

# ANNUAL REPORT 2019



**KPS Consortium Berhad**

198501011364 (143816-V)

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## CORPORATE INFORMATION

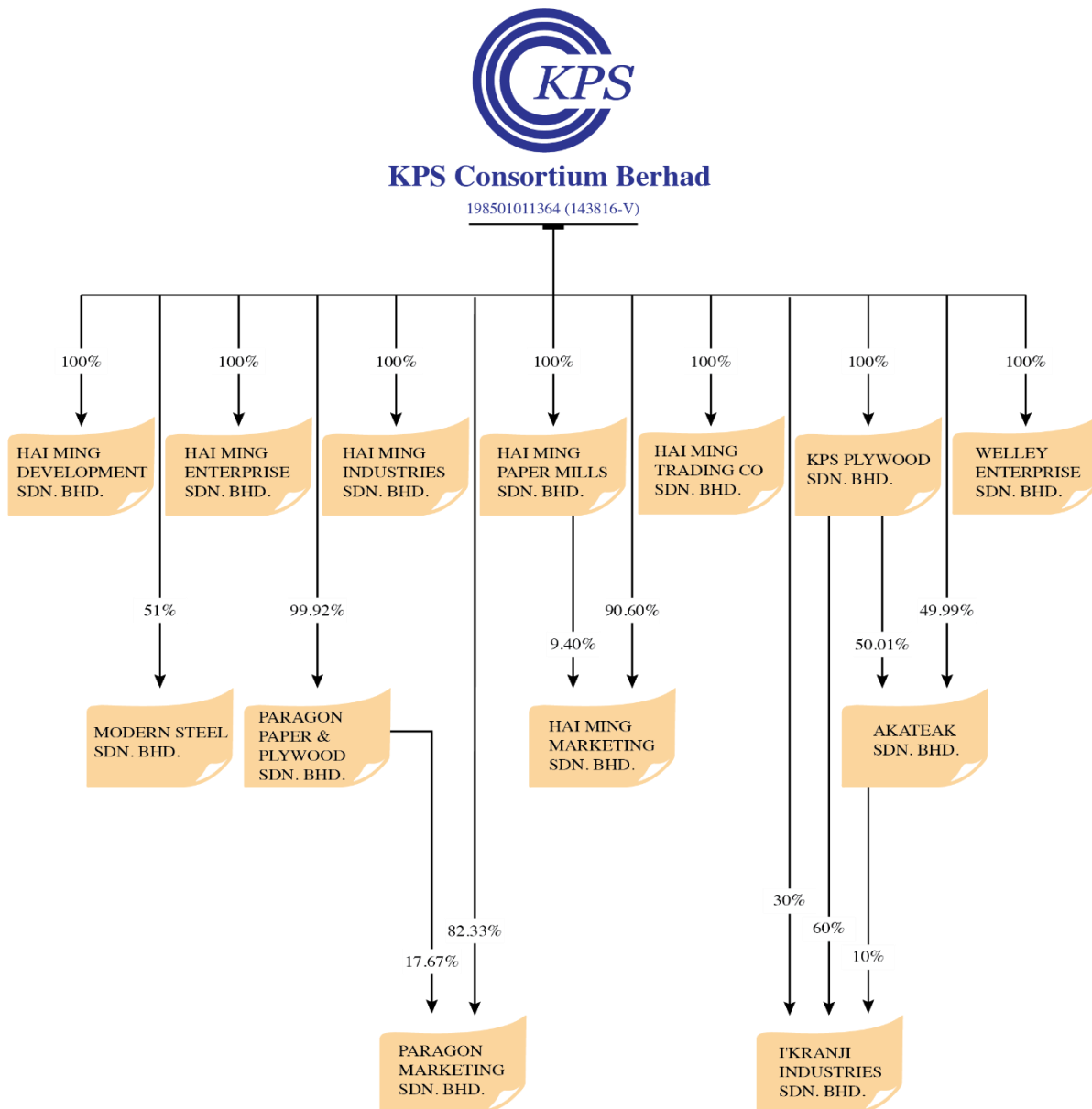
### BOARD OF DIRECTORS

<b>Datuk Chua Hock Gee</b>	Non-Independent Non-Executive Chairman
<b>Lau Fook Meng</b>	Executive Director
<b>Faun Chee Yarn</b>	Executive Director <i>(Re-designated from Independent Non-Executive Director on 14 February 2020)</i>
<b>Tan Kong Ang</b>	Independent Non-Executive Director
<b>Lim Choon Liat</b>	Independent Non-Executive Director
<b>Leng Bee Bee</b>	Independent Non-Executive Director <i>(Appointed on 14 February 2020)</i>

<b>COMPANY SECRETARIES</b> Lim Seck Wah (MAICSA 0799845) M. Chandrasegaran A/L S. Murugasu (MAICSA 0781031)		<b>REGISTERED OFFICE</b> Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone No: (603) 26924271 Fax No: (603) 27325388
<b>AUDIT COMMITTEE</b> Leng Bee Bee (Appointed on 14 February 2020) Tan Kong Ang Lim Choon Liat		Chairperson Member Member
<b>NOMINATION COMMITTEE</b> Leng Bee Bee (Appointed on 14 February 2020) Tan Kong Ang Lim Choon Liat		Chairperson Member Member
<b>REMUNERATION COMMITTEE</b> Leng Bee Bee (Appointed on 14 February 2020) Tan Kong Ang Lim Choon Liat		Chairperson Member Member
<b>STOCK EXCHANGE LISTING</b> Bursa Malaysia Securities Berhad Main Market Stock Code: 9121		<b>REGISTRAR</b> Mega Corporate Services Sdn. Bhd. Registration No. 198901010682 (187984 H) Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone No: (603) 26924271 Fax No: (603) 27325388 Website: www.megacorp.com.my
<b>WEBSITE</b> http://www.kpsconsortium.com.my		<b>AUDITORS</b> Grant Thornton Malaysia PLT (201906003682 & AF 0737) (Member Firm of Grant Thornton International Ltd.) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone No: (603) 26924022 Fax No: (603) 27325119 Website: www.granthornton.com.my
<b>EMAIL ADDRESS</b> info@kpsconsortium.com.my		

## CORPORATE STRUCTURE

Details of the subsidiaries are as follows:-



## 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, two (2) Executive Directors and three (3) Independent Non-Executive Directors.

The Board meets quarterly and additional Board Meetings are held as and when required. The Board met five (5) times during the financial year ended 31 December 2019.

