currently, he oversees Paragon Paper & Plywood Sdn. Bhd., I'Kranji Industries Sdn. Bhd. and Hai Ming Trading Co. Sdn. Bhd..

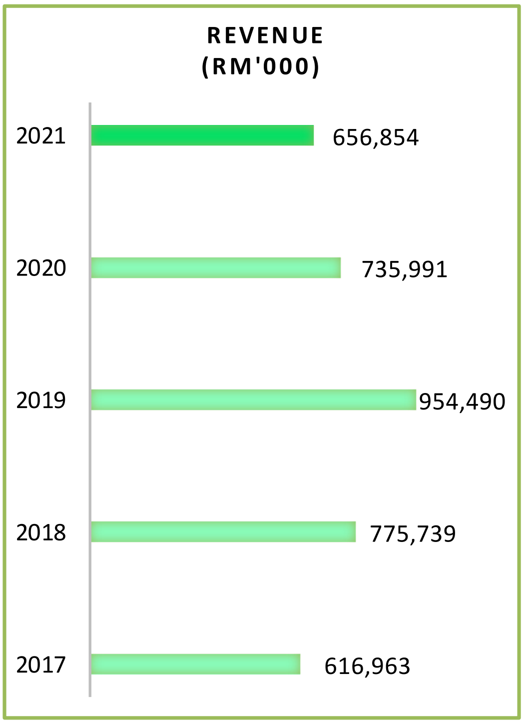
Mr. Yong Chee Wei is the son-in-law of the major shareholder of KPSCB group.

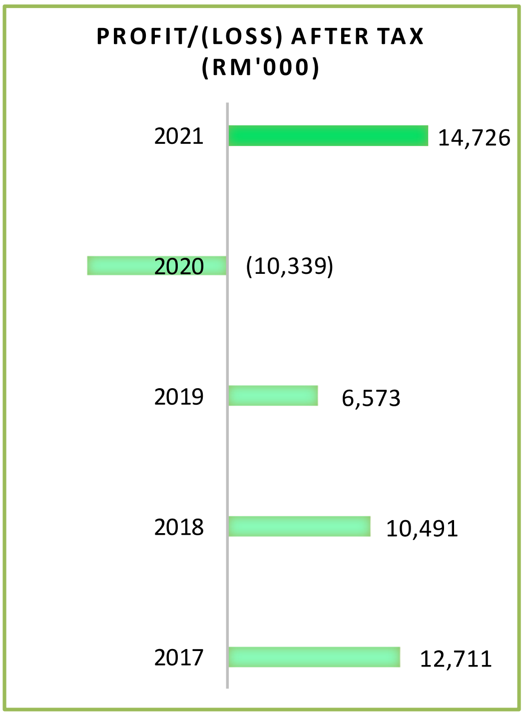
He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) and does not has any conflict of interest in the Company.

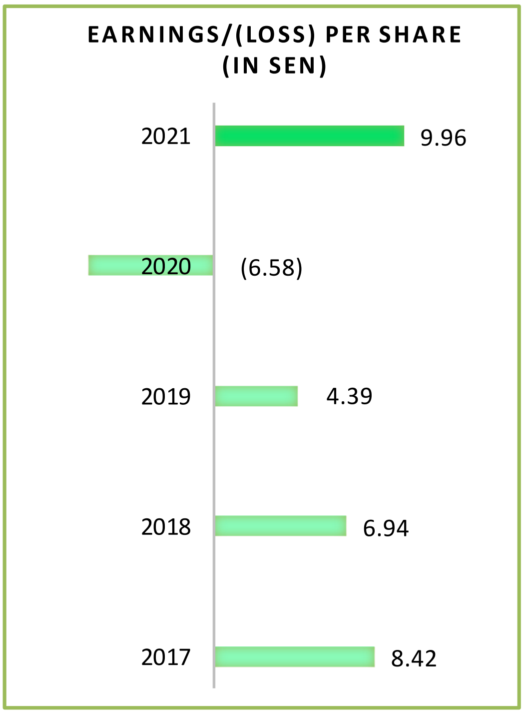
5-YEAR GROUP FINANCIAL HIGHLIGHTS

In RM'000	2021	2020	2019	2018	2017
Revenue from continuing operations	656,854	735,991	954,490	775,739	616,963
Profit/(Loss) from continuing operations before tax	18,460	(6,520)	8,627	15,539	17,591
Profit/(Loss) from continuing operations after tax	14,726	(10,339)	6,573	10,491	12,711
Total comprehensive income/(loss) for the financial year	14,726	(10,339)	6,722	10,491	12,711
Total comprehensive income/(loss) attributable to owners of the Company	14,726	(9,732)	6,634	10,258	12,447
Total assets	536,206	491,949	553,305	581,408	488,748
Equity attributable to owners of the parent	276,541	261,349	271,081	264,447	255,846
In RM **Net assets per share**	1.87	1.77	1.83	1.79	1.73
In Sen **Earnings/(Loss) per share**	9.96	(6.58)	4.39	6.94	8.42

5-YEAR GROUP FINANCIAL HIGHLIGHTS (CONT'D)







MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors, we are pleased to present the Annual Report and Audited Accounts of the Group and of the Company for the financial year ended ("FYE") 31 December 2021.

Financial Performance Review

Operating Results

For the FYE 31 December 2021, Group's turnover was RM656.8 million (2020: RM735.99 million). We recorded after-tax profit of RM14.7 million as compared to after-tax loss of RM10.3 million in the previous year.

At Company level, turnover due to inter company billings of management fees RM0.26 million (2020: RM0.26 million and loss after tax of RM0.9 million (2020: loss after tax of RM1.8 million).

Business Review by Operating Segments

The Group's performances are explained under the various activity reports below:-

Paper Milling

This division's operations registered external revenue of RM24.8 million (2020: RM26.97 million) and loss after tax of RM1.77 million (2020: loss of RM4.31 million).

There reduction on loss after tax for FYE 2021 as compared to FYE 2020 was mainly due to factory reducing normal 24 hours operations to operating at night, reducing workers by more than 50 percent for the last quarter due to covid-19 shutdown and resulting in economic slowdown. Operations have resumed to normal hours in 2022.

Paper Converting and Trading of Woodfree Paper

This division recorded turnover of RM135.9 million as compared to RM118.5 million previously. This division recorded a loss after tax of RM0.23 million (2020: loss after tax of RM4.34 million).

The reduction of loss in FYE 2021 was due to lower net impairment loss on financial asset of RM1.13 million (2020: RM2.76 million) and inventories written down of RM1.15 million (2020: RM0.93 million).

Plywood and Building Materials Trading and Timber Manufacturing

The Plywood and Building Materials Division registered lower turnover of RM487.5 million (2020: RM553.58 million) and operating profit after tax of RM15.15 million compared to RM1.31 million.

The better profits achieved was due to higher profit margins compared to previous year, net impairment gain on financial assets of RM3.77 million (2020: net impairment loss on financial assets of RM4.13 million).

This sector is susceptible to economic cycle to housing activities affected by the current covid pandemic. Management continues to be on cautious positive view for the coming year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Property Development and Construction

This division recorded turnover of RM4.2 million as compared to RM32.7 million previously. This division recorded a loss after tax of RM1.81 million (2020: loss after tax of RM3.11 million). 2020 revenue include property development which was completed in 2019.

Others – trading of paper products and general household products, property, insurance agency

Turnover for this division was RM4.5 million for the FYE 2021 compared with RM4.3 million in FYE 2020. This division made a gain after taxation of RM0.20 million compared with loss after tax of RM0.06 million for the FYE 2020.

Dividend

The Board does not recommend for dividend payment.

Outlook and Prospects

The government in tabling the Budget for 2022 is expected to record high fiscal spending and is expected to cushion the covid 19 impact on businesses and households and provide to economic recovery. The broader opening of the domestic economy and Malaysian boarders will support growth momentum going into 2022.

Acknowledgement

The last few years have proven the resilience of the Company and I would like to thank the shareholders for their unwavering support so far.

We accord gratitude to our customers and business associates for their unwavered support throughout the difficult times of the last few years.

Finally and above all, the Board wishes to offer out heartfelt thanks to all our staff for their dedication and loyalty over the past year and their steadfastness and resilience in facing the new challenges.

Datuk Chua Hock Gee
Chairman of the Board
Non-Independent Non-Executive Chairman

SUSTAINABILITY STATEMENT

ABOUT THIS REPORT

This Sustainability Statement published by KPS Consortium Berhad ("KPSCB") or ("the Group") for the financial year ended 31 December 2021. All financial amounts stated in the statement is denominated in Ringgit Malaysia ("RM") unless otherwise stated.

SUSTAINABILITY STATEMENT

KPSCB firmly believes that economic, social and governance ("ESG") and corporate governance are at the core of a sustainable business, and we are committed to embedding sustainability in our business operations, culture and to ensuring we practice sustainability at every business aspects of our level of operations.

In this report, we intend to provide our stakeholders with reliable ESG information in relation to our Group's business activities. Since this is our third Sustainability Report for the financial year ended ("FYE") 2021, we remain committed to accomplishing and executing our business strategy in line with the ESG targets as sustainability is a necessary and continuous commitment by the Group and its leadership.

SCOPE OF PERIOD

The scope of our Sustainability Statement covers the period from 1 January 2021 to 31 December 2021. The policies and strategies discussed throughout this Report are engaged by the Group unless otherwise specified.

OUR SUSTAINABILITY APPROACH

Our sustainability approach integrates several business segments as part of our sustainability reporting. The graph below depicts the various business segments.

SUSTAINABILITY STATEMENT (CONT'D)

OUR REPORTING BOUNDARIES

The sustainability information contained in the Report covers the performance of the following Group assets unless otherwise indicated in the text of the Report.

Assets included in the Report boundaries

Segment	Company (reference in the Report)
Building materials	Welley Enterprise Sdn Bhd Akateak Sdn Bhd Hai Ming Enterprise Sdn Bhd Modern Steel Sdn Bhd KPS Plywood Sdn Bhd I'Kranji Industries Sdn Bhd
Paper converting	Hai Ming Industries Sdn Bhd
Paper milling	Paragon Marketing Sdn Bhd Hai Ming Paper Mills Sdn Bhd Paragon Paper & Plywood Sdn Bhd
Property development and construction	Hai Ming Development Sdn Bhd
Other trading	Hai Ming Trading Co. Sdn Bhd Hai Ming Marketing Sdn Bhd

Manufacture of various types of tissue paper and tissue related products.

PAPER MILLING

Distributor and retailer of wooden doors, plywood and related building materials.

BUILDING MATERIALS

Converting of paper into related products and trading in paper related products.

PAPER CONVERTING

What we produce

Providing management services, investment holding and dormant companies.

INVESTMENT

Undertakes the development of factories and construction activities.

PROPERTY DEVELOPMENT & CONSTRUCTION

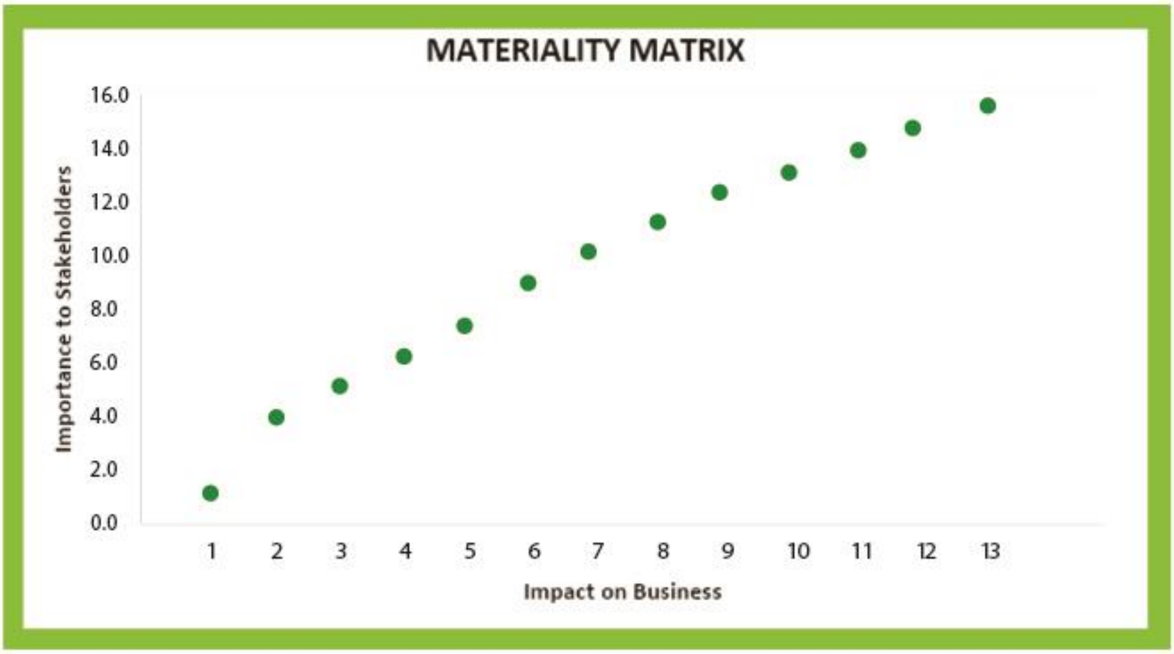
Trading in paper, paper products, stationery, general household products, and other unclassified companies of diversed activities.

OTHER TRADING

SUSTAINABILITY STATEMENT (CONT'D)

IDENTIFICATION OF MATERIAL TOPICS

The Group conducted a materiality assessment to select topics that mattered most to the business for inclusion in the Report. Based on a simple survey, the material topics are listed as shown below.



Category	Number	Topic
Economic	1	Economic Performance
	2	Anti-Corruption
	3	Procurement Impacts
Environment	4	Energy
	5	Water
	6	Emissions
	7	Effluents and Waste
	8	Environmental Compliance
Social	9	Employment
	10	Occupational Health and Safety
	11	Training and Education
	12	Diversity and Equal Opportunity
	13	Local Communities

SUSTAINABILITY STATEMENT (CONT'D)

STAKEHOLDERS ENGAGEMENT

KPSCB involved with various stakeholders as the business activities conducted by the Group are in broad range of global businesses from trading of plywood and building materials, manufacturing of tissue papers and tissue related products and trading in paper products, stationery and household products and property development. Our engagement with our stakeholders is important to us because we strive to meet the needs of our stakeholders.

Diagram 1 below depicts the relationship between our stakeholders and our engagement methods with them. KPSCB has put in place measures to respond to the diverse expectations and requirements of each stakeholder while facilitating good communication not only on a daily basis in business activities but also takes advantage of various other opportunities.

Diagram 1 : Relationship between Stakeholders Engagement

STAKEHOLDERS ENGAGEMENT (CONT'D)

Employees and Families

KPSCB believe establishing and providing a healthy working environment where people can work safely. We respect human rights without any discrimination, equally and fairly evaluating personnel, and establishing educational systems able to drive and improve skills.

We also carrying on a dialogue between management and employees via townhall session.

Customers' Engagement

We believe customers' engagement is important. KPSCB conducts comprehensive efforts in ensuring we supply customers' quality products and ensuring our products are safe to use.

We conduct annual survey once a year to understand the needs of our customers as well as to gather information required to ensure we can meet today's challenges and to ensure we stay relevant, despite the growing environmental concerns in our business. Given the pandemic situation, KPSCB has kept customers engagement to the minimum and has not allowed any unnecessary physical visits to the premises.

Local Community

KPSCB recognizes the importance of the local community in business dealings and sustaining the local community through job creations.

Environment Engagement

As a socially responsible Company, KPSCB endeavours to procure from identifiable sources for our plywood and as well as other trading materials.

Business Partners/Suppliers Engagement

We source from credible suppliers who have undergone the necessary certifications to ensure our timbers are source from sustainable forest management and timber procurement. We believe initiatives are also necessary to respond to risk elements that include the laws in each country and the various regulations related to illegal logging.

These efforts strengthen our business foundation by promoting the preservation, development, and planting of forests as well as effectively using limited global resources such as the active use of timber cut from forests that have been source legally. We strive to ensure all our procurements have the Certificate Chain of Custody and our timbers are legally sourced.

Shareholders and Investors

In recent years, institutional investors have shifted the way to evaluate a company. One emphasis from this perspective of evaluation is engagement. The dialogue between companies and their shareholders as well as investors is growing in terms of strategies and efforts to improve corporate value. Trends to promote even broader engagement are growing after the recent amendments for companies to comply with Sustainability Statements.

KPSCB group places great importance on engagement from the perspectives of properly assessing the corporate value and earning trust from the market. The Group discloses a wide range of information, including non-financial information, in a timely and transparent manner to facilitate understanding among stakeholders of our management policies and business strategies, while regularly feedback the opinions and requirements of investors who are a vital stakeholders into operations to put in place measurement toward sustainable growth.

STAKEHOLDERS ENGAGEMENT (CONT'D)

Stakeholder group	Frequency and type of engagement	Topics of concern	How we manage the issue
Customers (Existing and potential)	Frequency: Ongoing Type: Awareness program, One to one engagement, Marketing materials	• Quality of product • Late delivery • Product defects • Re-engage with customers and avoid repetition of mistakes • Product prices and values	• Quality management system • Competitively price against our competitors • Quality assurance and reunion program
Employees	Frequency: Regular, ongoing Type: Knowledge sharing sessions, Internal customer engagement programme, Internal customer satisfaction survey, Innovation Accelerator Programme	• Well-being of the company and job security • Staff welfare and benefits • Safety environment at work • Work competency	• Staff engagement programmes • Implementation of Environment, Safety & Health programmes involving employees • Training when required
Suppliers	Frequency: Occasional Type: Performance review meetings, workshops, coaching for compliance	• Compliance issues • Tender prices and payments • Cost efficiency and introduction of products • Workers quarters	• Constant and regular communications • Process improvement • Engage and share concerns with relevant parties
Investors and financiers	Frequency: Annual, quarterly Type: Annual general meeting, quarterly results announcement, press conference, targeted briefing, meetings	• Legal compliance • Financial performance at expense of environmental/social well-being • Business risks • Soft market conditions • Negative public perception	• Engagement with investors & sharing of strategy • Rolling out diversified affordable products
Business partners	Frequency: Ad hoc Type: Meetings, discussions, functions, product launches	• Payment • Terms of reference (TOR) • Appraisal • Human rights	• Standard Operating Procedure ("SOP") • Proper SOP for monitoring and tracking
General public	Frequency: Ad hoc Type: Dialogue, meetings, engagement	• Environmental impact to communities	• Engage with experts and explain via reporting, environmental conservation activities (e.g., tree planting)
Governments and regulators	Frequency: Ad hoc Type: Meetings, pre-consult submission, periodical monitoring reporting	• Customer rights • Compliance	• Responsible reporting and marketing communications • Monitoring of compliance (e.g., legal checklist)

AN OVERVIEW OF THE MATERIAL ASSESSMENT

In view of the vast diversify of KPSCB business segments, we will define our scope of work within the trading of building materials segment. For this financial year scope of work, we assess based on the following materials assessments.

MATERIALS ASSESSMENT

ECONOMIC

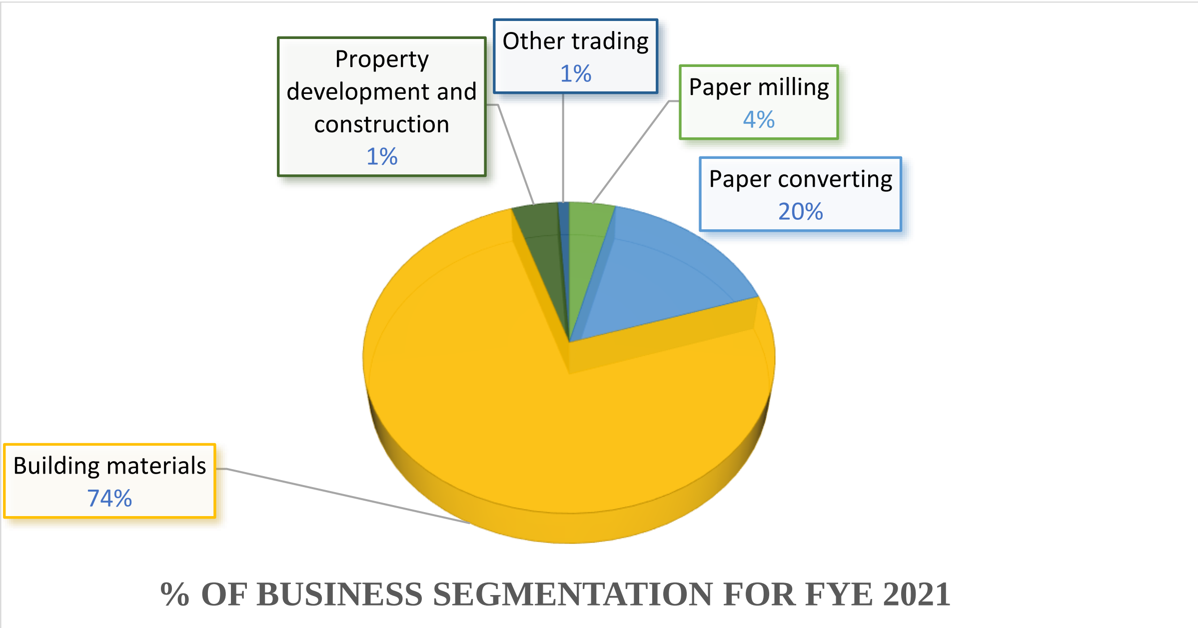
Financial Performance

As per our scope of work, we will segregate the financial performance into six (6) different separate business segments or divisions. KPSCB primarily focus on trading of plywood and related wood products and building materials, trading in paper products, stationery and household products, manufacturing of tissue papers and tissue related products and trading in building materials.

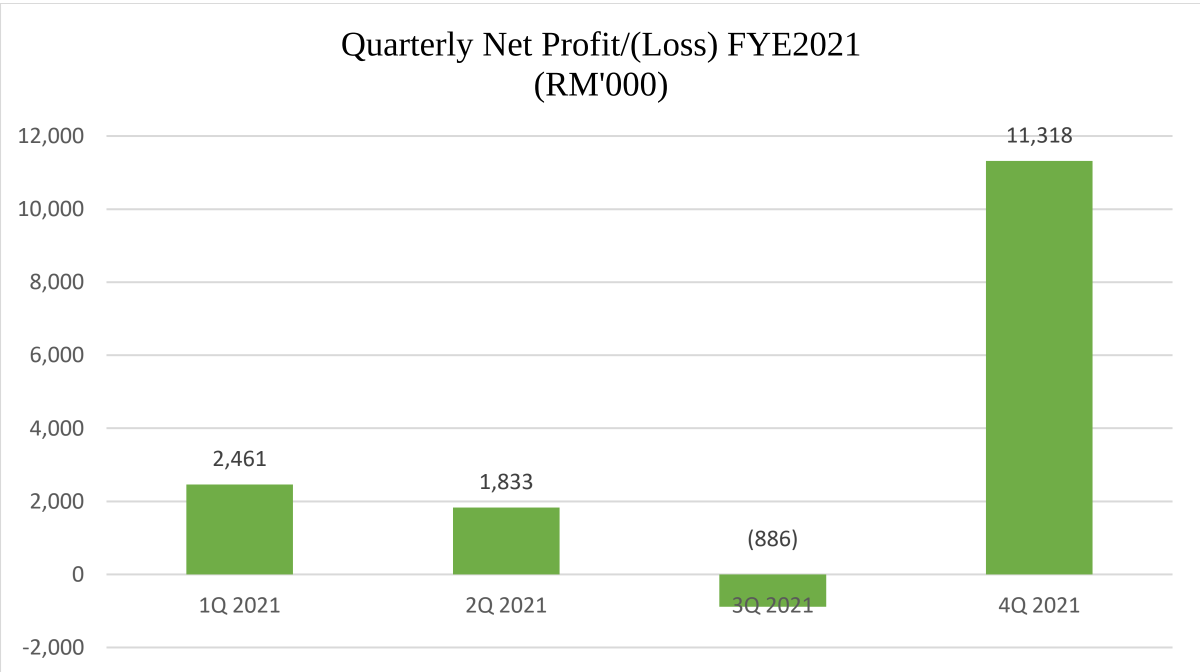
ECONOMIC (CONT'D)

Financial Performance (Cont'd)

Most notably, trading of Building Materials division represents the highest contribution to the revenue. Based on the chart below, trading of Building Materials division represents 74% of the total revenue for the FYE 2021.