Particulars of the Directors are as follows:

**DATUK CHUA HOCK GEE**, male, Malaysian, age 59, 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 machineries.

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 M&E renovation in Parkson Sg Wang and Keramuning, 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 four (4) out of five (5) Board of Directors' Meeting held during the financial year ended 31 December 2019.



## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

**LAU FOOK MENG**, male, Malaysian, age 68, 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 five (5) Board of Directors' Meeting held during the financial year ended 31 December 2019.

**FAUN CHEE YARN**, male, Malaysian, age 60, was appointed as an Independent Non-Executive Director of KPSCB on 1 November 2008. On 14 February 2020, he was re-designated from Independent Non-Executive Director to Executive Director. He is a Fellow Member of the Malaysian Institute of Accountants and certified member of the Financial Planning Association of Malaysia.

He has many years of working experiences as an Auditor, Accountant, Finance Manager and General Manager in various industries including software, insurance agency, recycling and vehicle fleet management. He was the Finance Manager of a renowned recycling company in Malaysia before re-designated as Financial Controller since 2009.

Mr. Faun attended all five (5) Board of Directors' Meeting held during the financial year ended 31 December 2019.

**TAN KONG ANG**, male, Malaysian, age 60 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 five (5) Board of Directors' Meeting held during the financial year ended 31 December 2019.

## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

**LIM CHOON LIAT**, male, Malaysian, age 59 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.

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

Mr. Lim attended all five (5) Board of Directors' Meeting held during the financial year ended 31 December 2019.

**LENG BEE BEE**, female, Malaysian, age 56 was appointed as Independent Non-Executive Director of KPSCB on 14 February 2020. She is the member of the Chartered Association of Certified Accountants and Malaysia Institute of Accountants.

She has more than 30 years of practicing experience as a public accountant and tax agent in Malaysia. Currently, she is the managing partner of Wong & Co. PLT (LLP0010084-LCA) and a proprietor of BB Leng & Co. (AF1331). She has vast experience in auditing, tax compliance and company secretarial and field audits conducted by Lembaga Hasil Dalam Negeri.

She is also the Chairperson of Audit Committee, Nomination Committee and Remuneration Committee.

*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 MANAGMENT

### **LAU FOOK MENG**

Malaysian, male, age 68

As detailed on Page 5 - Profile of the Board of Directors in this Annual Report.

### **LOW TECK CHEONG**

Malaysian, male, age 57

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 eleven (11) years. He is a Director to the Board of the subsidiaries of KPSCB since 2015 namely, Hai Ming Industries Sdn. Bhd., Hai Ming Marketing 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 five (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 35

Qualification: Secondary school education

Mr. Koh Kok Hoor has been working with KPSCB group for more than fifteen (15) years. He is a Director to the Board of the 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 the major shareholder of KPSCB group.

He has not been convicted of any offences within the past five (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 38

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. since 2016. Currently, he also oversees Hai Ming Development Sdn. Bhd., Paragon Paper Mill & Plywood Sdn. Bhd. and Hai Ming Trading Co. Sdn. Bhd.. He was also a Director of I'Kranji Industries Sdn. Bhd. until 17 February 2020.

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

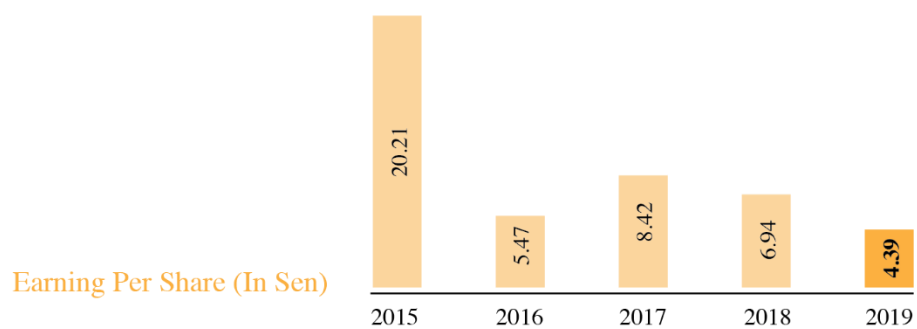
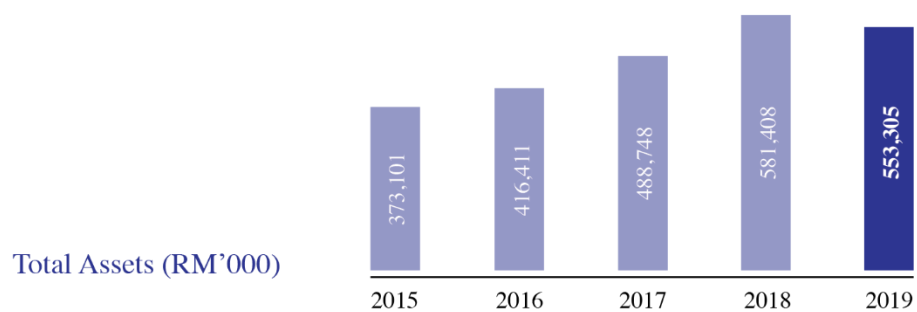
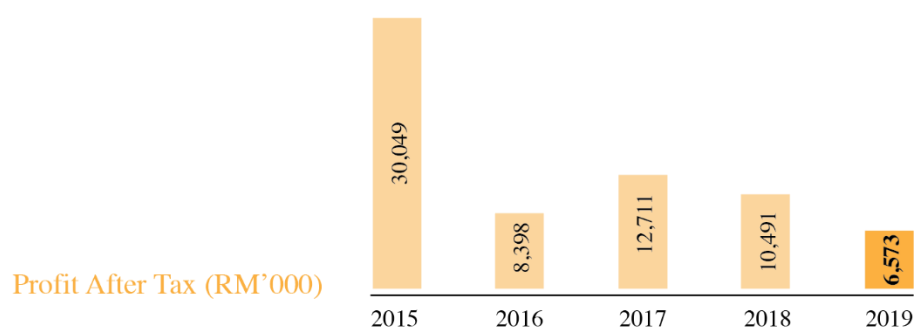
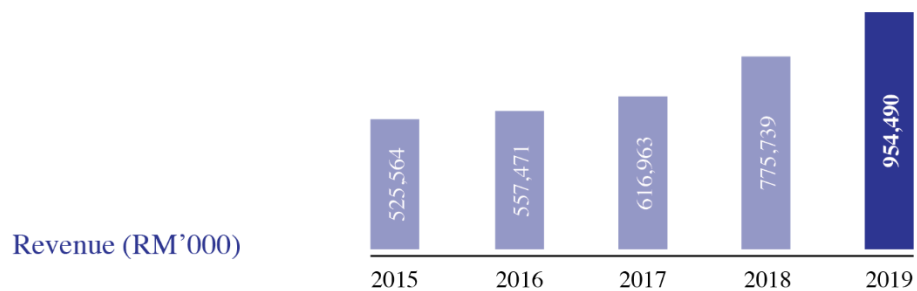
He has not been convicted of any offences within the past five (5) years (other than traffic offences, if any) and does not has any conflict of interest in the Company.



## 5-YEAR GROUP FINANCIAL HIGHLIGHTS

In RM'000	2019	2018	2017	2016	2015
Revenue from continuing operations	954,490	775,739	616,963	557,471	525,564
Profit from continuing operations before tax	8,627	15,539	17,591	12,751	34,561
Profit from continuing operations after tax	6,573	10,491	12,711	8,398	30,049
Total comprehensive income for the financial year	6,722	10,491	12,711	8,398	32,977
Total comprehensive income attributable to owners of the Company	6,634	10,258	12,447	8,084	32,803
Total assets	553,305	581,408	488,748	416,411	373,101
Equity attributable to owners of the parent	271,081	264,447	255,846	243,399	235,315
In RM Net assets per share	1.83	1.79	1.73	1.65	1.59
In Sen Earnings per share	4.39	6.94	8.42	5.47	20.21

## 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 31 December 2019.

### Financial Performance Review

#### Operating Results

For the financial year ended 31 December 2019, Group's turnover was RM954.49 million (2018: RM775.74 million). We recorded a pre-tax profit of RM8.67 million as compared to RM15.54 million in the previous year.

At Company level, turnover was RM0.25 million (2018: RM0.19 million and profit before tax of RM1.27 million (2018: RM0.05 million) due to management fees and reversal of impairment losses from subsidiaries.

#### 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 RM33.77 million (2018: RM46.13 million) and loss after tax of RM4.03 million (2018: RM1.53 million).

The loss in the year 2019 was due to lower revenue due to competition from imports, lower profit margins, higher depreciation charges of RM2.15 million (2018: RM1.11 million) and higher operating costs and raw material costs.

##### *Paper Converting and Trading of Woodfree Paper*

This division recorded turnover of RM123.41 million as compared to RM118.45 million previously. This division recorded a profit after tax of RM0.27 million (2018: RM0.84 million).

This division managed to have slightly lower profit margins compared with previous year.

##### *Plywood and Building Materials Trading and Timber Manufacturing*

The Plywood and Building Materials Division registered higher turnover of RM721.48 million (2018: RM604.12 million) and operating profit after tax of RM5.86 million compared with operating profit of RM12.18 million.

Profit margins achieved were 0.81% in 2019 compared to 2.02% in FYE 2018.

This sector is susceptible to economic cycle to housing activities. Management continues to be on cautious positive view for the coming year but market expected to slow down due to tightening of finance for purchase of properties by financial institutions.

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

### **Business Review by Operating Segments (Cont'd)**

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

Turnover for this division was RM75.83 million for the FYE 2019 compared with RM7.04 million in FYE 2018. This division made a profit after taxation of RM2.64 million compared with RM0.18 million for the FYE 2018.

This trading sector turnover was RM5.44 million for FYE 2019 (2018: RM6.93 million) and profit after tax for FYE 2019 of RM0.10 million (2018: RM0.16 million). This sector continue to be affected by loss of our major supplier of paper due to temporary stoppage which show no indications resuming operations.

Under Hai Ming Development Sdn Bhd, revenue including property development, construction contracts and insurance agency commission was RM70.39 million for FYE 2019 (2018: RM0.11 million) and profit after tax for FYE 2019 of RM2.53 million (2018: RM0.01 million). Under property development and construction sector, said joint-venture for the development of factories in Rawang, vacant possession was obtained in January 2019 and certificate of completion and compliance obtained in December 2019. As a result revenue and development costs were recognised in FYE 2019.

Due to management disputes with joint-venture partner, the company is pursuing legal action to claim our entitlements of share of revenues on unsold factories.

### **Dividend**

The Board does not recommend for dividend payment.

### **Outlook and Prospects**

The government in tabling the Budget for 2020 was committed to bringing stability to the Government's finances and achieving a goal of Vision 2020. Subsequently there was a change of government in March 2020 and world wide virus pandemic which started in November 2019 in China and on 18 March 2020 Malaysia imposed a country lock-down which lasted until 9 June 2020. Most businesses had to close for that period. A recovery manage control order started from 10 June 2020 until 31 August 2020 which only certain business are not allowed to operate but those allowed to operate have restrictions imposed which will affect our future revenue and incur higher operating expenses.

### **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 KPSCB for the financial year ended 31 December 2019. 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 embed 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 second Sustainability Report for the financial year ended (“FYE”) 2019, 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 2019 to 31 December 2019. 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.



Paper milling



Building materials



Paper converting



Other trading

**Business  
Segments**



Investment  
and management

## SUSTAINABILITY STATEMENT (CONT'D)

### Sustainable Governance Structure

The Board of KPSCB has an overall responsibility for the Group, in which KPSCB has several thirteen subsidiaries. Figure 1 shows the corporate structure of KPSCB.