Graphs for Quarterly Net Profit/(Loss)

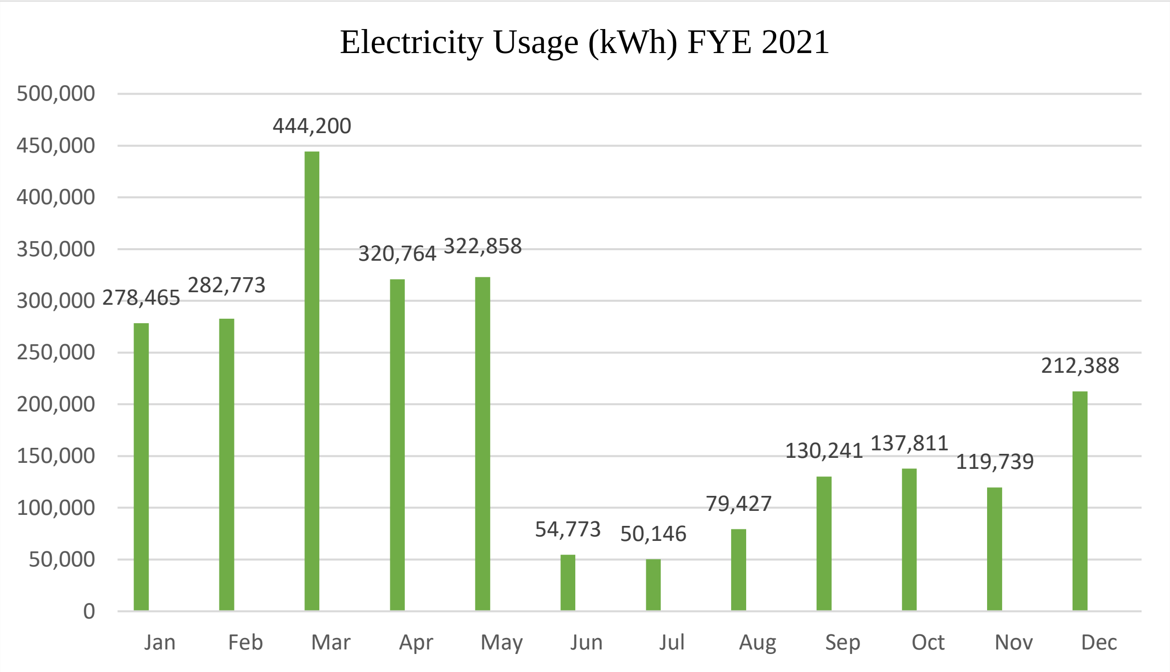


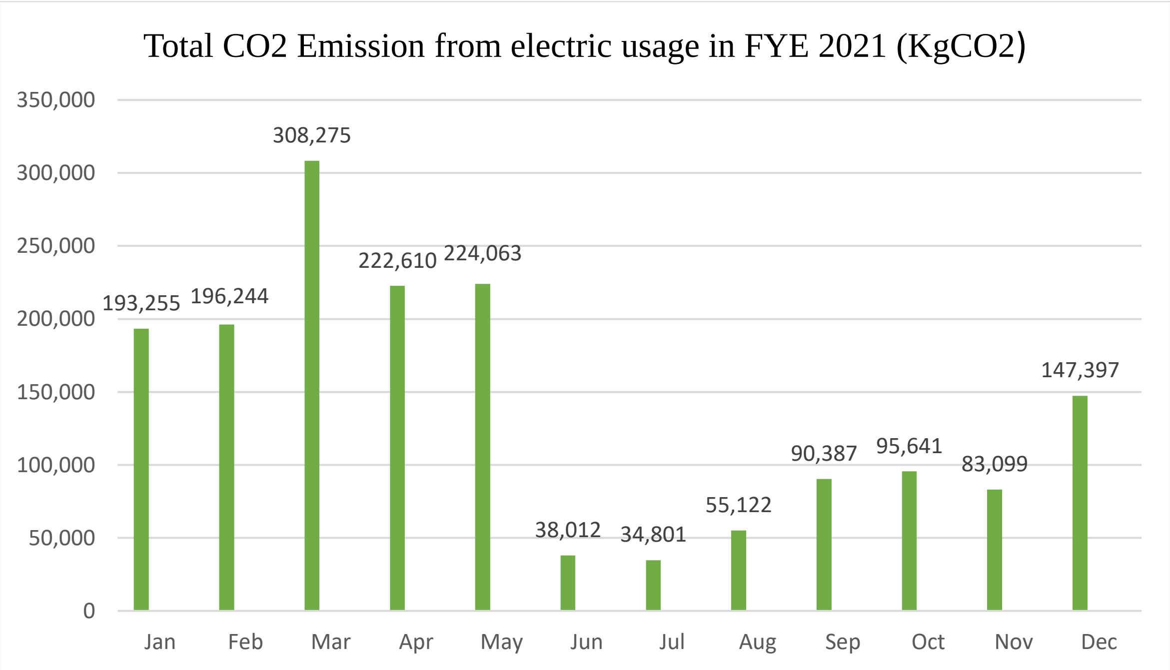
SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENT ASSESSMENT

Electricity and Water Process

To produce and generate waste paper, we generate almost 2,433,585 kWh of electricity and contributed almost 1,688,906 kgCO2 during the FYE 2021. This amount is equivalent to about 43,305 trees to be planted in order to absorb the amount of CO2 generated.

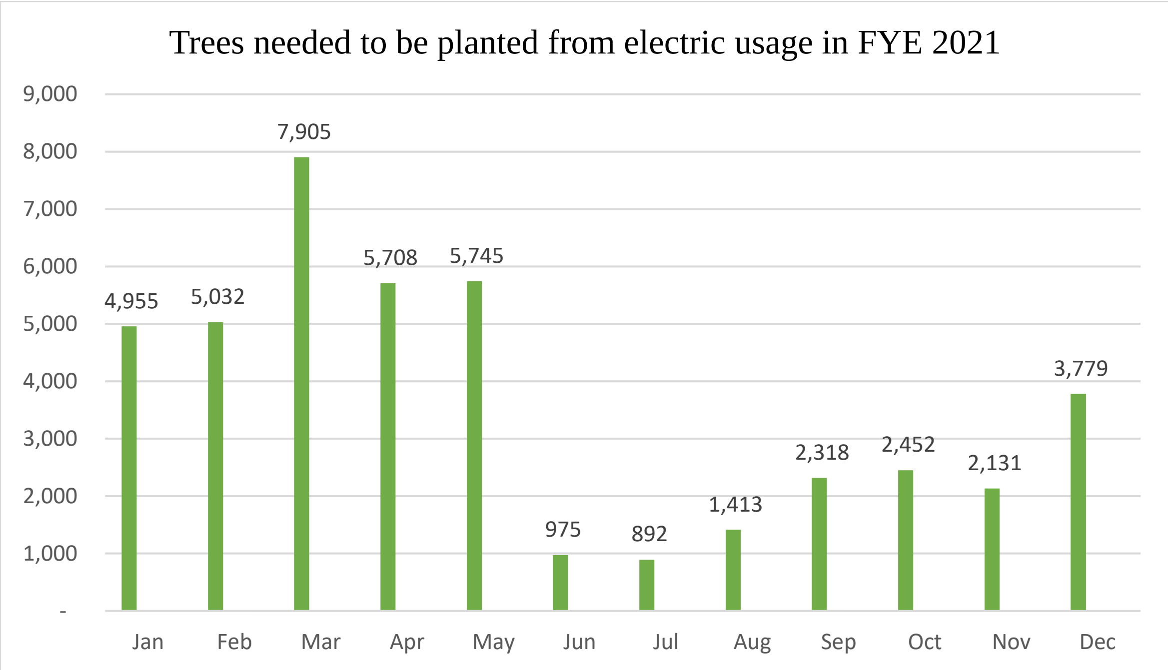




SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENT ASSESSMENT (CONT'D)

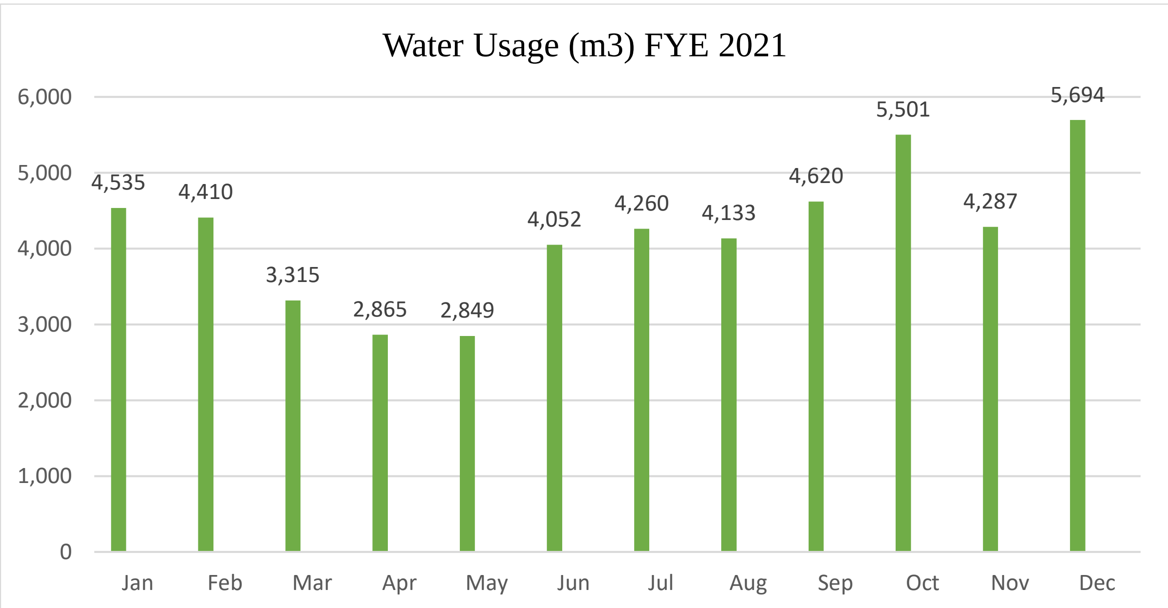
Electricity and Water Process (Cont'd)



Based on the figure above, KPSCB will endeavour to have a positive impact to reduce the amount of electricity consume and to have the KPI set to have more recycle waste papers.

To achieve our KPI to have zero trees to be replanted, KPSCB will endeavour to work on methods in reducing consumption of electricity purchase.

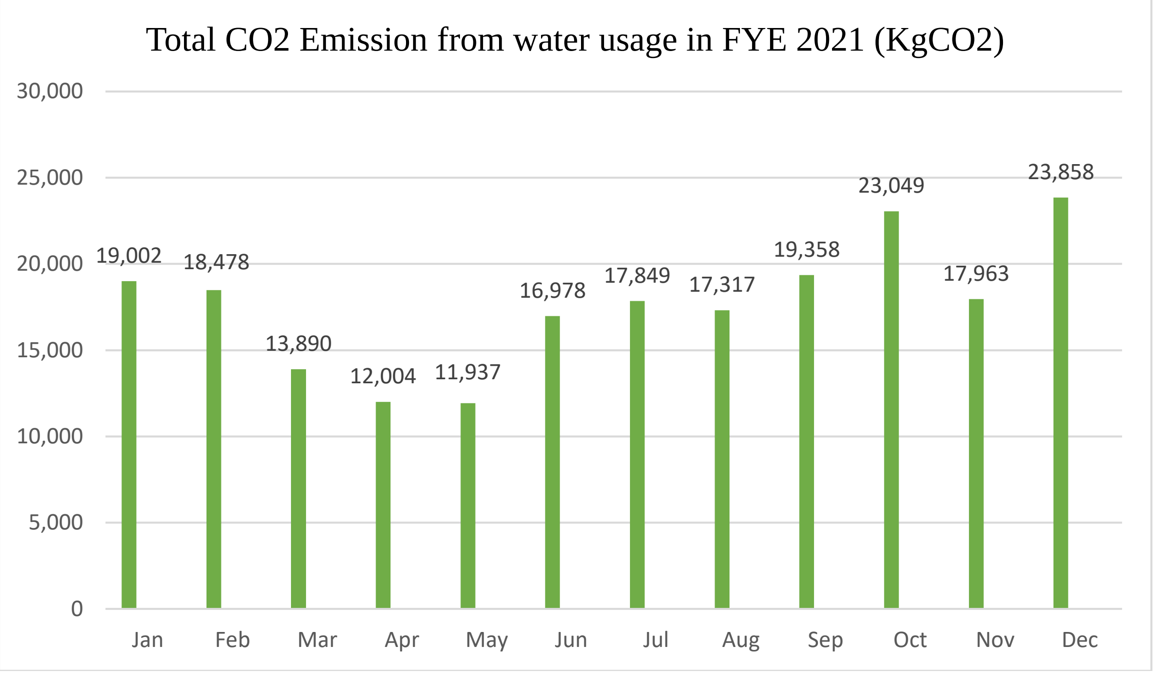
Apart from the energy, Paragon Paper & Plywood Sdn. Bhd. has also adopted recycling of water in its production process. However, for this financial period, we are not able to ascertain the amount of water recycle but we will endeavour to include into our next sustainability report for the following year.

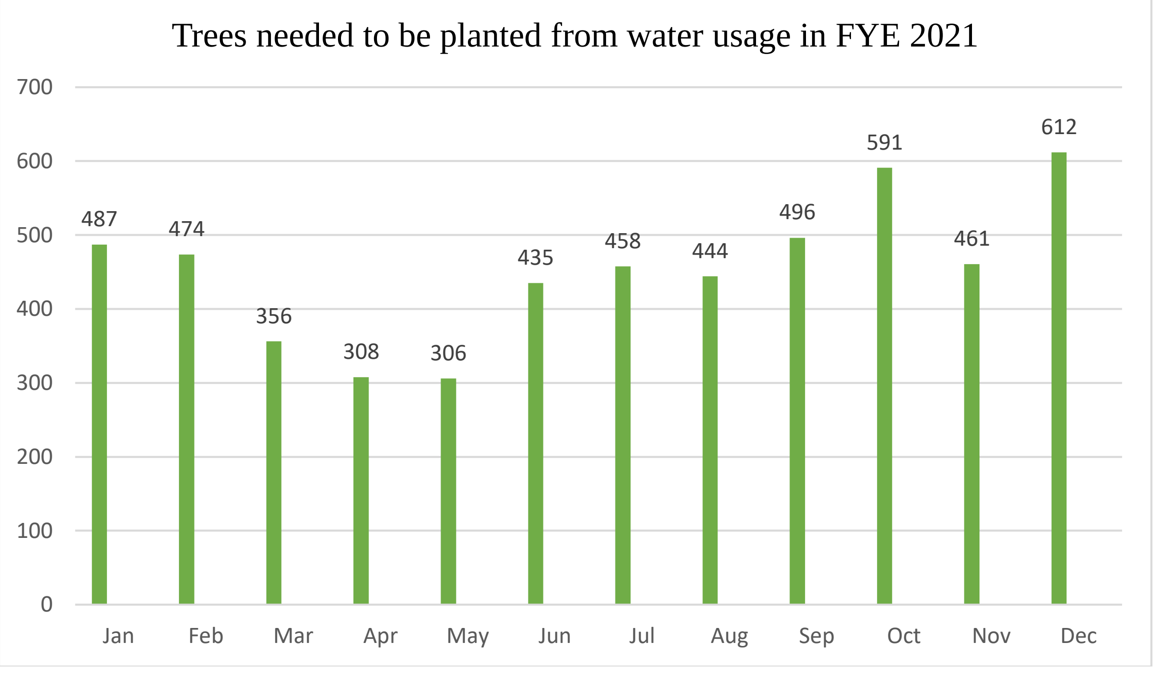


SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENT ASSESSMENT (CONT'D)

Electricity and Water Process (Cont'd)





WORKPLACE

KPSCB practices fair employment practices and has adopted the following practices as listed below.

Fair Employment Practices

In addition to develop a healthy and safe workplace, we strive to provide our employees a diverse and inclusive working environment where their human rights are respected. In upholding human rights of our employees and to prevent human rights violations, we have to put in place policies and procedures to ensure a healthy, safe and secure workplace.

The following are the key policies and measures enshrined in our Code of Ethics (dos and don'ts) policy statement as well as our employee handbook.

a. Equal Employment Opportunity

In the appointment and recruitment process of KPSCB, we pride ourselves in being an employer that provides equal opportunities and continuously seek to promote it regardless of religious belief, age, creed, marital status, gender, family status or any disability. Our commitment in that respect applies to all areas of the working environment for all the employees.

b. Workforce Diversity

We believe in keeping one of our key stakeholders, i.e., our employees engaged with the aim to bring forth their full potential and enabling a satisfying career for each of them. At the same time, we are inclusive and mindful to encourage balanced participation of female employees in our business. We continue to promote and attract talents from the local community or within the same state which we operate in. We are proud to contribute to the local economies by creating employment in the locality in which we operate, majority of our office staff coming from the local communities.

c. Adherence to Minimum Wages

We observe the Minimum Wages Order 2012 and its subsequent amendments and annoucements by the government.

d. Prohibition of Harassment

We are committed to provide a working environment which is conducive, safe and free of any form of harassment and unlawful discrimination. The Group views sexual harassment as a serious violation of our rules and regulations and work values. To prevent discrimination, we have a sexual harassment policy and a grievance procedure available to all and we ensure that employees are briefed on these policies.

During the reporting period, there were no recorded instances of discrimination. Any employee found guilty of such misconduct will be subject to disciplinary actions that may include dismissal.

e. Prevention of Child Labour

We observe Children and Young Persons (Employment) (Amendment) Act 2010. We employ only those 18 years and above in our recruitment exercise. This is in line with the policies of the international labour organisation.

WORKPLACE (CONT'D)

Fair Employment Practices (Cont'd)

The following are the key policies and measures enshrined in our Code of Ethics (dos and don'ts) policy statement as well as our employee handbook. (Cont'd)

f. **Employees' Benefits and Compensation**

We value the contributions of our diverse employees and continuously attract talents to join us by providing a supportive working environment as well as development opportunities. We provide an integrated welfare system and treat all employees equally on all of our sites.

The Group complies with the various local statutory requirements and regulations on wages and benefits such as minimum wages order, employees' provident fund and social security contributions.

Other employee welfare bonuses include travel allowance, subsidies for hospitalisation and surgical insurance coverage and group personnel accident insurance, communications expenses, uniform and personal protective appliances, application of residence permits for current employees, staff compensation leave, festive gifts and events. This is to express our Group's commitment for optimal work-life integration and personal effectiveness.

g. **Training and Development**

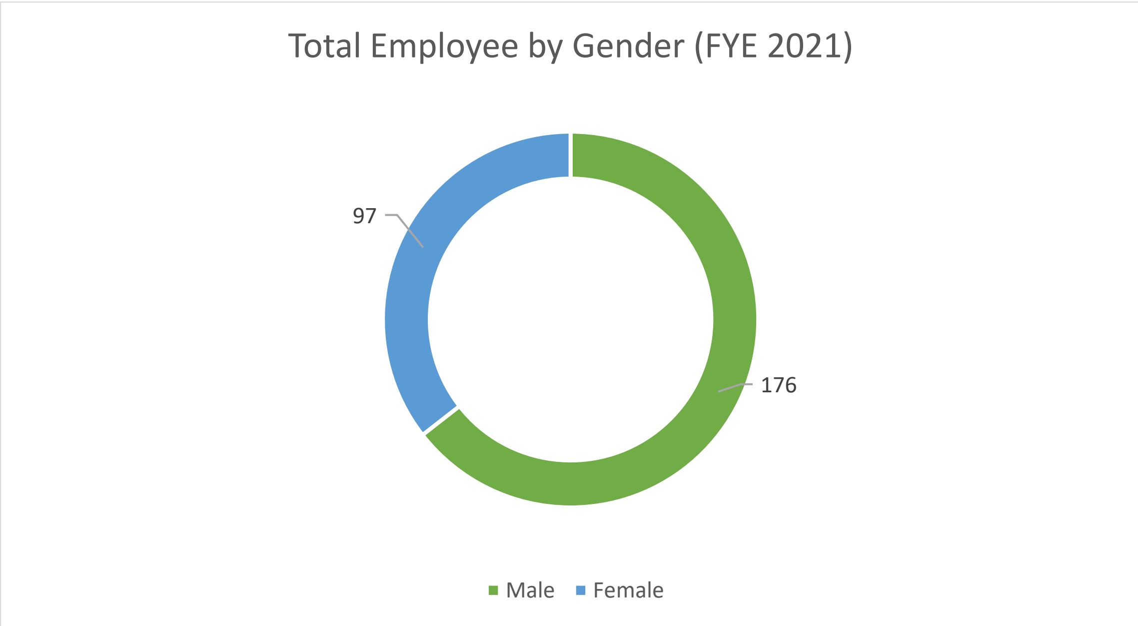
In building a strong workforce, we are committed to provide an environment for our employees to enhance their skills and knowledge within the industry. This will benefit not only the personal growth and development of our employees but also the company's growth as a whole.

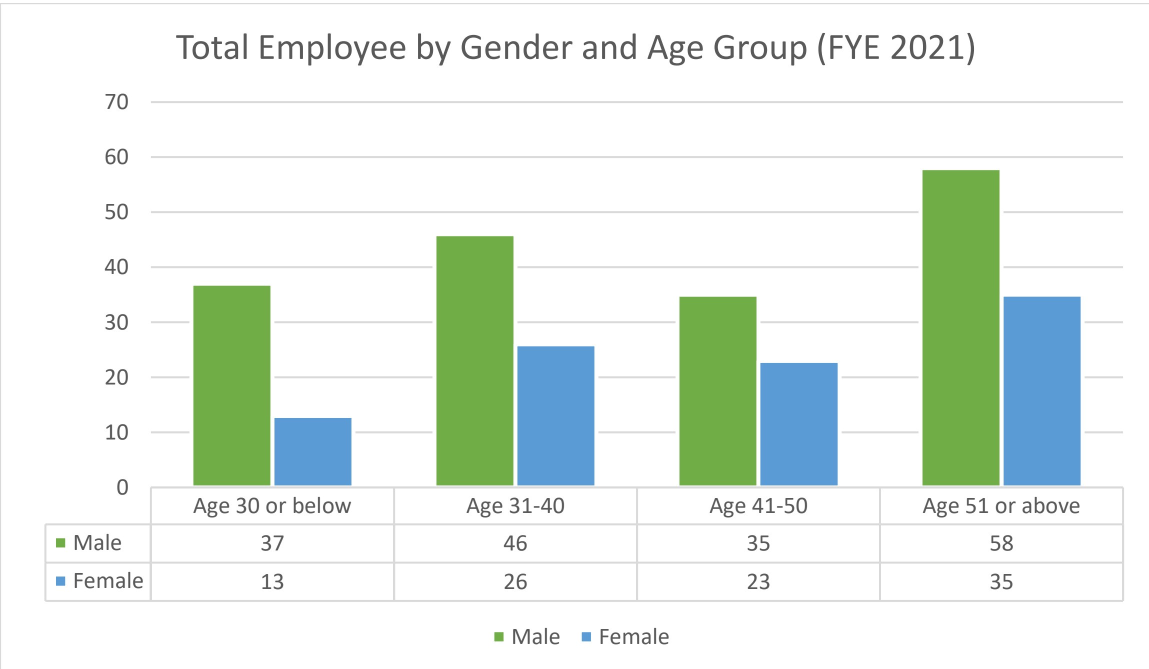
Training is also very important to ensure that our employees have the required competencies to perform their work and deliver their best output. We encourage our employees to expand their knowledge and to foster personal growth and development by taking on new roles and responsibilities.

WORKPLACE (CONT'D)

Diversity

KPSCB will endeavour to provide more employment opportunities for local workers as well as to provide the necessary training to upgrade the skills of local workers. 64.5% of the employees are male, due to nature of work which required much physical strength.