#### CORPORATE STRUCTURE

Details of the subsidiaries are as follows:-

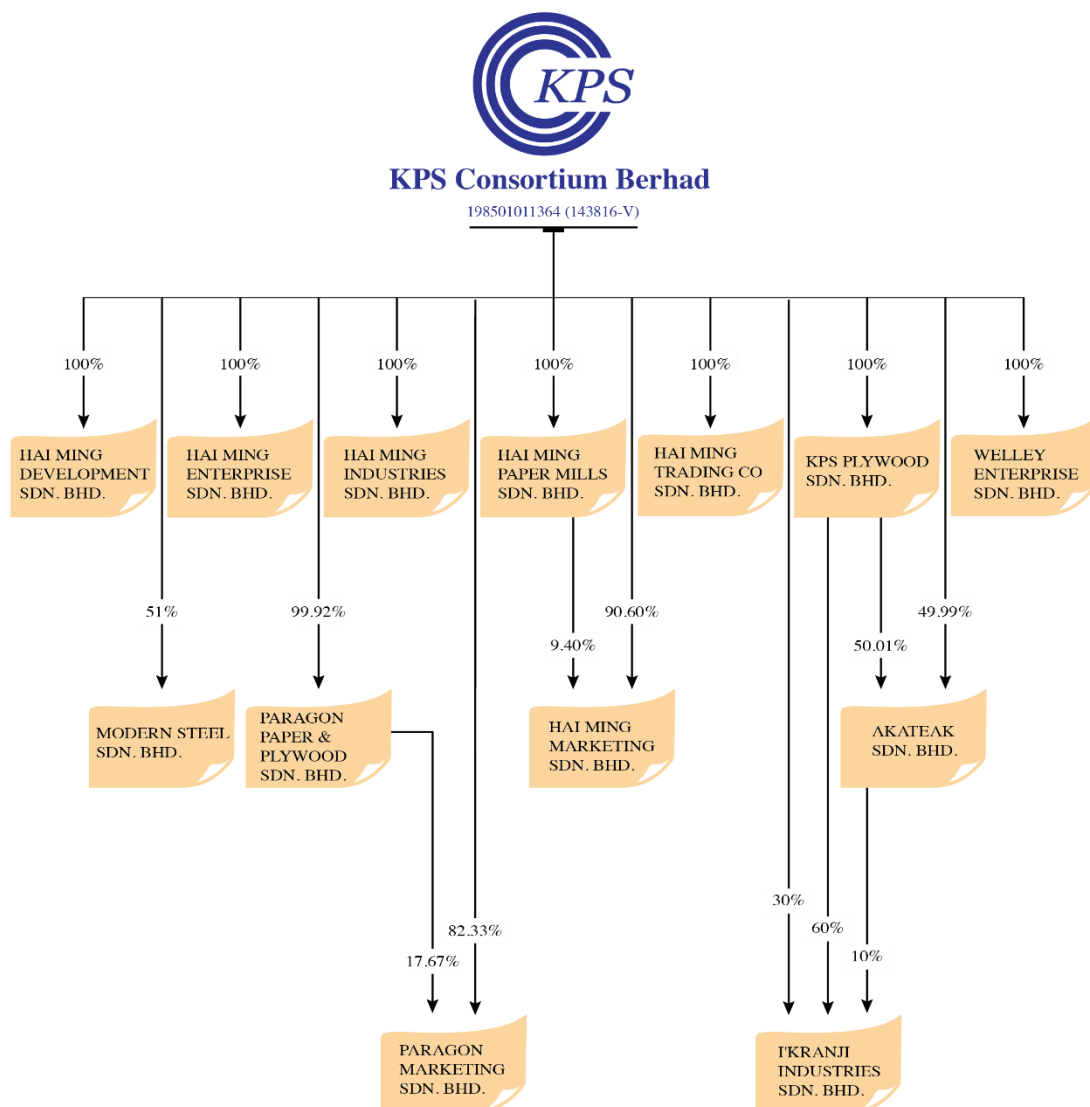


Figure 1: Corporate Structure

## SUSTAINABILITY STATEMENT (CONT'D)

### CORPORATE GOVERNANCE STRUCTURE

The Group does not have a formally Corporate Governance Structure, but the Group recognise the importance of ESG, thus to ensure the key metrics are outlines, Executive Director (“ED”) would be responsible to ensure key metrics of each sustainability is met from the different business divisions and subsidiaries. The ED will brief the Board of Directors after compiling the reports from various divisions.

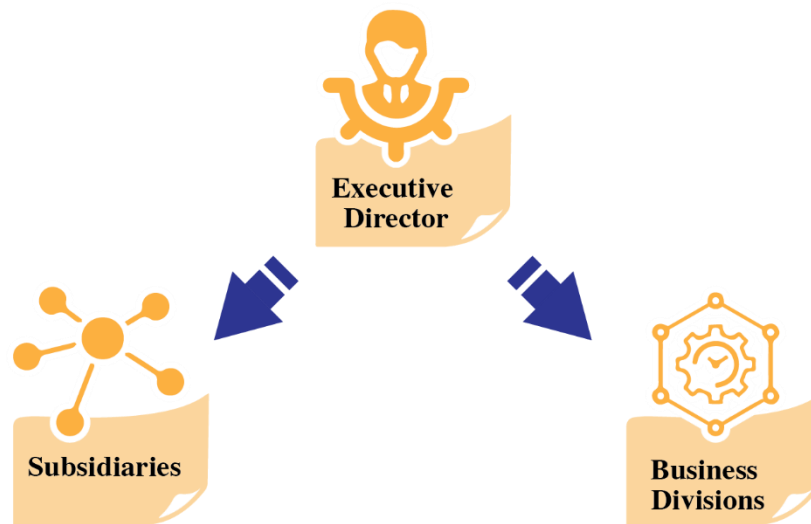


Figure 2: Corporate Governance Structure

### STAKEHOLDERS ENGAGEMENT

KPSCB involved with various stakeholders because 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.

Figure 3 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.

## SUSTAINABILITY STATEMENT (CONT'D)

### Stakeholders Engagement (cont'd)



Figure 3: Relationship between Stakeholders Engagement

### Customers' Engagement

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

We conduct an annual survey once a year to understand the needs of our customers as well as to gather information require to ensure we are able to meet today's challenges to ensure we stay relevant in spite of the growing environment concerns in our line of business.

Consumers' Engagement	Engagement Method
Product Quality and Safety	Ad Hoc meetings with customers
Disclosing timely and accurate information and providing accountability	Informal discussion through phone and email
Understand the requests and needs of consumers and improve satisfaction through communication	



## SUSTAINABILITY STATEMENT (CONT'D)

### Employees and Families

Employees and Families	Engagement Method
Establishing and providing a healthy working environment where people can work safely that respects human rights without any discrimination	Carrying on a dialogue (casual discussions) between management and employees
Equally and fairly evaluating personnel	Carrying out meetings with management
Establishing educational systems able to drive and improve skills	
Establishing measures, policies and other regulations to enhance the work-life balance	

### 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 stakeholder into operations to put in place measures toward sustainable growth.

Our measures to engage the stakeholders are shown in the table below:-

Stakeholders	Stakeholders Engagement
Disclosing timely and accurate information	Holding general meetings of shareholders, financial results briefings, investor briefings, analyst briefings and other relevant meetings
Pursuing informational transparency and accountability	Communicating information on websites, shareholders correspondence, briefing materials and in other relevant forms
Executing the appropriate premium redemption to shareholders	

### Business Partners/Suppliers Engagement

We source from credible suppliers who has 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 the illegal logging.

## SUSTAINABILITY STATEMENT (CONT'D)

### Business Partners/Suppliers Engagement (cont'd)

These efforts strengthen our foundation of business 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 being source legally. We strive to ensure all our procurements have the Certificate Chain of Custody and our timbers are legally sourced.

The table below depicts the Business Partners/Suppliers Engagement.

Business Partners	Business Partners/Suppliers Engagement
Building equal and fair relationships with business partners	Engaging in purchasing and procurement activities
Improving the occupational health and safety environment	
Complying with all relevant laws	

### Environment Engagement

As a socially responsible Company, KPSCB endeavour to procure from identifiable sources for its plywood and as well as other trading materials. The table below depicts the engagement issues related to our environment concerns.

Environment Engagements	Communication Method
Preserving the natural environment and biodiversity	Ad Hoc meeting with suppliers through phone or email
Reducing the environmental impact of business activities	Discuss with suppliers to make sure the products are sustainable
Developing and providing products and services with minimal environmental impact	

### Local Community

KPSCB recognises the importance of local community in business dealings and sustaining the local community through job creations. The table below depicts our local community engagement.

Local Community Engagements	Communication Method
Contributing solutions to local challenges in society	Participating in employees volunteer activities
	Supporting the formation of communities through social contribution activities

## SUSTAINABILITY STATEMENT (CONT'D)

### 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.



· Financial Performance



· Non Hazardous Material  
· Water  
· Energy



· Social Contribution



· Fair Employment Practice  
· Diversity

### MATERIALS ASSESSMENT

#### ECONOMIC

##### Financial Performance

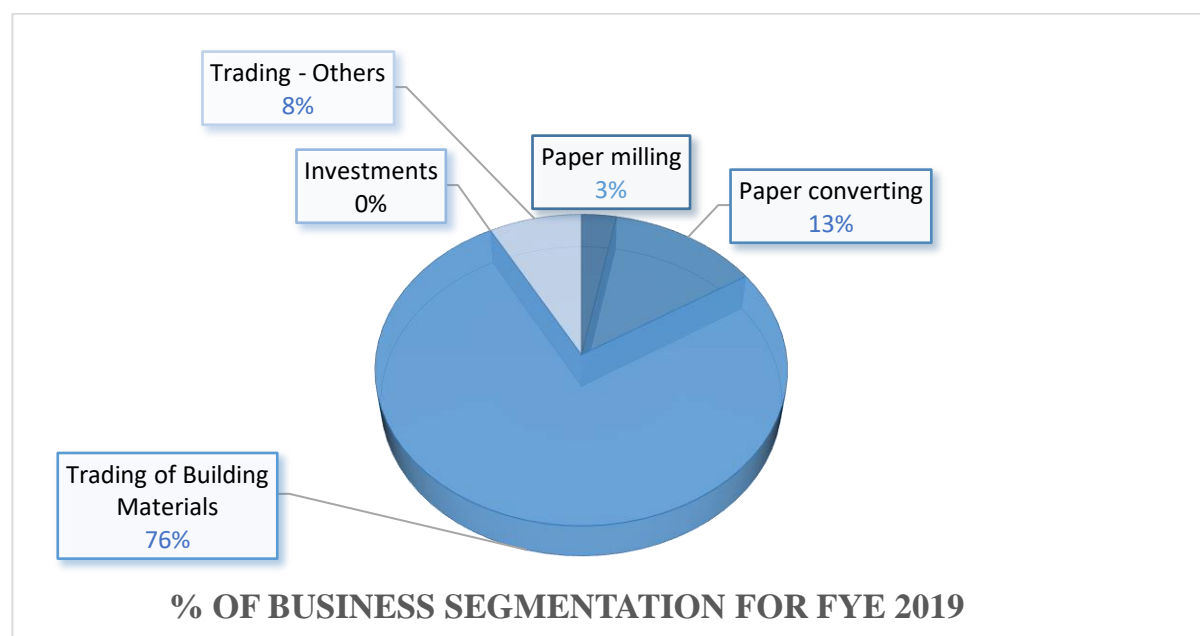
As per our scope of work, we will segregate the financial performance into five (5) different separate business segments or divisions. KPSCB primarily focus on trading of plywood and related wood products and building materials, trading in paper products, stationery and household products, manufacturing of tissue papers and tissue related products and trading in building materials.

## SUSTAINABILITY STATEMENT (CONT'D)

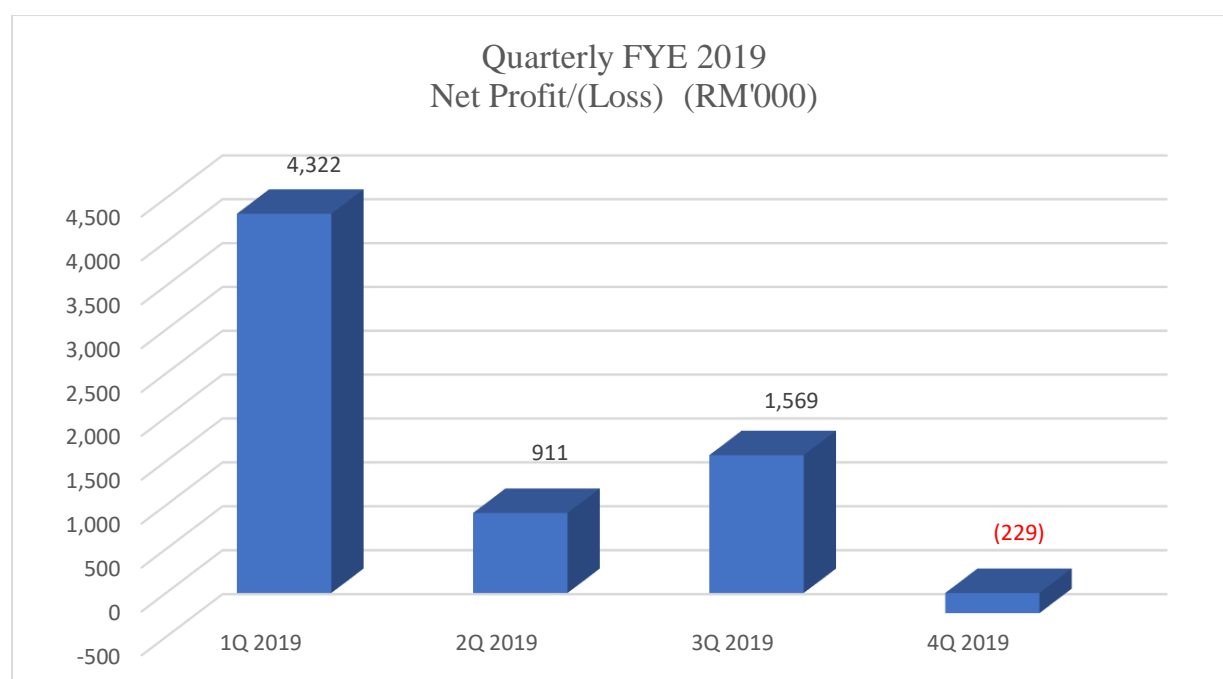
### ECONOMIC (cont'd)