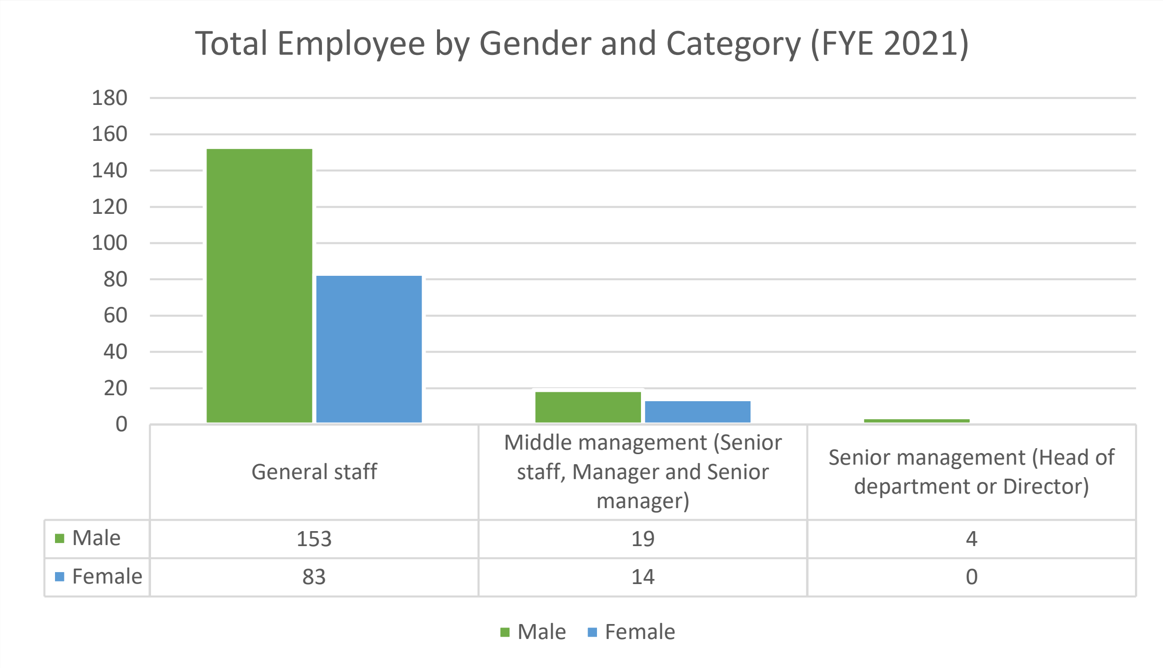




34% of total employees are aged 51 and above. The Group may want to consider creating mentor-mentee programme to transfer knowledge and experiences to the new hires or younger employees, as this group may have amassed these through their time spent with the company.

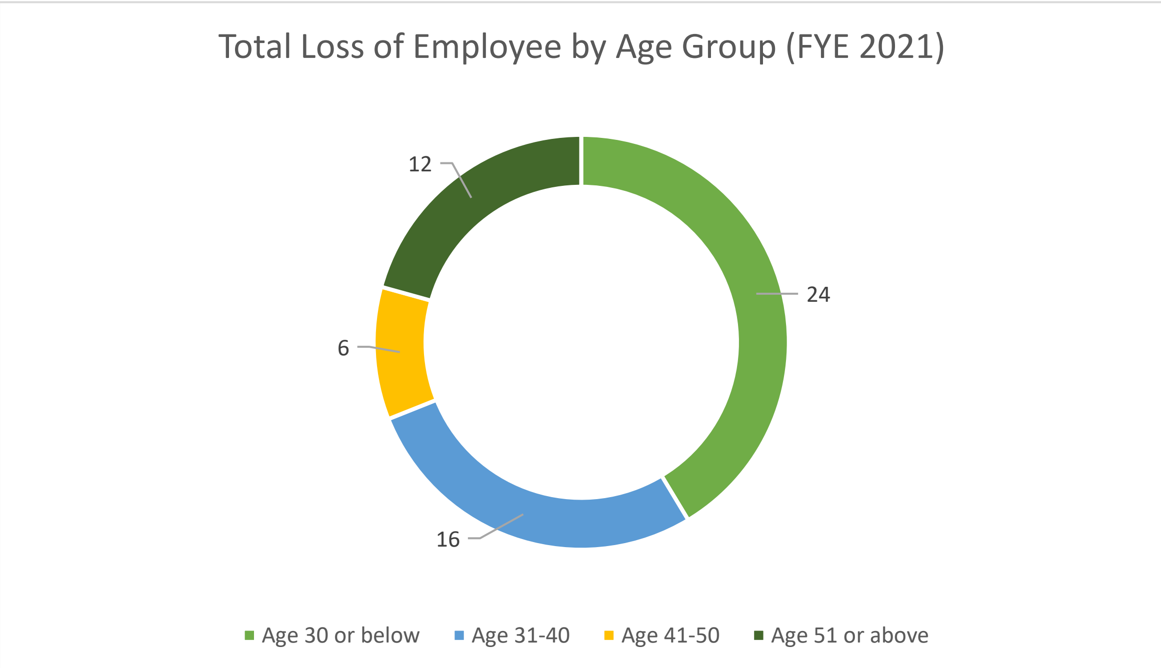
WORKPLACE (CONT'D)

Diversity (Cont'd)



	General staff	Middle management (Senior staff, Manager and Senior manager)	Senior management (Head of department or Director)
Male	153	19	4
Female	83	14	0

Less than 2% of the total employee are in the senior management team and 12% of them are in the middle management. The Group may explore opportunities for the middle management or even the general staff to step up and step into bigger role and responsibility and also as a career growth path, in order to attract more from the local community to join the company.

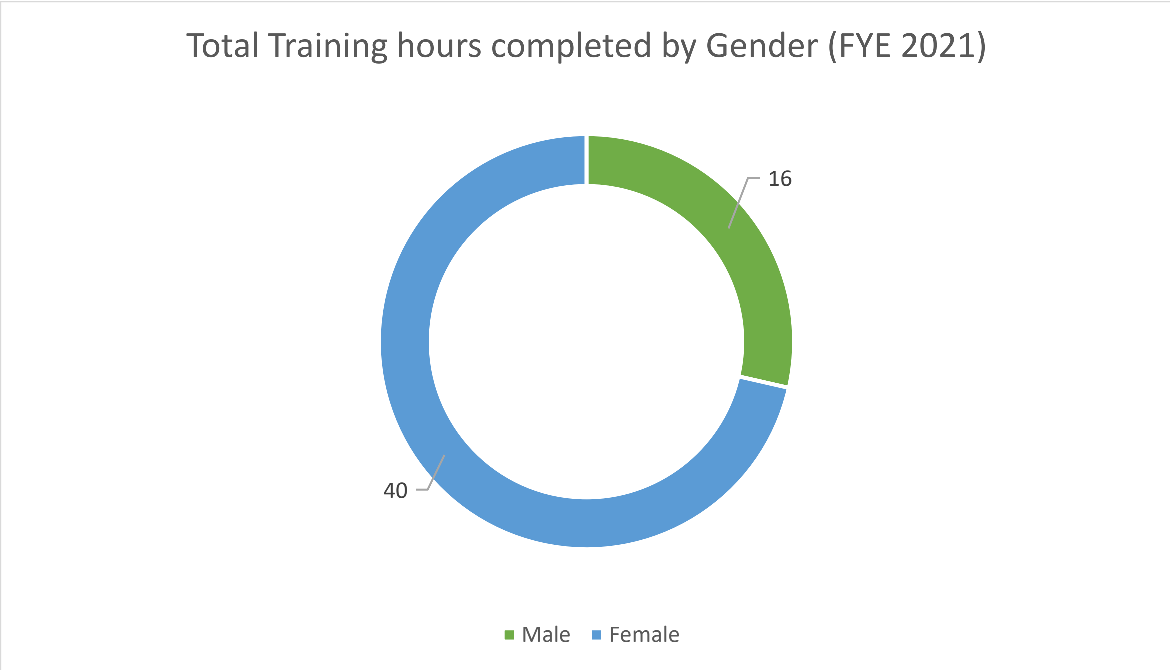


SUSTAINABILITY STATEMENT (CONT'D)

WORKPLACE (CONT'D)

Diversity (Cont'd)

As in any company, the Group also experienced attrition rate about 21% from beginning of the year until the end of the reporting period. The Group may want to explore more friendly way of retaining talents and also explore new talents, especially from the local community.



Total training hours for both gender in 2021 ending 31 December is total 56 hours. There are much room for improvements and the Group can also utilise the HRDC funds to support the employees' career development by acquiring skills and new knowledge so that they can perform better and may have a sense of belonging to the Group.

Legal Disclaimer

This Sustainability Statement contains forward-looking statements concerning the financial condition, results of operations and businesses of the Group. All statements other than statements of historical fact are, or may be deemed to be forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include statements typically containing words such as "will", "may", "should", "believe", "intends", "expects", "anticipates", "targets", "estimates" and words of similar import.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in future. They are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which it will operate in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including a number of factors outside the Group's control. These include changes in the political, social and regulatory framework in which the Group will operate or in economic, technological trends or conditions; the success of the business and operating initiatives; the actions of regulators; legislative, fiscal and regulatory developments, including regulatory measures addressing climate change; the behaviour of other market participants; competitive product and pricing pressures; changes in consumer habits and preferences; foreign exchange rate fluctuations and interest rate fluctuations; changes in the level of capital investment; the impact of any acquisitions, disposals or similar transactions; the outcome of any litigation; the risk of doing business in countries subject to international sanctions; environmental and physical risks; risks associated with the impact of pandemics. Other unknown or unpredictable factors could cause actual results and developments to differ materially from those in forward-looking statements.

Neither the Group nor any of its subsidiaries, provide any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Report will occur. Neither the Group nor any of its subsidiaries, undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. Each forward-looking statement speaks only as of the date of this report, i.e., 18 April 2022.

In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this report. No materials contained in this Report constitute an offer, solicitation or recommendation to purchase or sell securities, or make investments. Readers should not place undue reliance on forward-looking statements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of KPS Consortium Berhad (“the Company”) (“the Board”) continues to believe the practice of good corporate governance is important in achieving sustainable growth as well as engenders trust and infuses confidence among its shareholders and stakeholders. The Board remains committed towards governing, guiding and monitoring the direction of the Company with the objective of enhancing long term sustainable value creation aligned to the interests of shareholders and stakeholders.

This Corporate Governance Overview Statement is presented pursuant to Paragraph 15.25 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). The objective of this statement is to provide an overview of the application of the corporate governance practices of the Group during the financial year ended 31 December 2021 with reference to the three (3) main principles, i.e. Board Leadership and Effectiveness, Effective Audit and Risk Management and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders as set out in the latest Malaysian Code on Corporate Governance (“MCCG” or “Code”).

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report (“CG Report”). The CG Report is announced together with the Annual Report of the Company on 29 April 2022. The Corporate Governance Overview Statement should be read in tandem with the CG Report to provide comprehensive disclosure of the application of each principles and practices set out in the MCCG during the financial year.

The CG Report can be accessed from the Company’s website at www.kpsconsortium.com.my. The Board is pleased to provide the following statement, which outlines the main corporate governance that has been in place throughout the financial year.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

- **Board Responsibilities**

  The Company is headed by the Board, which assumes responsibility for the Company’s leadership and is collectively responsible for meeting the objectives and goals of the Company.

  Board Responsibilities

  The Board takes full responsibility for the performance of the Group. The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

  - Reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group’s business;

  - Overseeing the conduct of the Group’s business and evaluating if its businesses are being properly managed;

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Responsibilities (Cont'd)**

Board Responsibilities (Cont'd)

The Board takes full responsibility for the performance of the Group. The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions (Cont'd):

- Identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- Ensuring that all candidates appointed to senior management positions are of sufficient caliber, including the orderly succession of senior management personnel;
- Overseeing the development and implementation of shareholder communications policy; and
- Reviewing the adequacy and integrity of the Group's internal control and management information systems.

The roles and responsibilities of the Non-Independent Non-Executive Chairman and Executive Directors are distinct, separate and clearly defined with no overlapping roles. The Non-Independent Non-Executive Chairman holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans, business extension plans and proposals.

The Non-Independent Non-Executive Chairman is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures. The Board has established three (3) Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee that are delegated with specific responsibilities and authorities to assist the Board in executing its duties and to provide the Board with recommendations and advice. The delegation of authority to the Committees enables the Board to achieve operational efficiency by empowering each Committee to review, report and make recommendations to the Board on matters relevant to their roles and responsibilities. Each Committee is governed by its own Terms of Reference which sets out its functions and duties, composition, rights and meeting procedures. These Terms of Reference are reviewed periodically in accordance with the needs of the Company and taking into account the changes in the business, governance and legal environment that may have an impact on the discharge of the Committees' duties and responsibilities.

The Chairman of the Board is not a member of the Audit Committee, Nomination Committee and Remuneration Committee and does not involve in all these three (3) Board Committees.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Responsibilities (Cont'd)**

Board Charter

The Board is guided by a Board Charter which sets out the principles governing the Board of Directors of the Company and adopts the principles of good governance and practice in accordance with applicable laws, rules and regulations in Malaysia. The Board Charter also sets out the respective roles and responsibilities of the Board, board committees, individual Directors and managements; and issues and decisions reserved for the Board.

The Board Charter was last reviewed on 18 April 2022 and is made publicly available on the Company's website at www.kpsconsortium.com.my.

Code of Conduct

The Company's Code of Conduct encompasses transparency, integrity, accountability and corporate social responsibility. The Board, in discharging its duties and responsibilities, is guided by the Code of Conduct.

The Code of Conduct is formulated to enhance the standard of corporate governance and behavior with a view to achieve the following objectives:-

- To establish standard of ethical conduct for directors based on acceptable belief and values that one upholds.
- To uphold the spirit of social responsibility and accountability of the Company in line with the legislations, regulations and guidelines governing it.

The Board is committed to adhering to best practices in corporate governance and observing the highest standards of integrity and behavior in all activities conducted by the Company and the Group, including the interaction with its shareholders, employees, creditors, customers and within the community and environment in which the Company and the Group operate. The Code of Conduct is made publicly available on the Company's website at www.kpsconsortium.com.my in line with Practice 3.1 of the Code.

Whistle Blowing Policy

The Board has established its Whistle Blowing Policy and encourages employees within the Group to report suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse involving resources of the Company. The Whistle Blowing Policy which was published in the Company's website provides and facilitates a mechanism for any individual to report concerns about any suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse.

The Whistle Blowing Policy can be viewed at the Company's website at www.kpsconsortium.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Responsibilities (Cont'd)**

Anti-Bribery Policy and Framework

The Company does not endorse to bribery, be it giving or accepting the ill-gotten monies.

The Company has adopted the Anti-Bribery Policy and Framework pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009. All staff have been trained, briefed and acknowledged on the Company's policy of Anti-Bribery. The aforesaid Anti-Bribery Policy can be assessed from the Company's website at www.kpsconsortium.com.my.

Company Secretary

The Board is supported by qualified Company Secretaries, who are members of the Malaysian Institute of Chartered Secretaries and Administrators, to provide sound governance advice, ensure adherence to rules and procedure and facilitate overall compliance with the MMLR.

The Company Secretaries are to ensure to meet statutory compliance with the Companies Act 2016, MMLR and Capital Markets and Services Act 2007. They constantly update the Board on any regulatory changes. The Company Secretaries also safeguard all statutory books and records of the Company.

The Company Secretaries work closely with the Management to ensure that there are timely and appropriate information flows within the Board and Board Committee.

The appointment and removal of Company Secretaries are at the purview of the Board.

Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. It is an ongoing process that the Board reviews the Group's business plan for diversification, to keep the business relevant and sustainable.

In respect of paper converting segment, the Company continuously explores and embrance technology in conserving environment by converting, recycling the waste papers into tissue papers, toiletries and other paper products for good usage. The Company had continuously using a waste water recycling system towards the last quarter of the financial year under review and the recycled water could be reused for soaking used papers for tissue making.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Responsibilities (Cont'd)**

Supply of and Access to Information

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

Good practices have been observed for timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings, to give effect to Board decisions and to deal with matters arising from such meetings. The Executive Directors and/or other relevant Board members furnish comprehensive explanation on pertinent issues and recommendations by the Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making.

In addition, the Board members are updated on the Company's activities and its operations on a regular basis. All Directors have accessed to all information of the Company on a timely basis in an appropriate manner and quality necessary to enable them to discharge their duties and responsibilities.

Upholding Integrity in Financial Reporting

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's financial results to Bursa Malaysia, the annual financial statements of the Group and the Company as well as the Chairman's statement and review of the Group's operations in the Annual Report, where relevant. A statement by the Directors of their responsibilities in the preparation of financial statements is set out in the ensuing paragraph.

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 2016 and approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2021, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 2016.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Composition**

At the date of this statement, the Board consists of five (5) members, comprising one (1) Non-Independent Non-Executive Chairman, one (1) Executive Director and three (3) Independent Non-Executive Directors. This composition fulfills the requirements as set out under MMLR, which stipulates that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be Independent. In the event of any vacancy in the Board resulting in non-compliance with Paragraph 15.02 (1) of the MMLR, the Company must fill the vacancy within three (3) months. The profile of each Director is set out in this Annual Report. The Directors, with their differing backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance; accounting and audit; marketing and operations.

The Independent Non-Executive Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Group, but also of shareholders and stakeholders. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. In the opinion of the Board, the appointment of a Senior Independent Non-Executive Director to whom any concerns should be conveyed is not necessary. The Board operates in an open environment in which opinions and information are freely exchanged and in these circumstances any concerns need not be focused on a single director as all members of the Board fulfill this role individually and collectively.

Board Independence

The Board recognises the importance of establishing criteria on independence to be used in the annual assessment of its Independent Non-Executive Directors. Although the definition on independence according to MMLR is used, the Board will take pertinent measures to formalise such independence criteria to, inter-alia, their independent decision on any proposal brought up in the Board meeting for deliberation. The Company does not have a formal policy to limit the tenure of independent Directors to nine (9) years. The Board also noted the period to comply with the MMLR on the twelve (12) years tenure limit for Independent Directors.

The Board noted the recommendation of the Code on the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as Non-Independent Director. In the event the Director is to remain as an Independent Director, the Board shall first justify and obtain two-tier shareholders' approval on a yearly basis.

For the period under review, the Board has reviewed and assessed the independence of the two Independent Directors namely, Mr. Tan Kong Ang and Mr. Lim Choon Liat who have served as Independent Directors of the Company for a cumulative term of more than twelve (12) years, to continue as Independent Directors of the Company based on the following justifications:-

(i) They understand the business nature and office culture
(ii) They provide the Board valuable advice and insight
(iii) They actively participate in Board deliberations and decision making in an objective manner
(iv) They uphold independent decision and challenge the management objectively

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Composition (Cont'd)**

Foster Commitment of Directors

The Board ordinarily meets at least once every quarter, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. There were four (4) Board meetings for the financial year 2021. Board and Board Committee papers which are prepared by the Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors have sufficient time to peruse for effective discussion and decision-making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. The Chairman of the Audit Committee informs the Directors at each Board meetings of any salient matters noted by the Audit Committee and which require the Boards' attention or direction. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by way of minutes of meetings.

Board Meetings

There were four (4) Board meetings held during the financial year ended 31 December 2021, with details of Directors' attendance set out below:-

	Name of Directors	Attendance
(a)	Datuk Chua Hock Gee	4/4
(b)	Lau Fook Meng	4/4
(c)	Tan Kong Ang	4/4
(d)	Lim Choon Liat	4/4
(e)	Hew Chee Hau	4/4

It is the practice of the Company for the Directors to devote sufficient time and efforts to carry out their responsibilities. All Board members are required to notify the Chairman before accepting any new directorships notwithstanding that MMLR allows a Director to sit on the boards of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Composition (Cont'd)**

Nomination Committee

A Nomination Committee has been established, with specific terms of reference, by the Board, comprising exclusively Independent Non-Executive Directors as follows:-

Chairman	:	Lim Choon Liat Independent Non-Executive Director
Members	:	Tan Kong Ang Independent Non-Executive Director
	:	Hew Chee Hau Independent Non-Executive Director

The Nomination Committee is chaired by an Independent Non-Executive Director and is primarily responsible for assessing the performance and effectiveness of the Directors, the Board and Board Committees on an annual basis. Through the Nomination Committee, the Board will consider recommendations from existing directors, senior management staff, shareholders or third-party referral to identify suitably qualified candidates, when necessary. New board candidates proposed to fill vacancy arises from resignation, retirement or any other reasons will be reviewed by Nomination Committee before recommending to the Board for further deliberation. In doing so, the Nomination Committee takes into consideration of the Board structure, size, qualifications, tenure of each director on the Board, composition and the required mix of expertise and experience.

Based on the recommendation from the Nomination Committee, the Board would evaluate and decide on the appointment of the proposed candidate. The Board is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the Directors.

In accordance with the Constitution of the Company, one-third (1/3) of the Directors or, if their number is not three (3) or multiple of three (3), then the number nearest one-third (1/3), shall retire from office at each Annual General Meeting ("AGM") and offer themselves for re-election at AGM. Directors who are appointed by the Board to fill casual vacancies or as additional directors during the financial year are subject to re-election by shareholders at the next AGM following their appointment. All Directors shall retire from office at least once in every three years, but shall be eligible for re-election.

At present, the Board does not have formal policy on gender diversity but acknowledges the recommendation of the MCCG on gender diversity. The Board will continue to provide a working environment that is conducive, fair and with equal opportunities within the Group and to commit to zero tolerance of workplace harassment, age, religious, ethnicity, race or gender discrimination.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Composition (Cont'd)**

Nomination Committee (Cont'd)

The Nomination Committee concluded that each Board member is competent and committed in discharging his duties and responsibilities. During the annual assessment exercise, the Directors are given performance evaluation form to complete. In addition, Directors who are members of the Board Committees are given additional performance evaluation sheets for the respective Board Committees to complete. Sufficient time is given to the Directors to complete the forms. All assessments and evaluations carried out by the Nomination Committee were properly documented. The results of the annual assessment on the Board, the Board Committees and individual Directors for the financial year were all satisfactory.

The Directors who are subject to re-election and/or appointment at the next Annual General Meeting shall be assessed by the Nomination Committee before recommendation is made to the Board and shareholders for the re-election and/or appointment. Appropriate assessment and recommendation by the Nomination Committee would be based on inter-alia the yearly assessment conducted.

Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme, prescribed by Bursa Securities. Directors are encouraged to attend seminars and/or conferences organised by relevant regulatory authorities and professional bodies to keep abreast with latest developments in the market place and new statutory and regulatory requirements. The training needs of each Director would be assessed and proposed by the individual Director. Each Director determines the areas of training that he may require for personal development as a Director or as a member of the Board Committees.

During the financial year ended 31 December 2021, except for Mr. Hew Chee Hau, who attended the Mandatory Accreditation Programme, none of the board members attended any training due to their tight business schedule.

Name of Directors	Training Programmes
Hew Chee Hau	• Mandatory Accreditation Programme

- **Remuneration**

A Remuneration Committee has been established by the Board, comprising all Non-Executive Directors as follows:-

Chairman	:	Lim Choon Liat Independent Non-Executive Director
Members	:	Tan Kong Ang Independent Non-Executive Director
	:	Hew Chee Hau Independent Non-Executive Director

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Remuneration (Cont'd)**

The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration to attract and retain quality Directors to lead and manage the business of the Group. The Remuneration Committee is entrusted under its term of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by abstaining the Non-Executive Directors concerned from discussion on their individual remuneration. During the financial year under review, the Committee met once attended by all members.