#### 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 represent almost 76% of the total revenue for the FYE 2019.



#### Graphs for Quarterly Net Profit





## SUSTAINABILITY STATEMENT (CONT'D)

### ECONOMIC (cont'd)

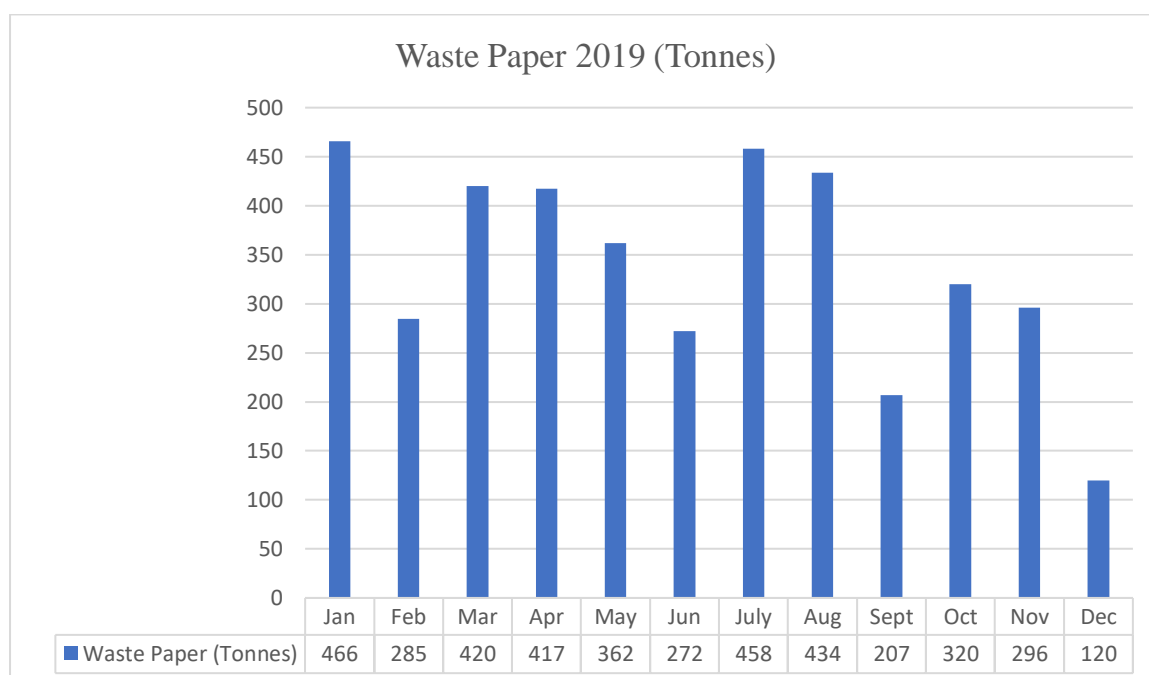
#### Financial Performance (cont'd)

#### Our Performance Target for Financial Performance



KPSCB endeavours to strive to meet the expectations of the stakeholders by performing better and delivering sustainable business for our stakeholders. We aim to provide stakeholders better performance in terms of our financial performance in areas of our net profit and as well as our revenue.

Being a socially responsible Company, Paragon Paper & Plywood Sdn. Bhd. which is located in Chemor, Perak embarks on recycling of plastic waste mainly papers from different sources in Malaysia. Most notably, Paragon Paper & Plywood Sdn. Bhd. recycles up to 4,057 tonnes of waste paper. The diagram below depicts the monthly tonnage, Paragon Paper & Plywood Sdn. Bhd. recycles waste paper collected from external sources for FYE 2019.




The benefits of our recycling effort has helped to save more than 68,972 trees based on 1 tonne of recycling paper which can save up to 17 trees.

## SUSTAINABILITY STATEMENT (CONT'D)

### ECONOMIC (cont'd)

#### Financial Performance (cont'd)



**68,972 TREES SAVE THROUGH OUR RECYCLING WASTE PAPER**

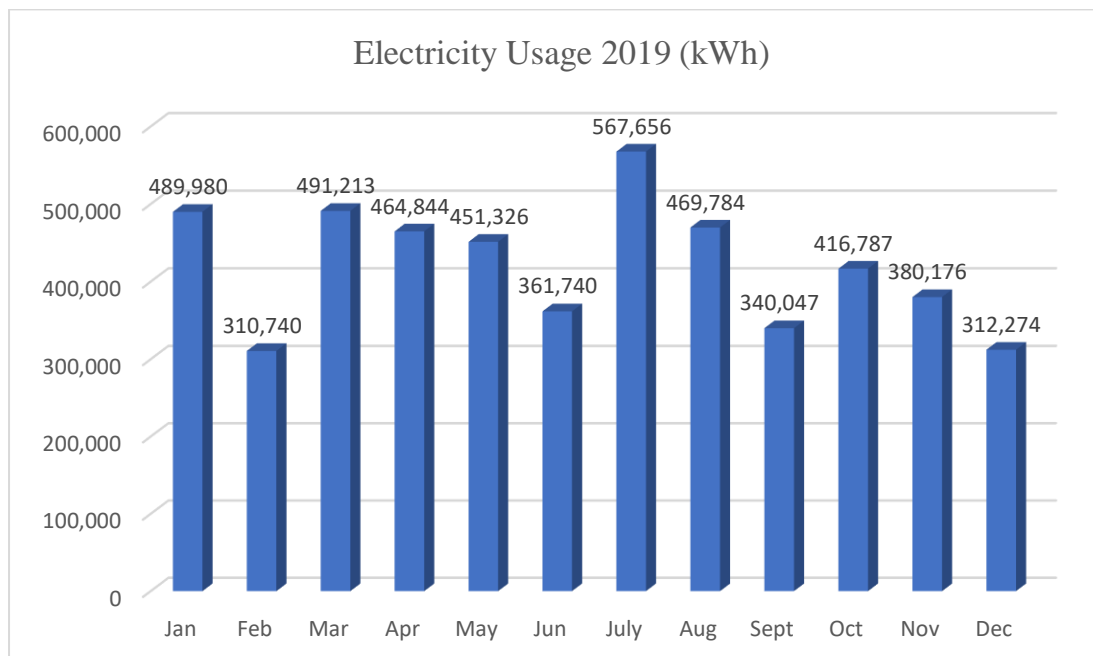
EACH TON (2000 POUNDS) OF RECYCLED PAPER CAN SAVE 17 TREES, 380 GALLONS OF OIL, THREE CUBIC YARDS OF LANDFILL SPACE, 4000 KILOWATTS OF ENERGY, AND 7000 GALLONS OF WATER