Aggregate remuneration of Directors categorised into appropriate components are as follows:

Listed Issuer	Fees (RM)	Allowance (RM)	Salary (RM)	Bonus (RM)	EPF (RM)	Benefits-in-Kind (RM)	Other Emoluments (RM)	Total (RM)
Company								
Independent Non-Executive Director								
Tan Kong Ang	10,000	-	-	-	-	-	3,000	13,000
Lim Choon Liat	10,000	-	-	-	-	-	3,000	13,000
Hew Chee Hau	10,000	-	-	-	-	-	3,000	13,000
Subtotal	30,000	-	-	-	-	-	9,000	39,000
Non-Independent Non-Executive Chairman								
Datuk Chua Hock Gee	36,000	-	-	-	-	-	-	36,000
Subtotal	66,000	-	-	-	-	-	9,000	75,000
Group								
Lau Fook Meng	39,019	-	28,719	-	324	-	-	68,062
Total	**105,019**	**-**	**28,719**	**-**	**324**	**-**	**9,000**	**143,062**

The remuneration of key management personnel for the financial year ended 31 December 2021 are set out below:

Key Management Personnel	Number	Salary/ Fees (RM)	Allowance (RM)	Bonus (RM)	EPF (RM)	Benefits-in-Kind (RM)	Other Emoluments (RM)	Total (RM)
RM250,001-300,000	-	-	-	-	-	-	-	-
RM200,001-250,000	-	-	-	-	-	-	-	-
RM150,001-200,000	-	-	-	-	-	-	-	-
RM100,001-150,000	3	309,038	-	-	38,059	-	3,309	350,406
RM50,001-100,000	1	67,738	-	-	-	-	324	68,062
RM50,000 and below	-	-	-	-	-	-	-	-

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

- **Audit Committee**

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee ("AC"), comprising wholly Independent Non-Executive Directors with Mr. Hew Chee Hau as the AC Chairman. The composition of the AC, including its roles and responsibilities, are set out in the AC Report of this Annual Report. One of the key responsibilities of the AC in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

The terms of reference of AC shall provide for the requirements that the former key audit partner is subject to observe a cooling-off period of at least three (3) years before he or she could be appointed as a member of the AC. The terms of reference can be viewed at the Company's website at www.kpsconsortium.com.my.

As the Board understands its role in upholding the integrity of financial reporting by the Company, it will take steps to revise the AC's terms of reference by formalising a policy on the types of non-audit services permitted to be provided by the external auditors of the Company so as not to compromise their independence and objectivity, including the need for the AC's approval in writing before such services can be provided by the External Auditors.

In assessing the independence of External Auditors, the AC requires written assurance by the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

Collectively, the AC has a wide range of necessary skills to discharge their duties. All members are financially literate and they understand matters under the purview of the AC including the financial reporting process.

The AC members, particularly the AC Chairman, undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Throughout the year, the Directors received regular updates and briefings, particularly on regulatory, industry and legal developments, including information on significant changes in business and procedures instituted to mitigate such risks.

The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review. The Directors continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role.

Report of the AC is set out in later part of this Annual Report.

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

- **Risk Management and Internal Control Framework**

During the financial year under review, the Board has yet to establish a structured risk management framework to manage business risks, although Management has an informal process to identify and evaluate significant risks faced by the Group. This represents a departure from MCCG which stipulates the need for the Board to establish a sound framework to actively identify, assess and monitor key business risks faced by the Group to safeguard shareholder's investment and the Group's assets. The Board is aware of the importance of such a framework and will take measures to formalise one, which is expected to consider the risk appetite of various companies in the Group as well as the Group itself.

The internal audit function of the Group is outsourced to an independent professional firm, whose work is performed with impartially, proficiency and due professional care, and in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, incorporated, which sets out professional standards on internal audit. It undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices. The Internal Audit reports directly to the AC. Further details on the internal audit function can be seen in the Audit Committee Report and the Internal Control Statement in this Annual Report.

The objective of the internal audit function is to review the adequacy and integrity of the internal control systems of key business units.

The AC reviews and approves the annual internal audit plan before the Internal Auditors carry out their functions. All audit findings are reported to the AC and areas of improvement and audit recommendations identified are communicated to the Management for further action.

The Statement on Risk Management and Internal Control is set out in later part of this Annual Report.

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

- **Communication with Stakeholders**

The Board recognises the importance of being transparent and accountable to the Company's investors and, as such, has various channels to maintain communication with them. The various channels of communications are through the quarterly announcements on financial results to Bursa, relevant announcements and circulars, when necessary, the AGM and Extraordinary General Meetings and through the Group's website at where shareholders can access pertinent information concerning the Group.

AGM, which is the principal forum for shareholders dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general.

The Company had conducted a fully virtual Thirty-Fifth Annual General Meeting ("35th AGM") which was held entirely through live streaming via a remote participation and voting facilities on Friday, 25 June 2021 at 11.00 a.m., by leveraging technology in accordance with Sections 327(1) and (2) of the Companies Act 2016, Clause 59 of the Constitution of the Company and the Securities Commission Malaysia's Guidance and FAQs on the Conduct of General Meetings for Listed Issuers.

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

- **Communication with Stakeholders (Cont'd)**

  Save for Datuk Chua Hock Gee, all the Board members attended the 35th AGM via video conferencing together with the Joint Company Secretaries, the External Auditors and the senior management.

  The Group embrace the technology advancement by issuing electronic Annual Report which is towards environmental friendly and cost saving. The Annual Report can be downloaded at the Company's website at www.kpsconsortium.com.my.

- **Conduct of General Meetings**

  Shareholders are encouraged to attend the AGM and any other general meetings of the Company where shareholders are given the opportunity to raise questions or concerns with regards to the Group as a whole. Such meetings also serve as a platform for shareholders to have direct access to the Board.

  The Company at all times dispatched its notices of the AGM and any other general meetings of the shareholders, Annual Report and related circulars to shareholders at least twenty-one (21) days before the AGM and any other general meetings of the shareholders, unless otherwise required by laws, in order to provide sufficient time to shareholders to understand and evaluate the matters involved as well as to make necessary arrangements to attend, participate and vote either in person, by corporate representative, by proxy or by attorney, to exercise their ownership rights on an informed basis during the AGM and any other general meetings of the shareholders. Where special business items are to be transacted, a full explanation is provided in the notice of the AGM and any general meetings of the shareholders or the related circulars to shareholders in order to assist the shareholders' understanding of the matters and the implication of their decision in voting for or against a resolution.

  Paragraph 8.29A of the MMLR provides that all resolutions set out in the notice of any general meeting shall be voted by poll where every one share has one vote. It also provides that a scrutineer independent of the polling process shall be appointed to validate the votes cast. The outcome of the AGM and any other general meetings of the shareholders are announced to Bursa Malaysia on the same day the meeting is held.

  The Chairman of the AGM and any other general meetings of the shareholders, will invite the shareholders to raise questions pertaining to the Company's financial performance and other items for adoption at the meeting, before putting a resolution to vote.

- **Compliance Statement**

  The Board is satisfied that the Company had applied most of the principles and best practices of the Code during the financial year. The Board is committed and will continue to enhance compliance with the Code within the Company and the Group.

  This Corporate Governance Overview Statement has been approved by the Board of the Company on 18 April 2022.

AUDIT COMMITTEE REPORT

The Board of Directors of KPSCB is pleased to present the report of Audit Committee for the financial year ended 31 December 2021.

The primary objective of the audit committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to the corporate accounting and practices for the Company and all its subsidiaries ("Group") and to ensure the adequacy and effectiveness of the Group's internal control measures.

1. Members

The current members of the Committee and their respective designations are as follows:

Chairman	:	Hew Chee Hau Independent Non-Executive Director
Members	:	Tan Kong Ang Independent Non-Executive Director
	:	Lim Choon Liat Independent Non-Executive Director

The Audit Committee consists of three (3) members all of whom are Independent Non-Executive Directors. The Company has complied with Paragraph 15.09(1) (b) of the MMLR, which requires the Audit Committee members to be Non-Executive Directors, with a majority of them being Independent Directors.

2. Terms of Reference

The Terms of Reference of the Audit Committee is made publicly available on the Company's website at www.kpsconsortium.com.my

Composition

The Audit Committee shall be appointed by the Board of Directors from amongst themselves and shall be composed of no fewer than three (3) members and must be all Non-Executive Directors of whom the majority must be Independent Directors.

At least one (1) member of the Committee:-

(i) must be a member of the Malaysian Institute of Accountants ("MIA"); or

(ii) if he is not a member of the MIA, he must have at least 3 years' working experience and:

- he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
- he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or

(iii) fulfills such other requirements as prescribed or approved by the Exchange.

2. **Terms of Reference (Cont'd)**

Composition (Cont'd)

No alternate Director shall be appointed as a member of the Committee.

The Chairman of the Committee shall be an Independent and Non-Executive Director appointed by the Board.

In the event of any vacancy in the Audit Committee resulting in the number of members being reduced to below three, the Company must fill the vacancy within three (3) months.

The review of the terms of office and performance of the Audit Committee and each of its members will be carried out by the Nomination Committee annually.

3. **Audit Committee Meetings Attendance**

The Committee shall meet at least once every quarter and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, any Executive Director, or the External Auditors.

In order to form a quorum, the majority of members present must be Independent Directors.

The Audit Committee had conducted four (4) meetings for the financial year ended 31 December 2021. Details of attendance of the Audit Committee members during this financial period are set out as below:-

Name of Committee Member	No. of meetings attended/ held during member's tenure
Lim Choon Liat	4/4
Tan Kong Ang	4/4
Hew Chee Hau	4/4

4. **Summary of work of the Audit Committee**

The work carried out by the Audit Committee during the financial year were summarised as follows:-

(a) Reviewed the Company's quarterly financial report through discussions with Management before recommending to the Board's consideration and approval;

(b) Reviewed the annual audited financial statements of the Company prior to submission to the Board for consideration and approval which focused particularly on changes on accounting policy, significant and unusual events/transactions and compliance with applicable approved accounting standards in Malaysia.

(c) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control prior to submission to the Board for consideration and approval for inclusion in the annual report of the Company.

4. Summary of work of the Audit Committee (Cont'd)

The work carried out by the Audit Committee during the financial year were summarised as follows (Cont'd):-

(d) Reported to the Board on matters discussed and addressed at the Audit Committee meetings.

(e) Reviewed with the External Auditors, the audit planning memorandum, audit strategy and scope of work for the year.

(f) Reviewed with the Internal Auditors on their findings and recommendations with respect to system and control weaknesses and management's responses to these recommendations and actions taken to improve the system of internal control and procedures.

(g) Reviewed the status of compliance of the Company with the Malaysian Code of Corporate Governance, which are within the scope and function of the Audit Committee, for the purpose of disclosure in the Corporate Governance Overview Statement pursuant to the requirement of paragraph 15.25 of the MMLR.

(h) Considered the nomination of external auditors for recommendation to the Board for re-appointment.

5. Internal Audit Function and its activities

The internal audit function is essential in assisting the Audit Committee in reviewing the state of the system of internal control maintained by the Management.

The Company outsourced its internal audit function to an internal audit consulting company. The audit team members are independent of the activities audited by them. The internal auditors review and assess the Group's system of internal control and report to the Committee functionally.

The Internal Auditor reports to the Audit Committee four (4) times a year and provide the Audit Committee with independent views on the adequacy, integrity and effectiveness and recommendation measures to enhance the internal audit process and internal control after its reviews. The Audit Committee approves the annual internal audit plan before the commencement of the internal audit reviews for each financial year.

During the financial year, the internal auditors conducted reviews on the operations of the subsidiaries of the Group focusing on sales, credit control and inventory management. Evaluation was meant for some improvements on procedures and thereafter presented their Internal Audit and follow up reports to the Audit Committee. Areas of weakness were identified and communicated to the Audit Committee and the management for improvement.

5. Internal Audit Function and its activities (Cont'd)

The Audit Committee had also conducted review of the Internal Auditors' performance and was satisfied with their performance. The key assessment criteria of this review are:-

(a) Scope of internal audit;
(b) Competency;
(c) Resources of the internal audit function;
(d) Necessary authority to carry out its work;
(e) Audit independent, to perform with impartiality, proficiency and due to professional care; and
(f) Engagement with the Audit Committee.

6. Authority

The Committee is authorised by the Board:-

(i) To investigate any matter within its terms of reference;

(ii) To have the resources which required to perform its duties;

(iii) To have full and unrestricted access to any information pertaining to the Company;

(iv) To have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

(v) To obtain independent professional or other advice; and

(vi) To convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees, whenever deemed necessary.

7. Functions

The functions of the Committee are as follows:-

(a) The Committee shall review, appraise and report to the Board on:

- the discussion with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit and to ensure co-ordination of audit where more than one audit firm is involved;

- the review with the external auditors, his evaluation of the system of internal controls, his management letter and management's response;

- the discussion of problems and reservations arising from the external audits, the audit report and any matters the external auditors may wish to discuss;

7. Functions (Cont'd)

(a) The Committee shall review, appraise and report to the Board on (Cont'd):

- the assistance given by the employees of the Group to the external and internal auditors; and

- any related party transaction and conflict of interest situation that may arise within the Group or Company, including any transaction, procedure or course of conduct that raises questions of management integrity.

(b) To review where appropriate whether there is a reason to believe that the Group's external auditors is not suitable for re-appointment;

(c) To consider any question of resignation or dismissal of the external auditors;

(d) To review quarterly reporting and year-end financial statements of the Group before submission to the Board, focusing particularly on:

- changes in or implementation of major accounting policy;

- significant adjustments arising from the audit;

- the going concern assumption; and

- compliance with accounting standards and other legal requirements.

(e) To review the following in respect of internal audit function:

- adequacy of the scope, functions, competency and resources of the Internal Audit Department and that it has the necessary authority to carry out its work;

- internal audit programmes;

- the major findings of internal audit investigations and management's responses, and ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;

- appraisal or assessments of the performance of the senior staff of the Internal Audit Department;

- approval of any appointment or termination of senior staff member of the Internal Audit Department; and

- resignations of senior internal audit staff member and providing the resigning staff member an opportunity to submit his/her reason for resignation.

7. Functions (Cont'd)

The functions of the Committee are as follows (Cont'd):-

(f) To consider the major findings of internal audit investigations and Management's response;

(g) To recommend the nomination and appointment of external auditors as well as the audit fee;

(h) To promptly report any matters resulting in breach of MMLR to the Board. Where the Committee is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the Committee shall promptly report such matter to Bursa Malaysia; and

(i) Any other function that may be mutually agreed upon by the Committee and the Board, which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2021. This Statement is prepared pursuant to paragraph 15.26(b) of the MMLR and guided by the "Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers" issued by the publication of Bursa on the issuance of internal control statement.

BOARD RESPONSIBILITY

The Board of Directors affirms its responsibility in maintaining a sound system of internal control and risk management procedures within the Group and constantly reviewing its adequacy and integrity. The Board also recognises that reviewing of the Group's systems of risk management and internal control is a concerted and continuing process and the objective of risk management and systems of internal control is to manage rather than eliminate risk of failure to achieve business objectives. It shall be noted that all risk management and internal control can only provide reasonable and not absolute assurance against material misstatement or loss. Nonetheless, in striving for continuous improvement, the Board will put in place appropriate action plans, when necessary, to further enhance the Group's systems of risk management and internal control.

RISK MANAGEMENT AND INTERNAL CONTROL

Functionally, the Group's risk management processes involve identifying, evaluating and managing significant risks in the organisation. It is the responsibilities of all Executive Directors and the Management team to identify and manage in order to mitigate the business risks.

The internal control system is established to ensure there is a check and balance to facilitate the Audit Committee to discharge their duties and responsibilities. A good internal control system in place is to safeguard the interest of minority shareholders and stakeholders. The present key elements of the Group's systems of internal control are:

- The Group Management review of the financial results and forecasts for business units and formulation of action plans for operational and financial performance improvement;

- Board's reviews and discussions with the Management on significant financial and operating performances of the Group;

- Audit Committee reviews and consultation with the management on the integrity of the financial results, annual report and audited financial statements;

- Audit findings and reports on the review of the system of internal control from the Internal Auditors;

- Management assurance that the Group's risk management and internal control systems have been in place and operating adequately at all time;

- An internal audit function to assist the Audit Committee and the Board in conducting an independent assessment on the systems of internal control and the governance practices;

- The Group implemented the COVID -19 health and safety preventive and detective standard operating procedures in accordance with the authorities' requirements. These include the use of Mysejahtera application, social distancing, sanitisation, temperature reading and compulsory wearing of face masks in workplace and public area; and

- Anti-Bribery Guideline and Whistleblowing Policy are defined to guide staff members, employees and business associates in taking appropriate measures and steps to prevent association with bribery activities.

INTERNAL AUDIT

The Group has engaged an independent professional services firm to carry out the internal audit function. The objective of the internal audit function is to review the adequacy and integrity of the internal control systems of key business units.

The Audit Committee reviews and approves the annual internal audit plan before the Internal Auditors carry out their functions.

During the financial year, the Internal Auditors conducted internal control reviews on certain key operating functions and procedures and recommended actions plans. The audit reports containing audit findings and recommendations together with Management's responses thereto were circulated to all members of the Audit Committee on a quarterly basis. Areas of improvement identified were communicated to the Management for further action. All audit reports were reviewed by the Audit Committee and discussed at Audit Committee Meetings. Follow-up reviews are performed to ascertain the extent of Management's implementation of the recommended corrective action for improvements.

The area of internal control review covered are sales, credit control, inventory, purchasing, production, cash and bank, insurance coverage, and covid 19 preventive measures for the selected active subsidiaries. The cost incurred for the internal audit function in respect of the financial year ended 31 December 2021 was RM79,100.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

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

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

CONCLUSION

There is no significant breakdown or weaknesses in the system of internal control of the Group that have resulted material losses incurred by the Group for the financial year ended 31 December 2021.

The Board believes that the current review framework and the systems of risk management and internal control are reasonable for the present level of operations. Nonetheless, the Group will continue to take the necessary measures to ensure that the systems of risk management and internal control are functioning effectively in line with the evolving business development in the Group.

The Board of Directors have approved this statement for issuance on 18 April 2022.

ADDITIONAL COMPLIANCE INFORMATION

In conformance with the Bursa Malaysia Securities Berhad Listing Requirements, the following additional information is provided:-

- **Utilisation of Proceeds**
  No proceeds were raised from any corporate proposal during the financial year.

- **Audit Fees and Non-Audit Fees**
  The amount of audit and non-audit fees incurred for the services rendered by external auditors of the Group for the financial year ended 31 December 2021 were as follows:-

	Company (RM)	Subsidiaries (RM)
Audit Fees	68,000	274,000
Non-audit Fees	11,900	75,600

- **Material Contracts**
  There were no material contracts (not being contracts entered into in the ordinary course of business) subsisting as at or entered into since the end of the previous financial year, by the Company or its subsidiaries, which involved the interests of the Directors and major shareholders.

- **Recurrent Related Party Transactions of a Revenue Nature**
  There was no recurrent related party transaction of a revenue nature during the year.

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2021

CONTENTS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	14,725,828	(958,080)
Attributable to:-		
Owners of the Company	14,726,875	(958,080)
Non-controlling interests	(1,047)	-
	14,725,828	(958,080)

DIVIDENDS

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

RESERVES AND PROVISIONS

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

DIRECTORS

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

Company:-
Datuk Chua Hock Gee*
Lau Fook Meng*
Tan Kong Ang
Lim Choon Liat
Hew Chee Hau

* Directors of the Company and certain subsidiaries.

Subsidiaries:-
Koh Kok Hoor
Koh Zi Siew
Low Teck Cheong
Yong Chee Wei
Koh Poh Seng

Datuk Chua Hock Gee and Lau Fook Meng will retire by rotation in accordance with Clause 78 of the Company's Constitution and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, there is no Director who is in office at the end of the financial year held any direct interest in shares of the Company and its related corporations.

DIRECTORS' REMUNERATION

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

	Incurred by the Company RM	Incurred by the subsidiaries RM	Group RM
Directors' fees	66,000	39,019	105,019
Directors' emoluments	9,000	29,043	38,043
	75,000	68,062	143,062

DIRECTORS’ REMUNERATION (CONT’D)

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

ISSUE OF SHARES AND DEBENTURES

There were no issuance of new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

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

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

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

In the opinion of the Directors:-

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

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

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 37 to the financial statements.

AUDITORS

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

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

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

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

…..
DATUK CHUA HOCK GEE

DIRECTORS

…..
LAU FOOK MENG

Kuala Lumpur
18 April 2022

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 67 to 157 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and their cash flows for the financial year then ended.

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

…...	....
DATUK CHUA HOCK GEE	LAU FOOK MENG

Kuala Lumpur
18 April 2022

STATUTORY DECLARATION

I, Lau Fook Meng, being the Director primarily responsible for the financial management of KPS Consortium Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 67 to 157 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

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

LAU FOOK MENG
(MIA NO: 1627)
CHARTERED ACCOUNTANT

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KPS CONSORTIUM BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KPS Consortium Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 157.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

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

Key Audit Matters

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

Inventories existence and valuation

The risk
Refer to Note 6 to the financial statements. The Group holds significant amount of inventories which is subject to a risk that the inventories become slow-moving or obsolete and rendering it not saleable or can only be sold for selling prices that are less than their carrying value. There is inherent subjectivity and estimation involved in determining the accuracy of inventories obsolescence provision and in making an assessment of its adequacy due to risk of inventories not stated at the lower of cost or market value.

Our response
We have obtained an understanding on how the Group makes the accounting estimates for inventories write-down. We also attended the year-end physical inventories count to validate counts performed by the Group. Besides that, we also tested a sample of inventories to ensure that they were held at the lower of cost and net realisable value and evaluated management judgement with regards to the application of provision to the inventories.

Allowance for expected credit losses

The risk
Refer to Note 11 to the financial statements. The Group has significant trade receivables amounted to RM185,123,238 as at the reporting date and is subject to credit risk exposures. We focus on this area as deriving the expected credit losses of receivables involves management's judgement and estimates in determining the probability of default occurring by considering the ageing of receivables, historical loss experience and forward-looking information.

Our response
We have obtained an understanding of the Group's control over the trade receivables' collection process, how the Group identifies and assesses the loss allowance of trade receivables and how the Group makes the accounting estimates for loss allowance. We have reviewed the application of the Group's policy for calculating the expected credit losses, considered the ageing of the trade receivables and testing the reliability thereon. In doing so, we have evaluated techniques and methodology applied for the expected credit losses approach and assessed the estimated future cash inflows by examining the historical collection records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information.

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

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As at the date of our report, except for the Directors' Report, the remaining other information has not been made available to us for our reading and accordingly we are unable to report in this regard.

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

Responsibilities of the Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Other Matter

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

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

Kuala Lumpur
18 April 2022

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		Group		Company	
	Note	2021	2020	2021	2020
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	75,117,166	79,003,942	-	-
Investment properties	5	45,150,000	42,470,000	-	-
Inventories	6	35,103,410	35,103,410	-	-
Investment in subsidiaries	7	-	-	149,745,491	150,515,525
Investment in an associate	8	1	1	1	1
Other receivables	12	1,540,000	-	-	-
Goodwill on consolidation	9	43,151,039	43,151,039	-	-
Deferred tax assets	10	1,929,834	1,692,434	-	-
Total non-current assets		201,991,450	201,420,826	149,745,492	150,515,526
Current assets					
Inventories	6	62,890,595	57,304,279	-	-
Trade receivables	11	185,123,238	185,616,243	-	-
Other receivables	12	13,855,975	5,626,616	-	-
Other investments	13	11,016,500	-	-	-
Amount due from subsidiaries	7	-	-	867,143	940,278
Tax recoverable		1,633,642	1,526,117	18,154	5,500
Cash and bank balances	14	59,694,970	40,454,627	23,606	142,707
Total current assets		334,214,920	290,527,882	908,903	1,088,485
TOTAL ASSETS		536,206,370	491,948,708	150,654,395	151,604,011
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	15	153,228,000	153,228,000	153,228,000	153,228,000
Revaluation reserve	16	3,135,255	3,135,255	-	-
Retained earnings/(Accumulated losses)		120,177,634	104,985,749	(2,907,918)	(1,949,838)
		276,540,889	261,349,004	150,320,082	151,278,162
Non-controlling interests		6,632	472,701	-	-
Total equity		276,547,521	261,821,705	150,320,082	151,278,162
LIABILITIES					
Non-current liabilities					
Lease liabilities	17	2,767	73,775	-	-
Borrowings	18	28,799,636	33,362,832	-	-
Deferred tax liabilities	10	743,000	669,200	-	-
Total non-current liabilities		29,545,403	34,105,807	-	-
Current liabilities					
Trade payables	19	56,122,102	47,079,686	-	-
Other payables	20	24,421,987	18,704,372	137,078	123,708
Contract liabilities	21	6,467,425	6,467,425	-	-
Amount due to a subsidiary	7	-	-	197,235	202,141
Amount due to a Director	22	184,243	418,167	-	-
Lease liabilities	17	71,462	223,514	-	-
Borrowings	18	142,537,179	123,096,153	-	-
Tax payable		309,048	31,879	-	-
Total current liabilities		230,113,446	196,021,196	334,313	325,849
Total liabilities		259,658,849	230,127,003	334,313	325,849
TOTAL EQUITY AND LIABILITIES		536,206,370	491,948,708	150,654,395	151,604,011

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Note	2021	2020	2021	2020
		RM	RM	RM	RM
Revenue	23	656,853,617	735,990,642	260,000	260,000
Cost of sales		(624,869,796)	(710,044,541)	-	-
Gross profit		31,983,821	25,946,101	260,000	260,000
Other income		9,642,852	2,078,480	-	59,588
Selling and distribution expenses		(9,254,756)	(9,368,816)	-	-
Administrative expenses		(8,045,479)	(8,171,179)	(447,639)	(364,240)
Net impairment gain/(loss) on financial assets		1,894,836	(7,362,453)	(770,046)	-
Other expenses		(3,959,287)	(4,225,042)	-	(1,788,383)
Finance income	24	1,214,881	947,706	35,061	55,884
Finance costs	25	(5,016,640)	(6,365,140)	(6,110)	(20,780)
Profit/(Loss) before tax	26	18,460,228	(6,520,343)	(928,734)	(1,797,931)
Tax expense	27	(3,734,400)	(3,818,332)	(29,346)	(64,124)
Profit/(Loss)/Total comprehensive income/(loss) for the financial year		14,725,828	(10,338,675)	(958,080)	(1,862,055)
Profit/(Loss) for the financial year attributable to:-					
- Owners of the Company		14,726,875	(9,732,076)	(958,080)	(1,862,055)
- Non-controlling interests		(1,047)	(606,599)	-	-
		14,725,828	(10,338,675)	(958,080)	(1,862,055)
Total comprehensive income/(loss) attributable to:-					
- Owners of the Company		14,726,875	(9,732,076)	(958,080)	(1,862,055)
- Non-controlling interests		(1,047)	(606,599)	-	-
		14,725,828	(10,338,675)	(958,080)	(1,862,055)
Earning/(Loss) per share attributable to owners of the Company (sen):-	28				
- Basic		9.96	(6.58)		
- Diluted		-	-		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	← Attributable to owners of the Company			→		
	← Non-distributable	→	Distributable			
	Share capital RM	Revaluation reserve RM	Retained earnings/ (Accumulated losses) RM	Total RM	Non-controlling interests RM	Total equity RM
Group						
Balance at 1 January 2020	153,228,000	3,135,255	114,717,825	271,081,080	1,079,300	272,160,380
Total comprehensive loss for the financial year	-	-	(9,732,076)	(9,732,076)	(606,599)	(10,338,675)
Balance at 31 December 2020	153,228,000	3,135,255	104,985,749	261,349,004	472,701	261,821,705
Transaction with owners:-						
Acquisition of non-controlling interest	-	-	465,010	465,010	(465,022)	(12)
Total comprehensive loss for the financial year	-	-	14,726,875	14,726,875	(1,047)	14,725,828
Balance at 31 December 2021	153,228,000	3,135,255	120,177,634	276,540,889	6,632	276,547,521
Company						
Balance at 1 January 2020	153,228,000	-	(87,783)	153,140,217	-	153,140,217
Total comprehensive loss for the financial year	-	-	(1,862,055)	(1,862,055)	-	(1,862,055)
Balance at 31 December 2020	153,228,000	-	(1,949,838)	151,278,162	-	151,278,162
Total comprehensive loss for the financial year	-	-	(958,080)	(958,080)	-	(958,080)
Balance at 31 December 2021	153,228,000	-	(2,907,918)	150,320,082	-	150,320,082

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
OPERATING ACTIVITIES					
Profit/(Loss) before tax		18,460,228	(6,520,343)	(928,734)	(1,797,931)
Adjustments for:-					
Bad debts written off		-	170,167	-	-
Depreciation of property, plant and equipment		3,936,473	4,124,213	-	-
Fair value (gain)/loss on investment properties		(2,680,000)	1,969,002	-	-
Fair value (gain)/loss on other investment		(3,396,850)	-	-	-
Impairment loss on investment in a subsidiary		-	-	770,046	1,788,383
Impairment loss on property, plant and equipment		-	961,312	-	-
Interest expenses		5,016,640	6,365,140	6,110	20,780
Interest income		(1,214,881)	(947,706)	(35,061)	(55,884)
Inventories:					
- written down		2,054,856	1,123,711	-	-
- reversal of written down		(557,776)	(312,657)	-	-
- written off		1,104,880	-	-	-
Net impairment (gain)/loss on financial assets		(1,894,836)	7,362,453	-	-
Property, plant and equipment written off		455	-	-	-
Reversal of impairment loss on investment in subsidiaries		-	-	-	(59,588)
Operating profit/(loss) before working capital changes		20,829,189	14,295,292	(187,639)	(104,240)
Changes in working capital:-					
Inventories		(8,188,276)	4,560,468	-	-
Receivables		(7,381,518)	31,330,184	-	-
Payables		11,484,849	4,500,453	13,370	(21,232)
Bankers' acceptance		23,090,281	(53,241,171)	-	-
Subsidiaries		-	-	(43,101)	(8,953)
Cash generated from/(used in) operations		39,834,525	1,445,226	(217,370)	(134,425)
Interest received		1,214,881	947,706	-	-
Interest paid		(3,527,420)	(4,375,197)	-	-
Tax refunded		-	22,298	-	-
Tax paid		(3,728,356)	(3,181,299)	(42,000)	(51,311)
Net cash from/(used in) operating activities		33,793,630	(5,141,266)	(259,370)	(185,736)
INVESTING ACTIVITIES					
Addition of investment in a subsidiary		-	-	(12)	-
Acquisition of non-controlling interest		(12)	-	-	-
Purchase of property, plant and equipment		(50,152)	(109,379)	-	-
Purchase of other investment		(7,619,650)	-	-	-
Repayment from subsidiaries		-	-	111,236	325,060
Net cash (used in)/from investing activities		(7,669,814)	(109,379)	111,224	325,060

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONT'D)

		Group		Company	
	Note	2021	2020	2021	2020
		RM	RM	RM	RM
FINANCING ACTIVITIES					
Interest paid		(1,489,220)	(1,989,943)	(6,110)	(20,780)
Interest received		-	-	35,061	55,884
Advances from/(Repayment to) a subsidiary		-	-	94	(205,898)
Advances from/(Repayment to) a substantial shareholder of the Company		3,275,182	(3,053,263)	-	-
Repayment to a Director		(233,924)	-	-	-
Repayment of term loan		(5,547,675)	(3,670,014)	-	-
Repayment of multi-option loan		(402,025)	(402,564)	-	-
Repayment of lease liabilities		(223,060)	(1,000,555)	-	-
Net cash (used in)/from financing activities		(4,620,722)	(10,116,339)	29,045	(170,794)
CASH AND CASH EQUIVALENTS					
Net changes		21,503,094	(15,366,984)	(119,101)	(31,470)
Brought forward		31,878,370	47,245,354	142,707	174,177
Carried forward	**A**	53,381,464	31,878,370	23,606	142,707

NOTE TO THE STATEMENTS OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Cash and bank balances	59,694,970	40,454,627	23,606	142,707
Bank overdraft	(6,313,506)	(8,576,257)	-	-
	53,381,464	31,878,370	23,606	142,707

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

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur and the principal place of business is located at Lot 622, Jalan Lapis Dua, Kampung Sementa, Batu 6, Jalan Kapar, 42200 Klang, Selangor Darul Ehsan.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 April 2022.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under historical cost convention, except for certain properties that are measured at fair values at the end of each reporting period as indicated in the summary of significant accounting policies.

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

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

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

2.2 Basis of measurement (cont'd)

The fair value of an asset or a liability is measured on the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

- Level 1 - Quoted (adjusted) market prices in active markets for the identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

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

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

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

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

2.3 Functional and presentation currency

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

2.4 MFRSs

2.4.1 Adoption of New Standards/Amendments/Improvements to MFRSs

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

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

The initial application of the new standards/amendments/improvements to the standards did not have a material impact on the financial statements of the Group and of the Company.

2.4.2 Standards issued but not yet effective

The new and amended standards that are issued, but yet effective, up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these new and amended standards, if applicable, when they become effective in the respective financial period.

Effective for the financial period beginning on or after 1 April 2021:-	
Amendments to MFRS 16	Leases - Covid-19 - Related Rent Concession beyond 30 June 2021
Effective for the financial period beginning on or after 1 January 2022:-	
Amendments to MFRS 3	Business Combinations - Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018-2020	

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

2.4 **MFRSs (cont'd)**

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

<u>Effective for the financial period beginning on or after 1 January 2023:-</u>

MFRS 17*	Insurance Contracts
Amendments to MFRS 4*	Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 17*	Insurance Contracts
Amendments to MFRS 17*	Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Change in Accounting Estimates and Error - Definition of Accounting Estimates
Amendments to MFRS 112	Income Tax - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

<u>Deferred to a date to be determined by the MASB:-</u>

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

* Not applicable to the Group's and the Company's operation.

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

2.5 **Significant accounting estimates and judgements**

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

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

2.5 Significant accounting estimates and judgements (cont'd)

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

2.5.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Depreciation of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over their useful life. However, significant judgement is involved in estimating the useful life and residual value of property, plant and equipment which are subjected to technological development and level of usage. Therefore, residual values of these assets and future depreciation charges may vary.

Impairment of non-financial assets

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

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

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill are disclosed in Note 9 to financial statements.

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

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns such as customer type and rating.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every quarterly reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Key sources of estimation uncertainty (cont'd)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below (cont'd):-

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

The assessment of the correlation between historical observed rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default rate in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 33 to the financial statements.

Inventories

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

The carrying amount of the Group's inventories as at reporting date is disclosed in Note 6 to the financial statements.

Income taxes/Deferred tax liabilities

Significant judgement is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets

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

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Key sources of estimation uncertainty (cont'd)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below (cont'd):-

Deferred tax assets (cont'd)

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

The recognised deferred tax assets during the financial year of the Group has been fully described in Note 10 to the financial statements.

Fair value measurement and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting. Significant judgement is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in measuring the assets and liabilities. Where Level 1 inputs are not available, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting date. For the valuation of land and buildings, the Group engages third party qualified valuers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed in Note 5 to financial statements.

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

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Key sources of estimation uncertainty (cont'd)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below (cont'd):-

Revenue from contracts with customers

Revenue is recognised when or as the control of the asset is transferred to our customers and, depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time. If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress, based on the stage of completion method. The stage of completion is measured using the input method, which is based on the physical proportion of contract work-to-date over the estimated total contract cost.

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

2.5.2 Judgements made in applying accounting policies

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

Deferred tax assets

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

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

2.5 Significant accounting estimates and judgements (cont'd)

2.5.2 Judgements made in applying accounting policies (cont'd)

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements (cont'd).

Classification of investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Group accounts for the portions separately if the portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

3.1.1 Subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.1 Subsidiaries (cont'd)

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

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

3.1.2 Basis of consolidation

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

3.1.3 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received (for all the acquisition took place after 1 January 2011).

All the subsidiaries within the Group are acquired before 1 January 2011. Thus, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Business combinations (cont'd)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree, if any, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRSs.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of the non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. The accounting policy for goodwill is set out in Note 3.1.4 to the financial statements. For instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

3.1.4 Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries is presented separately in the statements of financial position.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.4 Goodwill (cont'd)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually and, whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

An impairment loss recognised for goodwill shall not be reversed in subsequent period.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operations within that unit is disposed off, the goodwill associated with the operations disposed off is included in the carrying amount of the operations when determining the gain or loss on disposal of the operations. Goodwill disposed of in these circumstances is measured based on the relative values of the operations disposed of and portion of the cash-generating unit retained.

As part of its transition to MFRSs framework, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

3.1.5 Loss of control

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

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

3.1.6 Non-controlling interests

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.6 Non-controlling interests (cont'd)

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

3.1.7 Eliminations on consolidation

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

3.1.8 Associates

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

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

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

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

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

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

3.1 **Consolidation (cont'd)**

3.1.8 **Associates (cont'd)**

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

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

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

3.2 **Property, plant and equipment**

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Buildings	2% - 3.13%
Plant and machinery	7% - 20%
Motor vehicles	7% - 20%
Furniture, fittings and office equipment	10% - 25%

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment (cont'd)

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

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

3.3 Leases

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

3.3.1 Group as a lessee

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

Right-of-use assets

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

Leasehold land	22 to 60 years
Plant and machinery	10%
Motor vehicles	7% - 20%

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

The right-of-use assets are also subject to impairment. The accounting policies for impairment of non-financial assets is set out in Note 3.10 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leases (cont'd)

3.3.1 Group as a lessee (cont'd)

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

3.3.2 Group as a lessor

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

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

3.4 **Investment properties**

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

Investment properties are initially measured at cost, including transaction cost. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Subsequent to initial recognition, investment properties are measured at fair value and are revalued annually and are included in the statements of financial position at their open market values. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss in the period in which they arise. The fair values are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of the change. When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

3.5 **Contract liabilities**

Contract liabilities is the obligation to transfer goods or services to customer for which the Group has received the consideration or have billed the customer. Contract liabilities include the other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Inventories

3.6.1 Raw materials, consumables, finished goods and trading goods

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

Inventories are determined by using the weighted average method. The costs of raw materials, consumables and trading goods comprise costs of purchase plus the cost of bringing the inventories to their present condition and location. The cost of finished goods comprises raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

The net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion. Write-down to net realisable value and inventory losses are recognised as an expense when it occurred and any reversal is recognised in profit or loss in the period in which it occurs.

3.6.2 Property development cost

Property development cost is stated at the lower of cost and net realisable value. The land premium cost and related development costs common to whole projects and direct building costs are carried in the statements of financial position as inventories (property development cost). The property development cost is subsequently recognised as an expense in profit or loss as and when the control of the inventory is transferred to the customer.

Property development cost of unsold unit is transferred to completed development unit once the development is completed.

3.6.3 Inventory properties

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost includes land premium cost, amounts paid to contractors for construction, borrowing costs, professional fees for legal services, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs to sale.

The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

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

3.7 **Financial instruments**

3.7.1 **Financial assets**

3.7.1.1 **Classification and subsequent measurement**

Initial recognition and measurement

A financial asset is recognised when the Group and the Company become a party to the contractual provisions of the financial instrument.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Classification

The classification is determined by both:-

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income, impairment (loss)/gain of financial assets.

Subsequent measurement

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:-

- amortised cost;
- designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments); and
- fair value through profit or loss ("FVTPL").

In the periods presented, the Group and the Company only carry financial assets at amortised cost and FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.1 Financial assets (cont'd)

3.7.1.1 Classification and subsequent measurement (cont'd)

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):-

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest ("EIR") method and are subject to impairment. Gain or loss are recognised in profit or loss when the asset is derecognised, modified or impaired. Discounting is omitted where the effect of discounting is immaterial.

The Group's and the Company's cash and bank balances, trade and most of the other receivables and amount due from subsidiaries fall into this category of financial instruments.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in the profit or loss.

Financial assets at fair value through profit or loss ("FVTPL")

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.1 Financial assets (cont'd)

3.7.1.2 Impairment

The Group assesses on a forward-looking basis of expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs represent probability-weighted estimate of the difference between the contractual cash flows due to in accordance with the contract and all cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECLs reflects:-

- an unbiased and probability - weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following basis:-

- 12-month ECLs: the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date; and

- Lifetime ECLs: the expected credit losses that result from all possible default events over the expected life of a financial instruments.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

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

For all other financial instruments, the Group and the Company recognise a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.1 Financial assets (cont'd)

3.7.1.2 Impairment (cont'd)

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognised an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at fair value through other comprehensive income with recycling of cumulative gains and losses (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

<u>Collective assessment</u>

To measure ECLs, trade receivables are grouped into categories. The categories are differentiated by the different business risks and are subject to different credit assessments.

<u>Individual assessment</u>

Trade receivables, other receivables and amount due from subsidiaries which are in default or credit impaired are assessed individually.

3.7.2 Financial liabilities

3.7.2.1 Classification and subsequent measurement

<u>Initial recognition and measurement</u>

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

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

The Group's and the Company's financial liabilities include trade and most of the other payables, amount due to a subsidiary and a Director and borrowings.

3.7 Financial instruments (cont'd)

3.7.2 Financial liabilities (cont'd)

3.7.2.1 Classification and subsequent measurement (cont'd)

Subsequent measurement

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

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

The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

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

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

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

Financial guarantee contracts

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

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

3.7.3 **Offsetting of financial instruments**

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

3.8 **Interest in joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:-

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the MFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Group transacts with a joint operation in which a group is a joint operator (such as a sale or contribution of assets), the Group does not recognise its share of the gains and losses until the transfer of significant risks and rewards of ownership to the customer.

3.9 **Cash and cash equivalents**

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of non-financial assets

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

Note 2.5 - Significant accounting estimates and judgements
Note 3.2 - Property, plant and equipment
Note 3.3.1 - Right-of-use assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

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

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

3.12 Revenue and other income

<u>Sales of goods and rendering of services</u>

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

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

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Revenue and other income (cont'd)

Sales of goods and rendering of services (cont'd)

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

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income from investment properties is recognised on an accrual basis unless collectability is in doubt.

Interest income

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

Management fee

Management fee is recognised when services are rendered.

Property development

Revenue is recognised as and when the significant risks and rewards of ownership of the real estate have been transferred to the buyer.

Construction contracts

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of contract as revenue and expenses respectively by reference to the percentage of completion of the contract activity at the end of the reporting period. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a period of the contract by reference to the proportion that contract costs incurred for work performed to date over the estimated total contract cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Revenue and other income (cont'd)

Construction contracts (cont'd)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probably recoverable and contract costs are recognised as expenses in the period in which they are incurred.

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probably that they will result in revenue and they are capable of being reliably measured.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as contract assets under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as contract liabilities under current liabilities.

Other income

All other incomes are recognised when the right to receive payment is established and to the extent that it is probable that the economic benefits will flow to the Group and the Company can be reliably measured.

All significant intercompany revenues are eliminated on consolidation.

3.13 Tax expense

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

3.13.1 Current tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Tax expense (cont'd)

3.13.2 Deferred tax

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date, except for investment properties carried at fair value model. Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3.4 to the financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:-

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and

- When receivables and payables are stated with the amount of sales tax included.

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

3.15 Employee benefits expense

3.15.1 Short-term employee benefits

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

3.15.2 Defined contribution plan

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

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

3.16 Foreign currency

3.16.1 Foreign currency translation

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Foreign currency (cont'd)

3.16.2 Foreign currency transactions and balances

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

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

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

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

3.17 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 35 to the financial statements.

3.18 Equity, reserves and distribution to owners

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

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment.

Retained earnings or accumulated losses include all current and prior period retained earnings or accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Equity, reserves and distribution to owners (cont'd)

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

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

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

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

3.19 Provisions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Contingencies

3.20.1 Contingent liabilities

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

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

3.20.2 Contingent assets

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

3.21 Related parties

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

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

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

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

- (i) The entity and the Group are members of the same group.
- (ii) The entity is an associate or joint venture of the Group.
- (iii) Both the Group and the entity are joint ventures of the same third party.
- (iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.

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

3.21 **Related parties (cont'd)**

(b) An entity is related to the Group if any of the following conditions apply (cont'd):-

(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the entity.

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

3.22 **Earning/(Loss) per ordinary share**

The Group presents basic and diluted earning/(loss) per share data for its ordinary shares.

Basic earning/(loss) per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company over the weighted average number of ordinary shares outstanding during the period.

Diluted earning/(loss) per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company over the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares during the period.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Total RM
Cost							
At 1.1.2020	42,233,102	3,556,068	25,008,576	51,818,234	8,086,101	2,738,781	133,440,862
Additions	-	-	-	80,097	-	29,282	109,379
Written off	-	-	-	-	-	(9,950)	(9,950)
Reclassification	231,389	-	(231,389)	(872,188)	872,188	-	-
At 31.12.2020	42,464,491	3,556,068	24,777,187	51,026,143	8,958,289	2,758,113	133,540,291
Additions	-	-	-	9,836	-	40,316	50,152
Written off	-	-	-	-	-	(366,962)	(366,962)
At 31.12.2021	42,464,491	3,556,068	24,777,187	51,035,979	8,958,289	2,431,467	133,223,481
Accumulated depreciation							
At 1.1.2020	-	1,936,958	11,494,043	27,530,363	6,082,156	2,417,254	49,460,774
Charge for the financial year	-	72,891	530,283	2,805,102	638,099	77,838	4,124,213
Written off	-	-	-	-	-	(9,950)	(9,950)
Reclassification	-	-	-	(672,126)	672,126	-	-
At 31.12.2020	-	2,009,849	12,024,326	29,663,339	7,392,381	2,485,142	53,575,037
Charge for the financial year	-	72,891	530,270	2,689,502	576,422	67,388	3,936,473
Written off	-	-	-	-	-	(366,507)	(366,507)
At 31.12.2021	-	2,082,740	12,554,596	32,352,841	7,968,803	2,186,023	57,145,003
Accumulated impairment							
At 1.1.2020	-	-	-	-	-	-	-
Impairment for the financial year	-	-	-	961,312	-	-	961,312
At 31.12.2020/ 31.12.2021	-	-	-	961,312	-	-	961,312
Net carrying amount							
At 31.12.2021	42,464,491	1,473,328	12,222,591	17,721,826	989,486	245,444	75,117,166
At 31.12.2020	42,464,491	1,546,219	12,752,861	20,401,492	1,565,908	272,971	79,003,942

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

Assets pledged as securities to financial institutions

The net carrying amount of property, plant and equipment of the Group have been pledged to licensed banks for banking facilities granted to certain subsidiaries are as follows:-

	Group	
	2021	2020
	RM	RM
Land and buildings	56,160,410	56,763,571
Plant and machinery	7,331,020	7,949,621
	63,491,430	64,713,192

Impairment losses

In prior financial year, the impairment losses of the Group amounting to RM961,312 represented the write-down of certain property, plant and equipment to the recoverable amount as a result of unfavorable demand of sales order.

Plant and machinery subject to operating lease

The Group leases some of its plant and machinery to third parties. All the leases are cancellable within two to three months prior written notice or payment of two to three months fee in lieu of notice.

Lease assets

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

Group	Leasehold land RM	Plant and machinery RM	Motor vehicles RM	Total RM
Cost				
At 1.1.2020	3,556,068	1,607,366	2,136,158	7,299,592
Transfer to property, plant and equipment	-	(1,443,928)	(1,330,474)	(2,774,402)
At 31.12.2020	3,556,068	163,438	805,684	4,525,190
Transfer to property, plant and equipment	-	(163,438)	(387,041)	(550,479)
At 31.12.2021	3,556,068	-	418,643	3,974,711

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

Lease assets (cont'd)

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

Group (cont'd)	Leasehold land RM	Plant and machinery RM	Motor vehicles RM	Total RM
Accumulated depreciation				
At 1.1.2020	1,936,958	195,249	620,138	2,752,345
Charge for the financial year	72,891	64,475	286,067	423,433
Transfer to property, plant and equipment	-	(240,656)	(524,044)	(764,700)
At 31.12.2020	2,009,849	19,068	382,161	2,411,078
Charge for the financial year	72,891	12,893	187,366	273,150
Transfer to property, plant and equipment	-	(31,961)	(221,486)	(253,447)
At 31.12.2021	2,082,740	-	348,041	2,430,781
Net carrying amount				
At 31.12.2021	1,473,328	-	70,602	1,543,930
At 31.12.2020	1,546,219	144,370	423,523	2,114,112

The above motor vehicles and plant and machinery are under lease arrangement.

Leased assets are pledged as security for the related lease liabilities.

5. INVESTMENT PROPERTIES

Group	Land RM	Buildings RM	Total RM
Fair value			
At 1.1.2020	9,501,878	34,937,124	44,439,002
Reclassification	(501,878)	501,878	-
Fair value adjustment	-	(1,969,002)	(1,969,002)
At 31.12.2020	9,000,000	33,470,000	42,470,000
Fair value adjustment	3,020,000	(340,000)	2,680,000
At 31.12.2021	12,020,000	33,130,000	45,150,000

Investment properties comprise of land and buildings that are leased to third parties. The leases contain non-cancellable period of three years and cancellable within three months prior written notice or payment of three months fee in lieu of notice. No contingent rents are charged.