Paper Recycling Facts, <https://www.usi.edu/recycle/paper-recycling-facts/>

### ENVIRONMENT ASSESSMENT

#### Electricity and Water Process

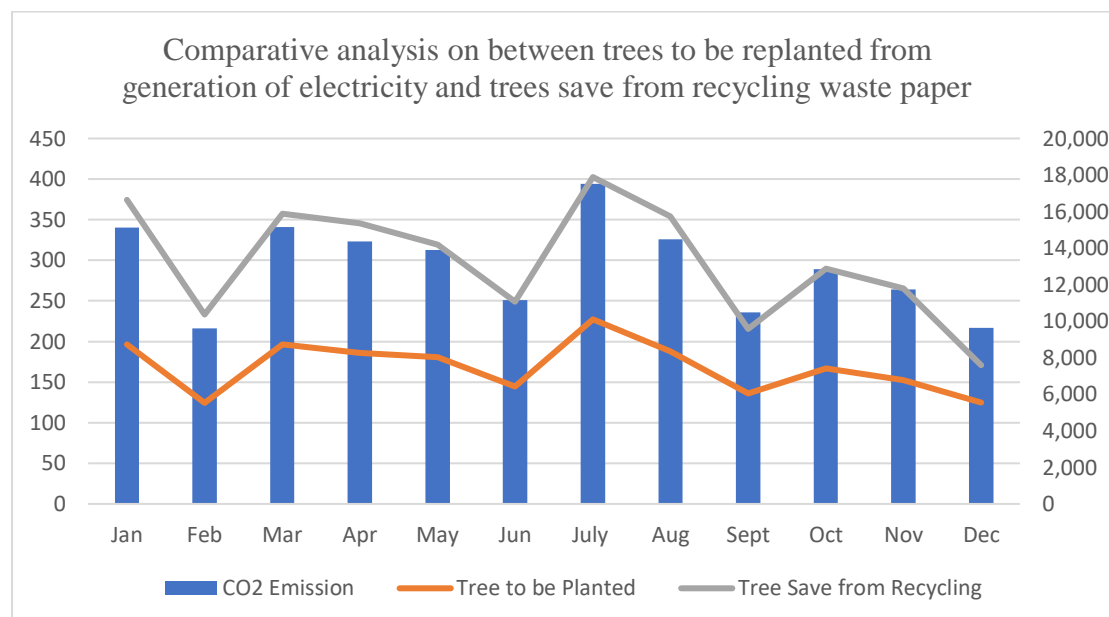
To produce and generate waste paper, we generate almost 5,056,567 kWh of electricity during the period and contributed almost 3,509 tonnes of CO<sub>2</sub> during the FYE 2019. This amount is equivalent to almost 89,981 trees to be planted in order to absorb the amount of CO<sub>2</sub> generated.



## SUSTAINABILITY STATEMENT (CONT'D)

### ENVIRONMENT ASSESSMENT (cont'd)

#### Electricity and Water Process (cont'd)



Based on the figure above, KPSCB will endeavor to have a positive impact to reduce the amount of electricity consume and to have the KPI set to have more recycle waste papers. For financial year 2019, KPSCB has a negative rate of 21,009 trees need to be replanted.

To achieve our KPI to have zero trees to be replanted, KPSCB will endeavor 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 endeavor to include into our next sustainability report for the following year.

## SUSTAINABILITY STATEMENT (CONT'D)

### SOCIAL CONTRIBUTION



Million Hearts As One Full Blossom of Great Aspiration



To further illustrate our commitment to the society, KPSCB raised fund for the charity. The proceeds from the charity dinner will be channelled to the non-profit Sau Seng Lum International School (Special Education).



## SUSTAINABILITY STATEMENT (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 communities 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 when announced 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 about these.

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.

#### 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.

## SUSTAINABILITY STATEMENT (CONT'D)

### Fair Employment Practices (cont'd)

#### f. Employees' Benefits and Compensation (cont'd)

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.

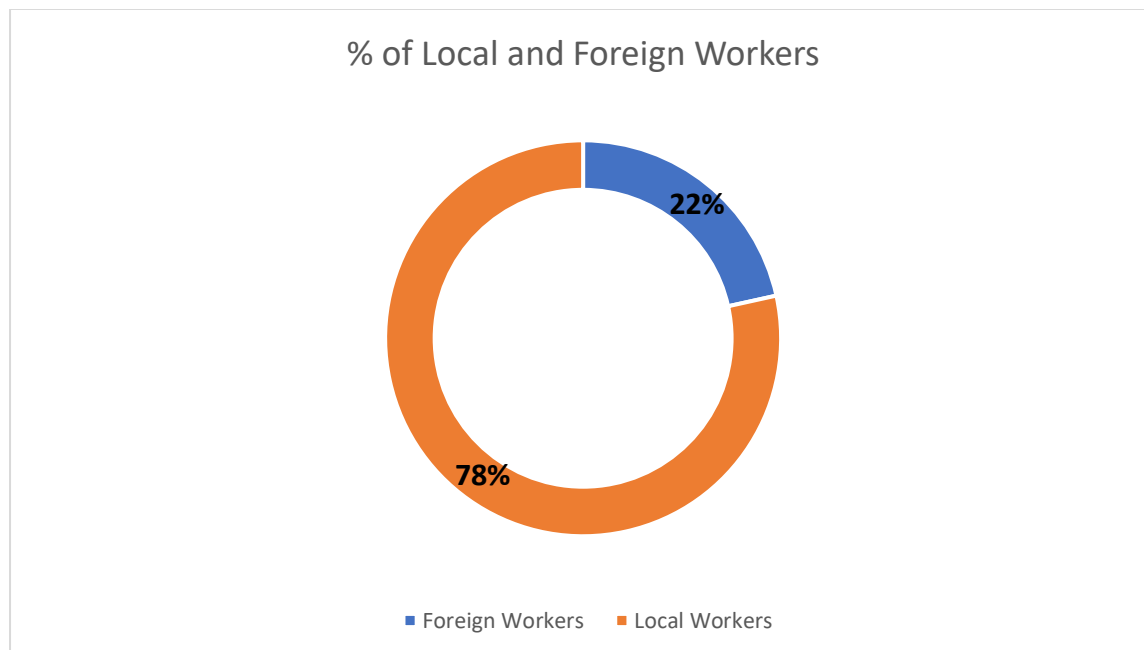
#### g. Training and Development

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 therefore encourage our employees to expand their knowledge and to foster personal growth and development by taking on new roles and responsibilities.