5. INVESTMENT PROPERTIES (CONT'D)

Income and expenses recognised in profit or loss

	Group	
	2021	2020
	RM	RM
Lease income	1,127,253	741,626
Direct operating expenses for investment properties:-		
- income generating investment properties	97,732	97,396
- non-income generating investment properties	17,624	285

The operating lease payments to be received are as follows:-

	Group	
	2021	2020
	RM	RM
Within 1 year	508,385	1,293,612
Between 1 and 2 years	16,000	473,585
Total undiscounted lease payments	524,385	1,767,197

Investment properties pledged as securities to financial institutions

The net carrying amount of investment properties which are pledged to licensed banks for banking facilities granted to subsidiaries are as follows:-

	Group	
	2021	2020
	RM	RM
Land	9,200,000	7,000,000
Buildings	30,220,000	30,020,000
	39,420,000	37,020,000

Strata title yet to issue

The strata title of buildings of subsidiaries with net carrying amount of RM16,200,000 (2020: RM17,020,000) are yet to issue by relevant authorities.

5. INVESTMENT PROPERTIES (CONT'D)

Fair value basis of investment properties

Investment properties are stated at fair value, which has been determined based on valuations at the end of the reporting period. As at financial year end, the fair values of the investment properties are based on valuations performed by accredited independent valuers with recent experience in the location and category of properties being valued. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the financial year.

Fair value measurement of the investment properties were categorised as follows:-

	Group Level 2	
	2021 RM	2020 RM
Recurring fair value measurement		
Land	12,020,000	9,000,000
Buildings	33,130,000	33,470,000

Level 2 fair value

Level 2 fair value of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

The most significant input into this valuation approach is price per square feet of comparable properties.

6. INVENTORIES

	Group	
	2021 RM	2020 RM
Non-current		
Completed properties (Note 6.2)	35,103,410	35,103,410
Current		
Raw materials	15,594,997	6,579,694
Consumables	60,478	149,095
Work-in-progress	1,366,764	1,588,536
Finished goods	6,787,701	8,797,847
Trading goods	39,080,655	40,189,107
	62,890,595	57,304,279
	97,994,005	92,407,689

6. INVENTORIES (CONT'D)

6.1 Recognised in profit or loss

	Group	
	2021	2020
	RM	RM
Inventories recognised in cost of sales	600,347,815	656,941,686
Inventories written down	2,054,856	1,123,711
Inventories written off	1,104,880	-
Reversal of inventories written down	(557,776)	(312,657)

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

6.2 Completed properties

One of the wholly-owned subsidiary, Hai Ming Development Sdn. Bhd. ("the subsidiary") is currently involved in material litigation with third parties as disclosed in Note 32 to the financial statements. This litigation has restricted the subsidiary to conduct any business transactions related to the above completed properties.

7. SUBSIDIARIES

Investment in subsidiaries

	Company	
	2021	2020
	RM	RM
At cost		
Unquoted shares	153,374,652	153,374,640
Less: Accumulated impairment losses	(3,629,161)	(2,859,115)
	149,745,491	150,515,525

The movement of accumulated impairment losses during the financial year is as follows:-

	Company	
	2021	2020
	RM	RM
At 1 January	2,859,115	1,130,320
Impairment loss during the financial year	770,046	1,788,383
Reversal of impairment loss during the financial year	-	(59,588)
At 31 December	3,629,161	2,859,115

7. SUBSIDIARIES (CONT'D)

The Company assesses whether there is any indicator of impairment during the financial year. In doing this, the management had considered the current environment and financial performance of its subsidiaries as impairment indicators.

Details of the subsidiaries are as follows:-

Name of company	Principal place of business	Effective ownership interest and voting interest 2021 %	2020 %	Principal activities
Akateak Sdn. Bhd.	Malaysia	100	100	Distributor and retailer of wooden doors, plywood and related building materials
Hai Ming Development Sdn. Bhd.	Malaysia	100	100	Involving in general, reinsurance agency, brokerage business and property development
Hai Ming Enterprise Sdn. Bhd.	Malaysia	100	100	Trading of plywood
Hai Ming Industries Sdn. Bhd.	Malaysia	100	100	Converting of paper into related products, marketing of these products and trading in cements and other related products
Hai Ming Marketing Sdn. Bhd.	Malaysia	100	100	Trading in paper products
Hai Ming Paper Mills Sdn. Bhd.	Malaysia	100	100	Manufacturing of tissue paper and converting tissue paper into tissue related products
Hai Ming Trading Co. Sdn. Bhd.	Malaysia	100	100	Trading in paper products, stationery and general household products
I'Kranji Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading in printed laminated plywood
KPS Plywood Sdn. Bhd.	Malaysia	100	100	Trading of plywood and investment holding
Modern Steel Sdn. Bhd.	Malaysia	100	51	Trading in steel bar and cement

7. **SUBSIDIARIES (CONT'D)**

Details of the subsidiaries are as follows (cont'd):-

Name of company	Principal place of business	Effective ownership interest and voting interest 2021 %	2020 %	Principal activities
Paragon Marketing Sdn. Bhd.	Malaysia	100	100	Trading in tissue, plywood and related products
Paragon Paper & Plywood Sdn. Bhd.	Malaysia	99.9	99.9	Manufacturing of tissue paper and tissue related products
Welley Enterprise Sdn. Bhd.	Malaysia	100	100	Distributing and retailing of plywood and related building materials

Acquisition of non-controlling interest

On 26 November 2021, the Company had acquired 171,500 ordinary shares representing 49% equity interest in Modern Steel Sdn. Bhd. for a total cash consideration of RM12. After acquisition, Modern Steel Sdn. Bhd. become a wholly-owned subsidiary of the Company.

2020

Non-controlling interests in subsidiaries

The Group's subsidiary that has material non-controlling interests is as follows:-

	Modern Steel Sdn. Bhd. 2020
Percentage of ownership interest and voting interest (%)	49%
Carrying amount of non-controlling interest (RM)	465,022
Loss allocated to non-controlling interest (RM)	(603,142)

7. SUBSIDIARIES (CONT'D)

2020 (cont'd)

Non-controlling interests in subsidiaries (cont'd)

The summary of financial information before intra-group elimination for the Group's subsidiary, Modern Steel Sdn. Bhd., that has material non-controlling interests is as below:-

	2020 RM
Financial position as at 31 December	
Current assets	4,732,178
Current liabilities	(3,900,765)
Net assets	831,413
Financial performance for the financial year ended 31 December	
Loss for the financial year	(1,230,902)
Other comprehensive income	-
Total comprehensive loss	(1,230,902)
Included in the total comprehensive (loss)/income is:-	
Revenue	8,801,938
Summary of cash flows for the financial year ended 31 December	
Net cash outflow used in operating activities	(2,088,878)
Net cash inflow from financing activities	229,950
Net cash outflow	(1,858,928)

Significant restrictions

No significant restriction is imposed on the financial control of the subsidiaries.

Amount due from/(to) subsidiaries

	Company	
	2021 RM	2020 RM
Amount due from subsidiaries		
Trade balance	128,379	90,278
Non-trade balance	738,764	850,000
	867,143	940,278

7. SUBSIDIARIES (CONT'D)

Amount due from/(to) subsidiaries (cont'd)

	Company 2021 RM	Company 2020 RM
Amount due from/(to) a subsidiary		
Trade balance	10,000	5,000
Non-trade balance	(207,235)	(207,141)
	(197,235)	(202,141)

The amount due from subsidiaries are unsecured, interest free and repayable on demand, except for an amount of RM740,000 (2020: RM850,000) which bears interest rates of 4.50% (2020: 4.50% to 5.57%) per annum.

The amount due to a subsidiary is unsecured, interest free and repayable on demand, except for an amount of RM207,235 (2020: RM207,141) which bears interest rates of 4.50% (2020: 4.50% to 5.57%) per annum.

8. ASSOCIATE

Investment in an associate

	Group and Company 2021 RM	Group and Company 2020 RM
At cost		
Unquoted share in Malaysia	1	1

Details of associate are as follows:-

Name of company	Principal place of business	Effective ownership interest and voting interest 2021 %	Effective ownership interest and voting interest 2020 %	Principal activity
Hai Ming Exsim Development Sdn. Bhd.	Malaysia	40	40	Property development

8. **ASSOCIATE (CONT'D)**

Investment in an associate (cont'd)

Summarised financial information of material associate, not adjusted for the proportion of ownership interest held by the Group is as follows:-

	Group	
	2021	2020
	RM	RM
Hai Ming Exsim Development Sdn. Bhd.		
Financial position as at 31 December		
Current assets	1,611,038	1,620,768
Current liabilities	(2,255,300)	(2,255,300)
Net liabilities	(644,262)	(634,532)
Carrying amount of the proportion of the Groups' ownership	1	1
Financial performance for the financial year ended 31 December		
Total comprehensive loss	(9,730)	(9,361)

Unrecognised share of losses

The Group did not share any results of associate during the financial year ended 31 December 2021 and 2020.

The Group has not recognise loss related to Hai Ming Exsim Development Sdn. Bhd. amounting to RM3,892 (2020: RM3,745) in the current financial year and losses of RM257,706 (2020: RM253,814) cumulatively, since the Group has no obligation in respect of these losses.

Contingent liabilities and capital commitments

The associate has no contingent liabilities and capital commitments as at the reporting date.

9. GOODWILL ON CONSOLIDATION

	Group	
	2021	2020
	RM	RM
Goodwill arising from business combination		
1 January/31 December	43,151,039	43,151,039

Goodwill has been allocated to the Group's CGU, being Akateak Sdn. Bhd. and KPS Plywood Sdn. Bhd., both of which are in the plywood business segment. No impairment loss was required for the goodwill on consolidation as its recoverable values was in excess of their carrying values.

Impairment test for goodwill

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-years period. The values assigned to key assumptions is in respect of management's assessment of future trends in the industry.

The key assumptions used for value-in-use calculations are as follows:-

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements. The average gross margin applied was 3.21% (2020: 2.95%).

(ii) Discount rate

The discount rate used are pre-tax and reflect specific risks relating to the plywood segment. The average discount rate applied was 7.82% (2020: 7.31%) per annum.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the CGU relating to trading in plywood products, management believes that any changes to the key assumptions above would not result in the carrying values of the CGU to materially exceed their recoverable amounts.

10. DEFERRED TAX ASSETS/(LIABILITIES)

	2021 RM	2020 RM
Group		
At 1 January	1,023,234	1,952,801
Recognised in profit or loss	163,600	(929,567)
At 31 December	1,186,834	1,023,234

Presented as follows:-

Deferred tax assets	1,929,834	1,692,434
Deferred tax liabilities	(743,000)	(669,200)
	1,186,834	1,023,234

Presented after appropriate offsetting as follows:-

	2021 RM	2020 RM
Group		
Deferred tax assets (before offsetting)	5,355,062	4,609,642
Offsetting	(3,425,228)	(2,917,208)
Deferred tax assets (after offsetting)	1,929,834	1,692,434
Deferred tax liabilities (before offsetting)	(4,168,228)	(3,586,408)
Offsetting	3,425,228	2,917,208
Deferred tax liabilities (after offsetting)	(743,000)	(669,200)
Net deferred tax assets	1,186,834	1,023,234

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority.

10. **DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)**

The components and movement of deferred tax assets and liabilities prior to offsetting are as follows:-

Deferred tax assets

	Contract liabilities	Unabsorbed business losses	Unutilised capital allowances	Allowance for impairment loss	Inventories written down	Total
	RM	RM	RM	RM	RM	RM
Group						
At 1 January 2020	1,351,000	34,090	2,274,051	1,811,590	220,600	5,691,331
Recognised in profit or loss	(1,351,000)	(20,979)	(149,897)	601,387	(161,200)	(1,081,689)
At 31 December 2020	-	13,111	2,124,154	2,412,977	59,400	4,609,642
Recognised in profit or loss	-	(7,831)	293,921	258,118	201,212	745,420
At 31 December 2021	-	5,280	2,418,075	2,671,095	260,612	5,355,062

Deferred tax liabilities

	Property, plant and equipment	Real property gains tax on investment properties	Revaluation surplus on land and building	Total
	RM	RM	RM	RM
Group				
At 1 January 2020	(2,859,930)	(509,600)	(369,000)	(3,738,530)
Recognised in profit or loss	5,722	127,000	19,400	152,122
At 31 December 2020	(2,854,208)	(382,600)	(349,600)	(3,586,408)
Recognised in profit or loss	(208,520)	(381,400)	8,100	(581,820)
At 31 December 2021	(3,062,728)	(764,000)	(341,500)	(4,168,228)

11. TRADE RECEIVABLES

	Group 2021 RM	Group 2020 RM
Trade receivables	203,130,960	203,034,751
Retention sum	404,754	1,054,145
	203,535,714	204,088,896
Less: Allowance for impairment loss	(18,412,476)	(18,472,653)
	185,123,238	185,616,243

The movements in the allowance for impairment loss in respect of trade receivables during the year were as follows:-

Group

	Individual impairment RM	Collective impairment RM	Total RM
At 1 January 2020	9,434,428	1,675,772	11,110,200
Charge for the financial year	7,419,783	638,713	8,058,496
Reversal of impairment losses	(620,472)	(75,571)	(696,043)
At 31 December 2020	16,233,739	2,238,914	18,472,653
Charge for the financial year	2,153,406	2,808,509	4,961,915
Reversal of impairment losses	(4,632,703)	(316,102)	(4,948,805)
Written off	(73,287)	-	(73,287)
At 31 December 2021	13,681,155	4,731,321	18,412,476

Trade receivables are unsecured, non-interest bearing and are recognised at their original invoice amounts which represent their fair value on initial recognition. Interest is charged on overdue accounts at the rates ranging from 0.75% to 1.50% (2020: 0.75% to 1.50%) per month.

The Group’s normal trade credit term granted to trade receivables ranging from cash term to 120 days (2020: cash term to 120 days). Other credit terms are assessed and approved by management on a case-by-case basis.

Included in the Group’s trade receivables amounting to RM2,484,942 (2020: RM1,844,626) is guaranteed by its holding company in the event of payment on demand.

12. OTHER RECEIVABLES

	Group 2021 RM	Group 2020 RM
Non-current		
Non-trade receivables	1,540,000	-
Current		
Non-trade receivables	7,138,202	59,638
Less: Allowance for impairment loss		
Addition/Carried forward	(145,043)	-
	6,993,159	59,638
Deposits	1,858,795	4,174,562
Less: Allowance for impairment loss		
Brought forward	(2,052,989)	(2,052,989)
Reversal	2,052,989	-
Carried forward	-	(2,052,989)
	1,858,795	2,121,573
Advances to suppliers	2,823,653	2,223,328
Prepayments	2,172,860	1,027,763
GST recoverable	7,508	194,314
	13,855,975	5,626,616
	15,395,975	5,626,616

The foreign currency exposure profile of other receivables is as follows:-

	2021 RM	2020 RM
United States Dollar ("USD")	663,796	457,745

13. OTHER INVESTMENT

	Group 2021 RM	Group 2020 RM
FVTPL		
- Quoted shares in Malaysia	11,016,500	-

14. CASH AND BANK BALANCES

The foreign currency exposure profile of cash and bank balances is as follows:-

	Group	
	2021	2020
	RM	RM
USD	302	526

15. SHARE CAPITAL

	Group and Company	
	2021	2020
	RM	RM
Issued and fully paid with no par value:-		
147,827,158 units of ordinary shares	153,228,000	153,228,000

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

16. REVALUATION RESERVE

Group

Revaluation reserve arising from revaluation of properties are not available for distribution as dividends.

17. LEASE LIABILITIES

Lease liabilities included in the statements of financial position are as follows:-

	Group	
	2021	2020
	RM	RM
Non-current	2,767	73,775
Current	71,462	223,514
	74,229	297,289

17. **LEASE LIABILITIES (CONT'D)**

The maturity analysis of lease liabilities is disclosed in Note 33 to the financial statements.

The expenses relating to payment not included in the measurement of lease liabilities are as follows:-

	Group	
	2021	2020
	RM	RM
Short-term leases	143,401	134,188
Low value assets	3,534	4,095

The total cash outflow of the Group for leases amounted to RM387,706 (2020: RM1,194,235).

The effective interest rates of lease liabilities are ranging from 4.59% to 6.95% (2020: 4.59% to 6.95%) per annum.

The lease liabilities of the Group are secured by way of corporate guarantee by the Company, a Director of a subsidiary and personal guarantee by a substantial shareholder of the Company.

18. **BORROWINGS**

	Group	
	2021	2020
	RM	RM
Non-current		
Secured:-		
Term loans	28,799,636	33,194,220
Multi-option loan	-	168,612
	28,799,636	33,362,832
Current		
Secured:-		
Term loans	4,796,153	5,949,244
Multi-option loan	166,595	400,008
Bankers' acceptance	93,292,508	64,723,619
Bank overdraft	6,313,506	8,576,257
	104,568,762	79,649,128
Unsecured:-		
Bankers' acceptance	37,968,417	43,447,025
	142,537,179	123,096,153
	171,336,815	156,458,985

18. **BORROWINGS (CONT'D)**

	Group	
	2021	2020
	RM	RM
Total borrowings		
Term loans	33,595,789	39,143,464
Multi-option loan	166,595	568,620
Bankers' acceptance	131,260,925	108,170,644
Bank overdraft	6,313,506	8,576,257
	171,336,815	156,458,985

(a) The secured term loans, multi-option loan, bankers' acceptance and bank overdraft are secured in the following manner:-

(i) Charge and deeds of assignment over the landed properties and plant and machinery of certain subsidiaries as disclosed in Notes 4 and 5 to the financial statements;
(ii) Personal guarantee by a substantial shareholder of the Company and a Director of a subsidiary;
(iii) Corporate guarantee by the Company and a subsidiary;
(iv) Pledged over quoted shares owned by a substantial shareholder of the Company;
(v) Debenture by way of fixed and floating charges over the entire assets of a subsidiary;
(vi) Assignment of Life Assurance Policy by a Director of a subsidiary;
(vii) Facility agreement;
(viii) Letter of Hibah; and
(ix) Letter of negative pledge.

(b) The unsecured bankers' acceptance is guaranteed by the Company, a subsidiary, a director of subsidiary and a substantial shareholder of the Company and assignment of Life Insurance Policy by a Director of a subsidiary.

The bank overdraft bears interest at the rate of 7.07% (2020: 6.42% to 7.07%) per annum.

The bankers' acceptance bears interest rates ranging from 1.70% to 5.42% (2020: 1.88% to 5.78%) per annum.

The multi-option loan bears interest rates ranging from 4.19% to 4.22% (2020: 4.18% to 5.57%) per annum. The repayment term for secured multi-option loan is 60 (2020: 60) monthly installments.

The term loans bear interest rates ranging from 4.11% to 4.95% (2020: 4.11% to 6.05%) per annum. The repayment term for secured term loans ranging from 60 to 180 (2020: 60 to 180) monthly installments.

19. TRADE PAYABLES

Group

The trade payables are non-interest bearing and the normal trade credit term granted by suppliers ranging from cash term to 120 days (2020: cash term to 120 days).

Included in trade payables are the retention sum amounting to RM2,387,256 (2020: RM2,313,567).

Included in trade payables is an amount of RM208,136 (2020: RM223,520) guaranteed by the Company.

20. OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Non-trade payables	22,631,354	16,781,591	27,178	13,808
Accruals of expenses	1,216,488	1,362,376	109,900	109,900
Deposits received	499,318	490,788	-	-
SST payable	74,827	69,617	-	-
	24,421,987	18,704,372	137,078	123,708

Group

Included in non-trade payables consist of amount due to a substantial shareholder of the Company amounted RM13,743,127 (2020: RM10,467,945). The amount due is unsecured, interest free and repayable on demand.

21. CONTRACT LIABILITIES

	Group	
	2021	2020
	RM	RM
Deferred revenue	6,467,425	6,467,425

Deferred revenue relates to deposits made by customers for the goods or services which is yet to transfer or perform by the Group as at the reporting date. The Group applies the practical expedient in MFRS 15 on not disclosing the aggregate amount of the revenue expected to be recognised in the future as the performance obligation is part of a contract that has an original expected duration of less than one year.

22. **AMOUNT DUE TO A DIRECTOR**

Group

The amount due to a Director is non-trade in nature, unsecured, interest free and repayable on demand.

23. **REVENUE**

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Revenue from contract with customers				
Products and services transferred at a point in time:-				
Sales of goods	652,691,369	703,314,868	-	-
Rendering of services	65,617	80,208	-	-
Management fee received and receivable from subsidiaries	-	-	260,000	260,000
	652,756,986	703,395,076	260,000	260,000
Products and services transferred over time:-				
Construction	4,096,631	32,595,566	-	-
	656,853,617	735,990,642	260,000	260,000

23. REVENUE (CONT'D)

23.1 Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition in the following table:-

Group	Paper milling RM	Paper converting RM	Building materials RM	Property development and construction RM	Other trading RM	Total RM
2021						
Major products/service lines						
Manufacture of tissue paper and tissue related products	24,808,250	-	-	-	-	24,808,250
Paper converting and trading in paper related products	-	135,929,775	-	-	-	135,929,775
Distributor and retailer of building materials	-	-	487,471,470	-	-	487,471,470
Trading in stationery and paper related products	-	-	-	-	4,481,874	4,481,874
Construction	-	-	-	4,096,631	-	4,096,631
Others	-	-	-	65,617	-	65,617
Total revenue from contracts with customers	24,808,250	135,929,775	487,471,470	4,162,248	4,481,874	656,853,617
Primary geographical markets						
Malaysia	24,808,250	135,929,775	487,471,470	4,162,248	4,481,874	656,853,617
Timing of revenue recognition						
Products and services transferred at a point in time	24,808,250	135,929,775	487,471,470	65,617	4,481,874	652,756,986
Products transferred over time	-	-	-	4,096,631	-	4,096,631
	24,808,250	135,929,775	487,471,470	4,162,248	4,481,874	656,853,617

23. REVENUE (CONT'D)

23.1 Disaggregation of revenue from contracts with customers (cont'd)

Revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition in the following table (cont'd):-

Group (cont'd)	Paper milling RM	Paper converting RM	Building materials RM	Property development and construction RM	Other trading RM	Total RM
2020						
Major products/service lines						
Manufacture of tissue paper and tissue related products	26,976,844	-	-	-	-	26,976,844
Paper converting and trading in paper related products	-	118,497,456	-	-	-	118,497,456
Distributor and retailer of building materials	-	-	553,580,116	-	-	553,580,116
Trading in stationery and paper related products	-	-	-	-	4,260,452	4,260,452
Construction	-	-	-	32,595,566	-	32,595,566
Others	-	-	-	80,208	-	80,208
Total revenue from contracts with customers	26,976,844	118,497,456	553,580,116	32,675,774	4,260,452	735,990,642
Primary geographical markets						
Malaysia	26,976,844	118,497,456	553,371,266	32,675,774	4,260,452	735,781,792
Overseas #	-	-	208,850	-	-	208,850
	26,976,844	118,497,456	553,580,116	32,675,774	4,260,452	735,990,642
Timing of revenue recognition						
Products and services transferred at a point in time	26,976,844	118,497,456	553,580,116	80,208	4,260,452	703,395,076
Products transferred over time	-	-	-	32,595,566	-	32,595,566
	26,976,844	118,497,456	553,580,116	32,675,774	4,260,452	735,990,642

less than 5% for each individual country.

23. REVENUE (CONT'D)

23.1 Disaggregation of revenue from contracts with customers (cont'd)

	2021 RM	2020 RM
Company		
Revenue from contract with customers		
Products and services transferred at a point in time:-		
Management fee	260,000	260,000
Primary geographical market:-		
Malaysia	260,000	260,000

24. FINANCE INCOME

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Overdue interest income	730,420	540,869	-	-
Interest income from subsidiaries	-	-	35,061	55,884
Interest income from banks	484,461	406,837	-	-
	1,214,881	947,706	35,061	55,884

25. FINANCE COSTS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Interest expenses:				
- bankers' acceptance	3,521,093	4,362,245	-	-
- lease liabilities	17,711	55,397	-	-
- term loans	1,456,553	1,898,751	-	-
- multi-option loan	14,888	35,795	-	-
- bank overdraft	6,327	12,952	-	-
- others	68	-	-	-
- charged by a subsidiary	-	-	6,110	20,780
	5,016,640	6,365,140	6,110	20,780

26. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax has been determined after charging/(crediting), amongst other items, the followings:-

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Auditors' remuneration:				
- statutory audit	342,000	353,000	68,000	68,000
- others	87,500	87,500	11,900	11,900
Bad debts written off	-	170,167	-	-
Bad debts recovered	(13,533)	-	-	-
Realised gain on foreign exchange	(273,227)	(176,820)	-	-
Rental income:				
- premises	(1,661,841)	(1,189,443)	-	-
- plant and machinery	-	(250,000)	-	-

27. TAX EXPENSE

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Current tax:				
- current financial year	3,932,078	2,187,960	33,300	33,000
- (over)/under provision in prior financial year	(34,078)	700,805	(3,954)	31,124
	3,898,000	2,888,765	29,346	64,124
Deferred tax:				
- origination and reversal of temporary differences	(234,400)	847,567	-	-
- under recognised in prior financial year	70,800	82,000	-	-
	(163,600)	929,567	-	-
	3,734,400	3,818,332	29,346	64,124

27. **TAX EXPENSE (CONT'D)**

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(Loss) before tax	18,460,228	(6,520,343)	(928,734)	(1,797,931)
Tax at statutory tax rate of 24%	4,430,455	(1,564,882)	(222,896)	(431,503)
Tax effects in respect of:-				
Expenses not deductible for tax purposes	445,091	664,550	256,196	478,804
Income not subject to tax	(1,448,348)	(14,301)	-	(14,301)
Movement of deferred tax assets not recognised	270,480	3,950,160	-	-
(Over)/Under provision of tax expense in prior financial year	(34,078)	700,805	(3,954)	31,124
Under recognised of deferred tax in prior financial year	70,800	82,000	-	-
	3,734,400	3,818,332	29,346	64,124

Deferred tax assets not recognised

Deferred tax assets that have not been recognised in the financial statements are as follows (stated at gross amount):-

	Group	
	2021 RM	2020 RM
Property, plant and equipment	281,000	85,000
Contract liabilities	6,467,000	6,467,000
Unabsorbed business losses	7,317,000	7,240,000
Unutilised capital allowances	5,233,000	4,242,000
Unutilised reinvestment allowances	6,754,000	6,754,000
Inventories written down	2,090,000	1,491,000
Allowance for impairment loss	8,553,000	9,289,000
	36,695,000	35,568,000

The potential deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available for the subsidiaries to utilise such benefits.

27. TAX EXPENSE (CONT'D)

Effective Year of Assessment ("YA") 2019 as announced in the Annual Budget 2019, the unutilised business losses of the subsidiaries as at 31 October 2019 and thereafter will only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unutilised business losses will be disregarded. The existing time limit to carry forward unutilised business losses to be extended to 10 consecutive years as announced in the Annual Budget 2022.

The unutilised capital allowances do not expire under current tax legislation. Unabsorbed business losses for which no deferred tax asset was recognised expiring as follows:-

	2021 RM	2020 RM
YA 2025	-	4,429,000
YA 2026	-	1,282,000
YA 2027	-	1,529,000
YA 2028	3,865,000	-
YA 2029	1,887,000	-
YA 2030	898,000	-
YA 2031	642,000	-
YA 2032	25,000	-
	7,317,000	7,240,000

Any amounts not utilised upon expiry period of the above year of assessment ("YA") will be disregarded.

28. EARNING/(LOSS) PER SHARE

Basic earning/(loss) per ordinary share

The calculation of basic earning/(loss) per share was based on the profit/(loss) attributable to ordinary equity holders of the Company and weighted average number of ordinary shares issued calculated as follows:-

	Group	
	2021	2020
Profit/(Loss) for the financial year attributable to ordinary equity holders of the Company (RM)	14,726,875	(9,732,076)
Weighted average number of ordinary shares at 31 December	147,827,158	147,827,158
Basic earning/(loss) per share (sen)	9.96	(6.58)

Diluted earning/(loss) per share

Diluted earning/(loss) per share is not computed as there were no dilutive potential equity instruments in issue that gave diluted effect to the earning/(loss) per share.

29. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Salaries and other emoluments	8,311,939	9,075,169	9,000	7,500
Defined contribution plan	714,607	785,673	-	-
Social security contributions	113,342	127,404	-	-
	9,139,888	9,988,246	9,000	7,500

The employee benefits expense of the Group and of the Company included Directors' emoluments as disclosed in Note 30 to the financial statements.

30. DIRECTORS' REMUNERATION

The details of remuneration received and receivable by Directors of the Company and subsidiaries during the financial year are as follows:-

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Executive Directors:-				
Directors of the Company				
Fees	39,019	98,769	-	-
Salaries and other emoluments	28,719	48,150	-	-
Social security contributions	324	484	-	-
	68,062	147,403	-	-
Directors of subsidiaries				
Fees	-	14,000	-	-
Salaries and other emoluments	238,319	464,998	-	-
Defined contribution plan	28,283	59,121	-	-
Social security contributions	2,281	3,929	-	-
	268,883	542,048	-	-
Total Executive Directors' remuneration	336,945	689,451	-	-
Non-executive Directors:-				
Directors of the Company				
Fees	66,000	66,000	66,000	66,000
Salaries and other emoluments	9,000	7,500	9,000	7,500
Total Non-executive Directors' remuneration	75,000	73,500	75,000	73,500
Total Directors' remuneration	411,945	762,951	75,000	73,500

31. RELATED PARTY DISCLOSURES

The Group has related party relationship with its significant investors, subsidiaries, associate, Directors and key management personnel.

Related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Loan given by a subsidiary	-	-	207,235	207,141
Interest charged to a subsidiary	-	-	35,061	55,884
Interest charged by a subsidiary	-	-	6,110	20,780
Management fee charged to subsidiaries	-	-	260,000	260,000
Consultancy fee paid to a substantial shareholder of the Company	135,000	165,000	-	-

The outstanding balances arising from related party transactions were disclosed in Notes 7, 20 and 22 to the financial statements.

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel consist of Executive Director of the Company and certain members of senior management of the Group.

The remuneration of key management personnel of the Group during the financial year are as follows:-

	Group	
	2021 RM	2020 RM
Fees	39,019	112,769
Salaries and other emoluments	337,757	494,464
Defined contribution plan	38,059	56,605
Social security contribution	3,633	4,508
	418,468	668,346

32. **MATERIAL LITIGATION**

On 18 November 2020, a wholly-owned subsidiary, Hai Ming Development Sdn. Bhd. ("the subsidiary") had filed a suit against the Nautical Wealth Sdn. Bhd., Tang For Peo and Soon Bee Kuan (collectively known as the "Defendants") to seek damages from the Defendants for the breach of the Development Agreement dated 29 April 2015 duly entered by the subsidiary and the Defendants in respect of the project located at Lot 928, Mukim Rawang, District of Gombak ("the Land"), known as 928 Corporate Park @ Rawang ("Completed Properties").

Further, the subsidiary had also filed an application to obtain an interim injunction application to restrain Nautical Wealth Sdn. Bhd. from operating various account related to the Completed Properties.

On 23 March 2021, Defendants' solicitor disclosed that Tang For Peo and Soon Bee Kuan had been declared bankruptcy on 24 February 2021 and they are the only Directors and shareholders of Nautical Wealth Sdn. Bhd..

Therefore, the subsidiary had filed an application to the court on 1 April 2021. The Judge granted a temporary variation to restrain Nautical Wealth Sdn. Bhd. from dealing with remaining project lands and there is pending hearing of the application on 27 May 2021.

The initial trial dates for 2021 have been cancelled and new trial dates have been fixed on 24 to 26 January 2022 and 7 to 9 February 2022.

On 17 August 2021, Nautical Wealth Sdn. Bhd. had been wound up and a private liquidator, Mr Chong Chuan Long was appointed as the Liquidator.

On 25 September 2021, the Liquidator has filed an application to vary the Company Injunction Order to allow the Liquidator to among others; (i) take possession and control of all bank accounts of Nautical Wealth Sdn. Bhd., (ii) to deal with the funds in the bank accounts into a new liquidation account, (iii) to deal with the bank accounts towards the liquidation expenses, and (iv) to deal with possession of all unsold 29 units of properties under Nautical Wealth Sdn. Bhd..

The Court has allowed the Liquidator's application with the Liquidator's formal undertaking that he will not dispose off any assets until the outcome of these civil suits and all appeals arising thereof and/or the filing of proof of debt and as well as all proceedings arising therefrom whichever is applicable.

The solicitor of the Company has filed a Proof of Debt to protect the Company's interests. The solicitor also filed a leave application under Section 471 of the Companies Act 2016 to continue the suits against Nautical Wealth Sdn. Bhd. As a wound-up company which the Court has allowed through an order dated 10 December 2021.

The initial trail dates for 2022 have been cancelled and new trial dates have been fixed on 1 to 2 December 2022, 5 to 7 December 2022 and 9 December 2022.

33. **FINANCIAL INSTRUMENTS**

CATEGORIES OF FINANCIAL INSTRUMENTS

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

(i) Amortised cost (“AC”); and
(ii) Financial assets and financial liabilities at fair value through profit or loss (“FVTPL”).

	Carrying amount RM	AC RM	FVTPL RM
Group			
2021			
Financial assets			
Trade receivables	185,123,238	185,123,238	-
Other receivables	10,391,954	10,391,954	-
Other investments	11,016,500	-	11,016,500
Cash and bank balances	59,694,970	59,694,970	-
Total	266,226,662	255,210,162	11,016,500
Financial liabilities			
Trade payables	56,122,102	56,122,102	-
Other payables	24,347,160	24,347,160	-
Amount due to a Director	184,243	184,243	-
Borrowings	171,336,815	171,336,815	-
Total	251,990,320	251,990,320	-
2020			
Financial assets			
Trade receivables	185,616,243	185,616,243	-
Other receivables	2,181,211	2,181,211	-
Cash and bank balances	40,454,627	40,454,627	-
Total	228,252,081	228,252,081	-
Financial liabilities			
Trade payables	47,079,686	47,079,686	-
Other payables	18,634,755	18,634,755	-
Amount due to a Director	418,167	418,167	-
Borrowings	156,458,985	156,458,985	-
Total	222,591,593	222,591,593	-

33. **FINANCIAL INSTRUMENTS (CONT'D)**

CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Amortised cost ("AC"); and
(ii) Financial assets and financial liabilities at fair value through profit or loss ("FVTPL").

	Carrying amount RM	AC RM	FVTPL RM
Company			
2021			
Financial assets			
Amount due from subsidiaries	867,143	867,143	-
Cash and bank balances	23,606	23,606	-
Total	890,749	890,749	-
Financial liabilities			
Other payables	137,078	137,078	-
Amount due to a subsidiary	197,235	197,235	-
Total	334,313	334,313	-
2020			
Financial assets			
Amount due from subsidiaries	940,278	940,278	-
Cash and bank balances	142,707	142,707	-
Total	1,082,985	1,082,985	-
Financial liabilities			
Other payables	123,708	123,708	-
Amount due to a subsidiary	202,141	202,141	-
Total	325,849	325,849	-

33. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risks

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of the Group's and of the Company's business whilst managing their credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process. The Group and the Company do not engage in the trading of financial assets for speculative purpose nor does it write options. The Group and the Company do not apply hedge accounting.

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) **Credit risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the head of credit control.

The Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables and amount due from subsidiaries in the statements of financial position.

The credit risk for cash and cash equivalents are considered negligible since the counterparties are reputable banks with high credit rating.

33. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) **Credit risk (cont'd)**

The areas where the Group and the Company are exposed to credit risk are as follows:-

Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

An impairment analysis performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for grouping of various customer segments with similar loss patterns by customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment.

The following table provides information about the credit risk exposure on the Group's trade receivables using a provision matrix:-

		Days past due					
2021	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 121 days	Total
	RM	RM	RM	RM	RM	RM	RM
Gross carrying amount	74,954,847	52,194,665	14,238,887	13,990,887	2,396,312	45,760,116	203,535,714
ECLs (Collective)	390,551	646,675	383,030	465,474	123,573	2,722,018	4,731,321
ECLs (Individual)	-	-	-	-	-	13,681,155	13,681,155

		Days past due					
2020	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 121 days	Total
	RM	RM	RM	RM	RM	RM	RM
Gross carrying amount	72,442,560	43,013,603	21,335,684	13,813,127	9,469,340	44,014,582	204,088,896
ECLs (Collective)	687,781	433,679	247,153	165,930	123,766	580,605	2,238,914
ECLs (Individual)	-	-	-	-	-	16,233,739	16,233,739

33. **FINANCIAL INSTRUMENTS (CONT'D)**

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) **Credit risk (cont'd)**

The areas where the Group and the Company are exposed to credit risk are as follows (cont'd):-

Receivables (cont'd)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

In respect of trade and other receivables, the Group and the Company are not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Concentration of credit risk

The credit risk concentration profile of the Group as at the reporting date is as follows:-

	Group	
	2021 RM	2020 RM
By country:-		
Malaysia	185,123,238	185,616,243
By industry sector:-		
Paper milling	10,586,001	7,647,740
Paper converting	22,974,041	22,173,600
Building materials	146,970,394	153,776,678
Property development and construction	3,976,624	1,457,264
Other trading	616,178	560,961
	185,123,238	185,616,243

33. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) **Credit risk (cont'd)**

The areas where the Group and the Company are exposed to credit risk are as follows (cont'd):-

Receivables (cont'd)

Financial guarantee/Corporate guarantee

The maximum exposure to credit risk amounting to RM165,516,930 (2020: RM148,518,164) representing the outstanding banking facilities of the subsidiaries and RM208,136 (2020: RM223,520) to subsidiaries' supplier as at the end of the reporting period.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and to supplier of subsidiaries in supplying trading goods to the subsidiaries.

The corporate guarantee does not have a determinable effect on the term of the credit facilities due to the bank requiring parent's guarantees as a pre-condition for approving the banking facilities granted to subsidiaries. The actual terms of the credit facilities are likely to be the best indicator of "at market" term and hence the fair value of the credit facilities are equal to the credit facilities amount received by the subsidiaries. As such, there is no value on the corporate guarantee to be recognised in the financial statements.

Intercompany balances

The Company provides unsecured advances to subsidiaries and monitors the results of the subsidiaries regularly.

As at the end of the reporting date, there was no indication that the carrying amount of advances to the subsidiaries are not recoverable.

(b) **Liquidity risk**

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due as a result of shortage of funds.

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

33. **FINANCIAL INSTRUMENTS (CONT'D)**

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) **Liquidity risk (cont'd)**

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:-

			Maturity			
			Current	Non-current		
	Carrying amount	Total contractual cash flows	On demand/ Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
2021	RM	RM	RM	RM	RM	RM
Group						
Non-derivative financial liabilities						
Bank overdraft	6,313,506	6,313,506	6,313,506	-	-	-
Bankers' acceptance	131,260,925	131,260,925	131,260,925	-	-	-
Term loans	33,595,789	40,092,542	5,770,739	5,611,716	11,267,521	17,442,566
Multi-option loan	166,595	168,348	168,348	-	-	-
Lease liabilities	74,229	82,607	73,447	9,160	-	-
Trade payables	56,122,102	56,122,102	56,122,102	-	-	-
Other payables	24,347,160	24,347,160	24,347,160	-	-	-
Amount due to a Director	184,243	184,243	184,243	-	-	-
Total	252,064,549	258,571,433	224,240,470	5,620,876	11,267,521	17,442,566
2020						
Group						
Non-derivative financial liabilities						
Bank overdraft	8,576,257	8,576,257	8,576,257	-	-	-
Bankers' acceptance	108,170,644	108,170,644	108,170,644	-	-	-
Term loans	39,143,464	47,136,033	7,265,653	5,959,122	13,195,808	20,715,450
Multi-option loan	568,620	549,042	414,634	134,408	-	-
Lease liabilities	297,289	322,387	239,780	73,447	9,160	-
Trade payables	47,079,686	47,079,686	47,079,686	-	-	-
Other payables	18,634,755	18,634,755	18,634,755	-	-	-
Amount due to a Director	418,167	418,167	418,167	-	-	-
Total	222,888,882	230,886,971	190,799,576	6,166,977	13,204,968	20,715,450

33. **FINANCIAL INSTRUMENTS (CONT'D)**

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) **Liquidity risk (cont'd)**

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):-

			Maturity			
			Current	Non-current		
	Carrying amount	Total contractual cash flows	On demand/ Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
2021	RM	RM	RM	RM	RM	RM
Company						
Non-derivative financial liabilities						
Other payables	137,078	137,078	137,078	-	-	-
Amount due to a subsidiary	197,235	197,235	197,235	-	-	-
Total financial liabilities	334,313	334,313	334,313	-	-	-
Financial guarantee *	-	165,725,066	165,725,066	-	-	-
2020						
Company						
Non-derivative financial liabilities						
Other payables	123,708	123,708	123,708	-	-	-
Amount due to a subsidiary	202,141	202,141	202,141	-	-	-
Total financial liabilities	325,849	325,849	325,849	-	-	-
Financial guarantee *	-	148,741,684	148,741,684	-	-	-

* This exposure of liquidity risk is included for illustration purpose only as the related financial guarantee has not crystalised.

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities at the reporting date.

33. **FINANCIAL INSTRUMENTS (CONT'D)**

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's investments in fixed rate instruments and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

Short term receivables and payables are not significantly exposed to interest rate risk.

Interest rate sensitivity

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the reporting date were:-

	2021	2020
Group	RM	RM
Fixed rate instruments		
Financial asset		
- Trade receivables	143,795	-
Financial liabilities		
- Lease liabilities	(74,229)	(297,289)
- Bankers' acceptance	(131,260,925)	(108,170,644)
Total financial liabilities	(131,335,154)	(108,467,933)
Net financial liabilities	(131,191,359)	(108,467,933)

33. **FINANCIAL INSTRUMENTS (CONT'D)**

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) **Interest rate risk (cont'd)**

Interest rate sensitivity (cont'd)

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the reporting date were (cont'd):-

	2021 RM	2020 RM
Group (cont'd)		
Floating rate instruments		
Financial liabilities		
- Term loans	(33,595,789)	(39,143,464)
- Multi-option loan	(166,595)	(568,620)
- Bank overdraft	(6,313,506)	(8,576,257)
Net financial liabilities	(40,075,890)	(48,288,341)
Company		
Floating rate instruments		
Financial asset		
- Amount due from a subsidiary	740,000	850,000
Financial liability		
- Amount due to a subsidiary	(207,235)	(207,141)
Net financial asset	532,765	642,859

Cash flow sensitivity analysis for variable rate instruments

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (2020: +/-25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

33. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments (cont'd)

	Increase/(Decrease) on (loss)/profit/equity of the year			
	Group		**Company**	
	RM	RM	RM	RM
2021 (+/- 25bp)	100,190	(100,190)	1,332	(1,332)
2020 (+/- 25bp)	120,721	(120,721)	1,607	(1,607)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and does not designate derivatives as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(d) Foreign currency risks

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group incurs foreign currency risk on sales and purchases that are denominated in currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily USD. However, the Group does not view the risk to be significant as the sale transactions denominated in this currency is minimal.

The carrying amount of the Group's exposure to foreign currency risk as at reporting date is disclosed in Notes 12 and 14 to the financial statements.

33. **FINANCIAL INSTRUMENTS (CONT'D)**

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(d) **Foreign currency risks (cont'd)**

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit/(loss) for the year and equity to a reasonably possible change in the USD exchange rate against RM, with all other variables held constant.

	Effect for the (loss)/profit of the year/equity RM
2021	
USD/RM	
- strengthened 5%	33,205
- weakened 5%	(33,205)
2020	
USD/RM	
- strengthened 5%	22,914
- weakened 5%	(22,914)

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(e) **Market price risk**

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than foreign exchange or interest rates). Equity price risk arises from the Group's investments in equity securities quoted in Bursa Malaysia Securities Berhad.

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the authorised person of the Group.

33. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(e) Market price risk (cont'd)

Equity Price Risk Sensitivity Analysis

This analysis assumes that all other variables remain constant and all the Group's equity investments moved in percentage of the share price.

A 8% (2020: Nil) increase in share price of each counter at the reporting date would have increase the Group's profit/equity for the financial year by RM881,320 (2020: Nil). A 8% (2020: Nil) weakening in the share price of each counter would have equal but opposite effect on the Group's profit/equity for the financial year.

Reconciliation of liabilities arising from financing activities

2021	**1 January** RM	**Cash flows** RM	**31 December** RM
Group			
Loans and borrowings			
- Lease liabilities	297,289	(223,060)	74,229
- Borrowings			
- Term loan	39,143,464	(5,547,675)	33,595,789
- Multi-option loan	568,620	(402,025)	166,595
	39,712,084	(5,949,700)	33,762,384
Amount due to a substantial shareholder of the Company	10,467,945	3,275,182	13,743,127
Total liabilities from financing activities	50,477,318	(2,897,578)	47,579,740
Company			
Amount due to a subsidiary	207,141	94	207,235
Total liability from financing activity	207,141	94	207,235

33. FINANCIAL INSTRUMENTS (CONT'D)

Reconciliation of liabilities arising from financing activities (cont'd)

	1 January RM	**Cash flows** RM	**31 December** RM
2020			
Group			
Loans and borrowings			
- Lease liabilities	1,297,844	(1,000,555)	297,289
- Borrowings			
- Term loan	42,813,478	(3,670,014)	39,143,464
- Multi-option loan	971,184	(402,564)	568,620
	43,784,662	(4,072,578)	39,712,084
Amount due to a substantial shareholder of the Company	13,521,208	(3,053,263)	10,467,945
Total liabilities from financing activities	58,603,714	(8,126,396)	50,477,318
Company			
Amount due to a subsidiary	413,039	(205,898)	207,141
Total liability from financing activity	413,039	(205,898)	207,141

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities of the Group and of the Company at reporting date approximate their fair values due to their short-term nature, insignificant impact of discounting, or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in active market. In addition, it is impracticable to use valuation technique to estimate the fair value reliably as a result of significant variability in the inputs of the valuation technique. The Group does not intend to dispose of these investments in the near future.

Level 1

The fair value of quoted shares is determined by reference to their quoted closing bid prices at the reporting date.

33. FINANCIAL INSTRUMENTS (CONT'D)

FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value grouped into Level 1 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

	Level 1
	RM
2021	
Group	
Financial assets at FVTPL	
- Quoted shares	11,016,500

34. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new share capital. No changes were made in the objective, policies or processes during the financial year ended 31 December 2021 and 31 December 2020.

The borrowings include lease liabilities, bankers' acceptance, bank overdraft, term loans and multi-option loan while owners' equity refers to the equity attributable to the owners of the Group.

	2021	2020
	RM	RM
Total borrowings:-		
- Lease liabilities	74,229	297,289
- Bankers' acceptance	131,260,925	108,170,644
- Term loans	33,595,789	39,143,464
- Multi-option loan	166,595	568,620
- Bank overdraft	6,313,506	8,576,257
	171,411,044	156,756,274
Owners' equity	276,540,889	261,349,004
Debt-to-equity ratio	0.62	0.60

34. CAPITAL MANAGEMENT (CONT'D)

There were no changes in the Group's approach to capital management during the financial year.

The Group has complied with Practice Note No. 17/2005 of Bursa Malaysia Securities Berhad which requires the Group to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital of the Company and shareholders' equity of not less than RM40 million.

35. OPERATING SEGMENTS - GROUP

(i) Business segment

For management purposes, the Group is organised into five major business units based on their products and services, which comprises the following:-

Business segments		Business activities
Paper milling	:	Manufacture of various types of tissue paper and tissue related products.
Paper converting	:	Converting of paper into related products and trading in paper related products.
Building materials	:	Distributor and retailer of wooden doors, plywood and related building materials. This segment also deals with trading in tissue related products, plywood, printed laminated plywood, cement and steel bars.
Investment and management	:	Providing management services, investment holding and dormant companies.
Property development and construction	:	Undertakes the development of factories and construction activities.
Other trading	:	Trading in paper, paper products, stationery, general household products, and other unclassified companies of diversed activities.

The Group has aggregated certain operating segments to form a reportable segment due to the similar nature and operational characteristics of the products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

35. **OPERATING SEGMENTS – GROUP (CONT'D)**

(i) **Business segment (cont'd)**

	Note	Paper milling RM	Paper converting RM	Building materials RM	Investment and management RM	Property development and construction RM	Other trading RM	Consolidation adjustments RM	Total consolidated RM
2021									
Revenue									
External revenue		24,808,250	135,929,775	487,471,470	-	4,162,248	4,481,874	-	656,853,617
Inter-segment revenue	(a)	9,341	-	-	260,000	-	-	(269,341)	-
Total revenue		24,817,591	135,929,775	487,471,470	260,000	4,162,248	4,481,874	(269,341)	656,853,617
Results									
Finance income		122,227	658,739	1,859,648	35,061	628	353,735	(1,815,157)	1,214,881
Finance costs		(692,565)	(798,482)	(4,071,999)	(6,110)	(1,204,292)	(58,349)	1,815,157	(5,016,640)
Depreciation		(2,046,597)	(132,864)	(1,684,096)	-	(191)	(72,725)	-	(3,936,473)
Other non-cash expenses	(b)	(386,303)	(1,794,424)	9,023,480	-	(1,156,899)	(15,673)	(300,000)	5,370,181
Tax expense		(3,816)	(296,400)	(3,324,349)	(29,346)	-	(80,489)	-	(3,734,400)
Segment (loss)/profit	(c)	(1,197,159)	(89,116)	17,366,652	(987,031)	(608,731)	(98,672)	4,141,644	18,527,587
Assets									
Investment in an associate		-	-	-	1	-	-	-	1
Additions to non-current assets other than deferred tax assets	(d)	12,549	-	37,603	-	-	-	-	50,152
Segment assets	(e)	38,241,260	46,085,224	362,959,775	149,769,097	57,449,855	6,479,047	(128,341,365)	532,642,893
Liabilities									
Segment liabilities	(f)	19,155,750	6,030,490	49,189,119	334,313	50,374,258	1,278,532	(39,166,705)	87,195,757

35. OPERATING SEGMENTS – GROUP (CONT'D)

(i) Business segment (cont'd)

	Note	Paper milling RM	Paper converting RM	Building materials RM	Investment and management RM	Property development and construction RM	Other trading RM	Consolidation adjustments RM	Total consolidated RM
2020									
Revenue									
External revenue		26,976,844	118,497,456	553,580,116	-	32,675,774	4,260,452	-	735,990,642
Inter-segment revenue	(a)	141	-	-	260,000	-	-	(260,141)	-
Total revenue		26,976,985	118,497,456	553,580,116	260,000	32,675,774	4,260,452	(260,141)	735,990,642
Results									
Finance income		152,578	855,598	1,520,294	55,884	4,855	405,843	(2,047,346)	947,706
Finance costs		(791,036)	(721,629)	(5,468,865)	(20,780)	(1,347,073)	(63,102)	2,047,345	(6,365,140)
Depreciation		(2,159,742)	(142,649)	(1,739,229)	-	(191)	(82,402)	-	(4,124,213)
Other non-cash expenses	(b)	(1,545,304)	(3,485,364)	(5,485,147)	-	(859,002)	(195,835)	296,664	(11,273,988)
Tax income/(expense)		4,726	(244,229)	(1,476,760)	(64,124)	(1,974,421)	(63,524)	-	(3,818,332)
Segment (loss)/profit	(c)	(3,669,877)	(4,471,101)	5,263,336	(1,897,159)	(1,772,427)	(399,473)	2,025,460	(4,921,241)
Assets									
Investment in an associate		-	-	-	1	-	-	-	1
Additions to non-current assets other than deferred tax assets	(d)	82,223	2,750	21,211	-	-	3,195	-	109,379
Segment assets	(e)	38,831,063	43,189,309	315,341,984	150,658,232	54,613,509	6,373,307	(120,277,248)	488,730,156
Liabilities									
Segment liabilities	(f)	15,801,711	2,585,637	47,668,029	325,849	44,779,621	1,223,353	(39,714,550)	72,669,650

35. **OPERATING SEGMENTS – GROUP (CONT'D)**

(i) **Business segment (cont'd)**

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

(a) Inter-segment revenue are eliminated on consolidation.

(b) Other non-cash (expenses)/income consist of the following items as presented in the respective notes to the financial statements:-

	2021 RM	2020 RM
Bad debts written off	-	(170,167)
Net impairment gain/(loss) on financial assets	1,894,836	(7,362,453)
Impairment loss on property, plant and equipment	-	(961,312)
Inventories written down	(2,054,856)	(1,123,711)
Inventories written off	(1,104,880)	-
Fair value gain/(loss) on investment properties	2,680,000	(1,969,002)
Fair value gain/(loss) on other investment	3,396,850	-
Property, plant and equipment written off	455	-
Reversal of inventories written down	557,776	312,657
	5,370,181	(11,273,988)

(c) The following items are added to/(deducted from) segment profit to arrive at "Profit/(Loss) after tax" presented in the consolidated statement of profit or loss and other comprehensive income:-

	2021 RM	2020 RM
Segment profit/(loss)	18,527,587	(4,921,241)
Finance income	1,214,881	947,706
Finance costs	(5,016,640)	(6,365,140)
Profit/(Loss) after tax	14,725,828	(10,338,675)

35. **OPERATING SEGMENTS – GROUP (CONT'D)**

(i) **Business segment (cont'd)**

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd):-

(d) Additions to non-current assets other than deferred tax assets consist of:-

	2021 RM	2020 RM
Property, plant and equipment	50,152	109,379

(e) The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:-

	2021 RM	2020 RM
Segment assets	532,642,893	488,730,156
Investment in an associate	1	1
Deferred tax assets	1,929,834	1,692,434
Tax recoverable	1,633,642	1,526,117
Total assets	536,206,370	491,948,708

(f) The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:-

	2021 RM	2020 RM
Segment liabilities	87,195,757	72,669,650
Deferred tax liabilities	743,000	669,200
Lease liabilities	74,229	297,289
Borrowings	171,336,815	156,458,985
Tax payable	309,048	31,879
Total liabilities	259,658,849	230,127,003

35. **OPERATING SEGMENTS – GROUP (CONT'D)**

(ii) **Geographical information**

Non-current assets information by geographical segment is not presented as the Group's activities are conducted principally in Malaysia.

Non-current assets information mentioned above consist of the following items as presented in the statements of financial position:-

	2021 RM	2020 RM
Property, plant and equipment	75,117,166	79,003,942
Investment properties	45,150,000	42,470,000
Goodwill on consolidation	43,151,039	43,151,039
	163,418,205	164,624,981

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods:-

	Revenue by geographical market	
	2021 RM	2020 RM
Malaysia *	656,853,617	735,781,792
Overseas #	-	208,850
	656,853,617	735,990,642

* Company's home country
\# less than 5% for each individual country

(iii) **Information about major customers**

The following are major customers with revenue equal or more than 10 percent of the Group's revenue:-

	RM	%	Operating Segment
2021			
Customer A	79,387,886	12	Paper converting, property development and construction
Customer B	69,247,480	11	Building materials
	148,635,366	23	

35. OPERATING SEGMENTS – GROUP (CONT'D)

(iii) **Information about major customers (cont'd)**

The following are major customers with revenue equal or more than 10 percent of the Group's revenue (cont'd):-

	RM	%	Operating Segment
2020			
Customer A	-	-	-

36. INTEREST IN A JOINT OPERATION

The subsidiary has 75% share in the gross development values ("GDV") and has taken over the full project development cost start from the effective date 15 August 2015 onward.

37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Following from the development of the Coronavirus ("COVID-19") outbreak which was declared by the World Health Organisation as a global pandemic in March 2020, the Malaysian Government imposed various levels of Movement Control Order ("MCO") as precautionary measures to curb the spread of COVID-19 outbreak in Malaysia. Due to the increase in cases in the country, the Government again imposed MCO with effect from 1 June 2021 followed by a four-phase National Recovery Plan with specific threshold indications to decide the classification of different states into different phases.

The unprecedented COVID-19 measures undertaken by the authorities resulted in stringent travel restrictions, nationwide lockdown, and drastic in business activities which has brought significant economic uncertainties in Malaysia.

The Group and the Company have assessed that they have not been significantly affected by the COVID-19 for the financial year ended 31 December 2021.

As at the date of authorisation of the financial statements, the scale and duration of the economic uncertainties arising from the COVID-19 pandemic, could not be reasonably estimated. The Group and the Company are closely monitoring the evolving situation of the COVID-19 pandemic and its related financial effects, if any, on the financial statements of the Company will be reflected in the financial statements for the financial year ending 31 December 2022.

LIST OF PROPERTIES

KPS CONSORTIUM BERHAD & GROUP OF COMPANIES

List of 10 Largest Properties in Terms of Net Book Value as at 31 December 2021

No.	**Location**	**Brief Description and Existing Use**	**Tenure/Date Of Expiry of Leasehold Land**	**Approximate Area (sq ft)**	**Approximate Age of Building (year)**	**Net Book Value (RM'000)**	**Year of Acquisition or Revaluation***
1.	Lot 622, Jalan Lapis Dua, 6¾ Miles off Jalan Kapar, 42200 Klang, Selangor Darul Ehsan	Office/ residential building, factory and warehouse for own use	Freehold	179,994	23	18,000	2021*
2.	Unit No B-08-01, Level 8, SOHO, Empire Subang, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan	Commercial unit	Freehold	21,183	12	15,600	2021*
3.	Lot 15964 (574) Jalan Batu Tiga, Batu 2 (Sg Rasa), 43100 Klang, Selangor Darul Ehsan	Double storey office block & open warehouse	Freehold	133,185	4	13,300	2021*
4.	Lot 15985 (920) Jalan Batu Tiga, Batu 2 (Sg Rasa), 43100 Klang, Selangor Darul Ehsan	Warehouse for own use	Freehold	167,433	4	11,957	2018
5.	Lot 14374, Bandar Kinrara Industrial Centre, 47100 Puchong, Selangor Darul Ehsan	3-storey office block & 2-storey open warehouse for own use	Freehold	186,590	25	7,095	2013

List of 10 Largest Properties in Terms of Net Book Value as at 31 December 2021

No.	Location	Brief Description and Existing Use	Tenure/Date Of Expiry of Leasehold Land	Approximate Area (sq ft)	Approximate Age of Building (year)	Net Book Value (RM'000)	Year of Acquisition or Revaluation*
6.	Lot 16250 (954) Jalan Batu Tiga, Batu 2 (Sg Rasa), 43100 Klang, Selangor Darul Ehsan	Vacant land for development	Freehold	75,413	4	6,184	2018
7.	22 Lots of Land @ Jalan 34/2, Seksyen 34, 40470 Shah Alam, Selangor Darul Ehsan	Vacant land for development	Freehold	75,543	36	4,608	2014
8.	Lot 1943 (4986) Jalan Batu Tiga, Batu 2 (Sg Rasa), 43100 Klang, Selangor Darul Ehsan	Warehouse for own use	Freehold	63,895	4	4,483	2018
9.	Pangsapuri Bunga Raya, Taman Bunga Raya, Bukit Berang, Daerah Melaka Tengah, 75450 Melaka	35 units apartment and 1 unit shop lot for rent	99-year lease to 2076	837-1,175 (total of 32,826)	18 to 19	4,020	2021*
10.	Lot PT129942, Kawasan Perusahaan Kanthan, 31200 Chemor, Perak	Factory and office building for own use	60-year lease to 14/03/2055	572,365	23	3,817	1992

ANALYSIS OF SHAREHOLDINGS
As at 31 March 2022

Total number of issued shares	:	147,827,158 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

Distribution of Shareholdings as at 31 March 2022

Size of Shareholdings	No. of Holders	Total Holdings	%
Less than 100 shares	21	736	0.00
100 - 1,000 shares	592	540,002	0.37
1,001 - 10,000 shares	1,001	4,795,008	3.24
10,001 - 100,000 shares	360	11,716,600	7.92
100,001 - below 5% of issued shares	80	55,960,400	37.86
5% and above of issued shares	3	74,814,412	50.61
TOTAL	**2,057**	**147,827,158**	**100.00**

Substantial Shareholder as at 31 March 2022

	No. of Shares Held		
Shareholder	**Direct**	**Indirect**	**%**
Koh Poh Seng	68,157,325	-	46.11
Lee Shee	26,875,900	-	18.18

ANALYSIS OF SHAREHOLDINGS (CONT'D)

As at 31 March 2022

List of Thirty (30) Largest Shareholders as at 31 March 2022

No	Name of Shareholders	No. of Shares Held	%
1.	KOH POH SENG	30,338,512	20.52
2.	LEE SHEE	22,475,900	15.20
3.	AMSEC NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT - AMBANK ISLAMIC BERHAD FOR KOH POH SENG	22,000,000	14.88
4.	RHB NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR KOH POH SENG	5,860,000	3.96
5.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR KOH POH SENG (100430)	5,000,000	3.38
6.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR KOH POH SENG (E-KLC)	4,250,000	2.88
7.	YONG AH PEE	3,467,000	2.35
8.	LIAU KEEN YEE	2,700,000	1.83
9.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR YONG AH PEE (CEB)	2,300,000	1.56
10.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR LEE SHEE (CEB)	2,300,000	1.56
11.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR LEE SHEE (7002861)	2,100,000	1.42
12.	CIMB GROUP NOMINEES (ASING) SDN. BHD. – EXEMPT AN FOR DBS BANK LTD. (SFS)	1,862,100	1.26
13.	YEOH HUAN SUI @ YEOH PHUAY	1,757,000	1.19
14.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD - PLEDGED SECURITIES ACCOUNT FOR YONG AH PEE (7002857)	1,600,000	1.08
15.	FIZWAH PEMBINAAN SDN. BHD.	1,465,800	0.99

ANALYSIS OF SHAREHOLDINGS (CONT'D)
As at 31 March 2022

List of Thirty (30) Largest Shareholders as at 31 March 2022 (Cont'd)

No	Name of Shareholders	No. of Shares Held	%
16.	LIAU CHERN YEE	1,343,400	0.91
17.	LIAU CHOON HWA & SONS SDN. BHD.	1,042,300	0.71
18.	TAN MENG HOOI	893,100	0.60
19.	HLIB NOMINEES (TEMPATAN) SDN. BHD. -HONG LEONG BANK BHD. FOR TEH SHIOU CHERNG	766,000	0.52
20.	LIM TEIK HONG	759,600	0.51
21.	KOH POH SENG	708,500	0.48
22.	L.T.M. HOLDINGS SDN. BHD.	645,900	0.44
23.	LIAU KEEN YEE	604,300	0.41
24.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. - CHUA ENG HO WA'A @ CHUA ENG WAH	561,000	0.38
25.	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR GAN BOON TIAN (MY4428)	560,000	0.38
26.	YOONG HOI YEN	559,100	0.38
27.	FU LAI CHEE	492,900	0.33
28.	WANG SHU LAN	485,700	0.33
29.	YEAM SEW MOY @ NYIAM SIEW MOY	480,000	0.32
30.	YEAM SEW MOY @ NYIAM SIEW MOY	460,000	0.31

Directors' Shareholdings

Directors' Shareholdings and Interest in Shares as at 31 March 2022

No.	Name of Directors	No. of Shares Held	%
1.	Datuk Chua Hock Gee	Nil	Nil
2.	Mr. Lau Fook Meng	Nil	Nil
3.	Mr. Tan Kong Ang	Nil	Nil
4.	Mr. Lim Choon Liat	Nil	Nil
5.	Mr. Hew Chee Hau	Nil	Nil

KPS CONSORTIUM BERHAD
Registration No.198501011364 (143816-V)
Incorporated in Malaysia

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Sixth Annual General Meeting of the Company will be held at Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Friday, 17 June 2022 at 11:00 a.m. for the following purposes:-

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AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon.

   Please refer to Note 1

2. To approve the payment of Directors' fees and benefits up to RM105,019.00 for the financial year ended 31 December 2021.

   Ordinary Resolution 1

3. To re-elect the following Directors retiring in accordance with Clause 78 of the Company's Constitution:-
   (a) Datuk Chua Hock Gee **Ordinary Resolution 2**
   (b) Lau Fook Meng **Ordinary Resolution 3**

4. To re-appoint Grant Thornton Malaysia PLT as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix the Auditors' remuneration.

   Ordinary Resolution 4

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions:-

5. **RETENTION OF MR. LIM CHOON LIAT AS INDEPENDENT DIRECTOR**

   "THAT Mr. Lim Choon Liat be and is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance."

   Ordinary Resolution 5

6. **RETENTION OF MR. TAN KONG ANG AS INDEPENDENT DIRECTOR**

   "THAT Mr. Tan Kong Ang be and is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance."

   Ordinary Resolution 6

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

To consider and, if thought fit, to pass the following resolutions (cont'd):-

7. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approval from other relevant governmental/regulatory authorities, the Directors be and are hereby empowered to allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of submission to the authority and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company AND THAT the Directors be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation of the additional shares so allotted."

   Ordinary Resolution 7

8. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given.

By order of the Board

LIM SECK WAH (MAICSA 0799845)
(SSM PRACTICING CERTIFICATE NO. 202008000054)
M. CHANDRASEGARAN A/L S. MURUGASU (MAICSA 0781031)
(SSM PRACTICING CERTIFICATE NO. 202008002193)
Company Secretaries

Kuala Lumpur

Dated this 29th day of April 2022

NOTES:-

(i) For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 10 June 2022. Only a depositor whose name appears on the Record of Depositors as at 10 June 2022 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.

(ii) A member shall be entitled to appoint up to two (2) proxies to attend and vote in his place. Where a member appoints two (2) proxies, he shall specify the proportion of his holdings to be represented by each proxy. All voting will be conducted by way of poll.

(iii) (a) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(b) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(iv) If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

NOTES (CONT'D):-

(v) The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a certified copy thereof must be deposited at the Company's registered office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or email to mega-sharereg@megacorp.com.my not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof. For those who have emailed the proxy form, please submit the original at any time before the time appointed for the meeting or to the registration staff on the meeting day for the Company's record.

(vi) Explanatory notes on Special Business:-

1. The Audited Financial Statements are for discussion only as the Company's Constitution provides that the audited financial statements are to be laid in the general meeting but does not require a formal approval of shareholders.

2. Ordinary Resolutions 5 and 6: Retention of Independent Non-Executive Directors through a two-tier voting process

   The proposed Ordinary Resolutions 5 to 6, if passed, will allow the Directors, Mr. Lim Choon Liat and Mr.Tan Kong Ang who have served the Company for a cumulative term of more than12 years, to continue to act as Independent Non-Executive Director of the Company. The Board supports the retention of the aforesaid Directors as Independent Directors for:-

   - They understand the business nature and office culture.
   - They provide the Board valuable advice and insight.
   - They actively participate in Board deliberations and decision making in an objective manner.
   - They uphold independent decision and challenge the management objectively.

3. Ordinary Resolution 7: Authority to Allot Shares

   The proposed Ordinary Resolution 7 is primarily to give flexibility to the Board of Directors to allot shares not more than 10% of the total number of issued shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the allotment of new shares, the Directors, under certain circumstances when the opportunity arises, would have to convene a general meeting to approve the allotment of new shares even though the number involved may be less than 10% of the total number of issued shares of the Company.

   In order to avoid any delay and costs involved in convening a general meeting to approve such allotment of shares, it is thus considered appropriate that the Directors be empowered to allot shares in the Company, up to any amount not exceeding in total 10% of the total number of issued shares of the Company at the time of submission to the authority, for such purposes. The renewed authority for allotment of shares will provide flexibility to the Company for the allotment of shares for the purpose of funding future investment, working capital and/or acquisitions.

   No shares have been issued and allotted by the Company since the said authority obtained from its shareholders at the last Annual General Meeting held on 25 June 2021.

KPS CONSORTIUM BERHAD
Registration No.198501011364 (143816 V)
Incorporated in Malaysia

No. of ordinary shares held	
CDS Account No.	

PROXY FORM

(Before completing this form, please refer to the notes below)

I/We .... NRIC No./Passport No./Registration No ....
(Full name in block letters)

of ....
(Full address)

being a member/members of **KPS CONSORTIUM BERHAD** hereby appoint the following person(s):-

Full Name (in Black)	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			
Email Address			
Mobile Phone No.			

and / or*

Full Name (in Black)	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			
Email Address			
Mobile Phone No.			

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us on my/our behalf at the Thirty-Sixth Annual General Meeting of the Company will be held at Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Friday, 17 June 2022 at 11:00 a.m. and at any adjournment thereof to vote as indicated below:-

		FOR	***AGAINST***
Ordinary Resolution 1 -	Approval of Directors' fees and benefits up to RM105,019.00 for financial year ended 31 December 2021		
Ordinary Resolution 2 -	Re-election of Director, Datuk Chua Hock Gee		
Ordinary Resolution 3 -	Re-election of Director, Lau Fook Meng		
Ordinary Resolution 4 -	Re-appointment of the retiring auditors, Grant Thornton Malaysia PLT		
Ordinary Resolution 5 -	Retention of Mr. Lim Choon Liat as Independent Director		
Ordinary Resolution 6 -	Retention of Mr. Tan Kong Ang as Independent Director		
Ordinary Resolution 7 -	Authority to Allot Shares		

(Please indicate with an "**X**" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion).

Dated this………………..day of……………………………2022

………………………………………………………..
Signature/Common Seal of shareholder

*** Strike out whichever is not desired.**

Notes:

1. *For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 10 June 2022. Only a depositor whose name appears on the Record of Depositors as at 10 June 2022 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.*
2. *A member shall be entitled to appoint up to two (2) proxies to attend and vote in his place. Where a member appoints two (2) proxies, he shall specify the proportion of his holdings to be represented by each proxy. All voting will be conducted by way of poll.*
3. *(i) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
   (ii) Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
4. *If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.*
5. *The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a certified copy thereof must be deposited at the Company's registered office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or email to mega-sharereg@megacorp.com.my not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof. For those who have emailed the proxy form, please submit the original at any time before the time appointed for the meeting or to the registration staff on the meeting day for the Company's record.*

Fold here

Affix

Stamp Here

The Company Secretary,

KPS CONSORTIUM BERHAD

Registration No.198501011364 (143816-V)

Level 15-2, Bangunan Faber Imperial Court,

Jalan Sultan Ismail,

50250 Kuala Lumpur

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KPS CONSORTIUM BERHAD
Registration No.198501011364 (143816-V)
Incorporated in Malaysia

ANNUAL REPORT REQUISITION FORM

To : The Company Secretary,
KPS Consortium Berhad
Level 15-2, Bangunan Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur.

REQUEST FORM FOR HARD COPY OF THE ANNUAL REPORT 2021

Please find below my complete particulars for the delivery of a printed copy of KPS Consortium Berhad Annual Report 2021:

<u>Particulars of Shareholder</u>

Name of Shareholder : ……………………………………………………………

NRIC No./Passport No./Company No. : ……………………………………………………………

CDS Account No. : ……………………………………………………………

Mailing Address : ……………………………………………………………

: ……………………………………………………………

: ……………………………………………………………

: ……………………………………………………………

Telephone No. : ……………………………………………………………

……………………………………
Signature of Shareholder

Note:
KPS Consortium Berhad adopts electronic Annual Report 2021.

You can download the AR 2021 from KPSCB Bursa website or log into the Company's website www.kpsconsortium.com.my to download. Alternatively, the Company shall forward a hard copy of the Annual Report to the shareholder within four (4) market days from the date of receipt of the verbal or written request.

For any enquiries, the shareholders of the Company may contact:

Hairul Nizam / Sazali Muda
Tel: 03-26924271
Fax: 03-27325388
E-mail: hairul@megacorp.com.my
sazali@megacorp.com.my

KPS Consortium Berhad
Lot 622, Jalan Lapis Dua,
Kampung Sementa,Batu 6,
Jalan Kapar, 42200 Klang,
Selangor Darul Ehsan, Malaysia.

TEL: (603)-32915566
FAX: (603)-32914489

info@kpsconsortium.com.my