### Diversity

KPSCB diversity comprises workers from both foreign and local as shown in the diagram below. 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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of KPS Consortium Berhad ("the Company") ("the Board") acknowledges that good governance provides a solid foundation for a company to achieve sustainable growth as well as engenders trust and infuses confidence among its shareholders and stakeholders. Strong business ethics, sound policies and procedures and good internal control systems with proper checks and balances are the ingredients of good corporate governance.

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 2019 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 30 June 2020. 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](http://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;
- Identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

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

*Board Responsibilities (cont'd)*

- 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.

*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 is made publicly available on the Company's website at [www.kpsconsortium.com.my](http://www.kpsconsortium.com.my).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

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

#### *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](http://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](http://www.kpsconsortium.com.my).

#### *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](http://www.kpsconsortium.com.my).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

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

#### *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 Secretary is to ensure to meet statutory compliance with the Companies Act 2016, MMLR and Capital Markets and Services Act 2007. She is also the Board advisor on the meetings conduct and constantly update on any regulatory changes. The Company Secretary also safeguard all statutory books and records of the Company.

The Company Secretary works 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 Secretary is 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 embrace 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.

#### *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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

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

*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 2019, 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.

- **Board Composition**

At the date of this statement, the Board consists of six (6) members, comprising one (1) Non-Independent Non-Executive Chairman, two (2) Executive Directors and three (3) Independent Non-Executive Directors. This composition fulfils 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 specialisations, 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 fulfil this role individually and collectively.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

- Board Composition (cont'd)**

#### *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 on a nine (9) year tenure. Extension for Independent Non-Executive Directors to serve beyond the nine (9) year limit will also be assessed in-depth before recommending to shareholders. The Board is of the view that, the two Independent Directors namely, Mr. Tan Kong Ang and Mr. Lim Choon Liat who have served the Company for a cumulative of more than nine (9) years and have been contributing to the success of the Group, be recommended to continue office as Independent Non-Executive Director at the forthcoming AGM.

#### *Foster Commitment of Directors*

The Board ordinarily meets at least five (5) times a year, 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 five (5) Board meetings for the financial year 2019. 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 five (5) Board meetings held during the financial year ended 31 December 2019, with details of Directors' attendance set out below:-

Name of Directors		Attendance
(a)	Datuk Chua Hock Gee	4/5
(b)	Lau Fook Meng	5/5
(c)	Faun Chee Yarn	5/5
(d)	Tan Kong Ang	5/5
(e)	Lim Choon Liat	5/5
(f)	Leng Bee Bee	-
(Appointed on 14 February 2020)		

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

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

#### *Board Meetings (cont'd)*

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.

#### *Nomination Committee*

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

Chairperson : Leng Bee Bee  
Independent Non-Executive Director  
(Appointed on 14 February 2020)

Members : Tan Kong Ang  
Independent Non-Executive Director

: Lim Choon Liat  
Independent Non-Executive Director

The Nomination Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including Non-Executive Directors.

The final decision on the appointment of a candidate recommended by the Nomination Committee rests with the whole Board. 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### • Board Composition (cont'd)

##### *Nomination Committee (cont'd)*

During the financial year ended 31 December 2019, the Nomination Committee has assessed the balance composition of Board members based on merits, Directors' contribution and Board effectiveness. At present, the Board does not have formal policy on gender diversity. Nonetheless, the Board support the gender diversity policy and has one (1) female Independent Non-Executive Director in the Board (i.e. 17% woman director). 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.

The Nomination Committee concluded that each Board member is competent and committed in discharging his duties and responsibilities. All assessments and evaluations carried out by the Nomination Committee were properly documented.

##### *Directors' Training*

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to regulatory requirements and the impact such regulatory requirements have on the Group.

During the financial year, all Board Members have attended various training programmes on areas relevant to Corporate Governance, Finance, Business Management and Tax as follows, except for Datuk Chua Hock Gee who was unavailable to attend due to his tight business schedules.

Name of Directors	Training Programmes
Lau Fook Meng	<ul style="list-style-type: none"> <li>• Preparation of Audited Financial Statements on Malaysian Business Reporting System Platform</li> <li>• Tax Seminar on Budget 2020 - Budget Highlights and Recent Tax Developments</li> <li>• Adoption of ISO 20022 Standard – Changes to the Template for Corporate Announcements on Bursa Link</li> <li>• Integrated Reporting &lt;IR&gt;: Communicating Value Creation Program</li> </ul>
Faun Chee Yarn	<ul style="list-style-type: none"> <li>• Industry 4WRD</li> <li>• Budget 2020: Key Updates and Changes for Corporate Accountants</li> <li>• Session on Corporate Governance and Anti-Corruption</li> </ul>
Tan Kong Ang	<ul style="list-style-type: none"> <li>• Industry 4WRD</li> <li>• Session on Corporate Governance and Anti-Corruption</li> <li>• Executive Talk on Integrity and Governance: The Corporate Liability Provision, The “Adequate Procedures” &amp; The Implementation of the National Anti-Corruption Plan</li> <li>• Audit Oversight Board – Conversation with Audit Committees</li> </ul>
Lim Choon Liat	<ul style="list-style-type: none"> <li>• Session on Corporate Governance and Anti-Corruption</li> </ul>
Leng Bee Bee	<ul style="list-style-type: none"> <li>• Mandatory Accreditation Programme</li> </ul>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

- **Remuneration**

A Remuneration Committee has been established by the Board, comprising of all Non-Executive Directors. The current Remuneration Committee members are comprising exclusively Independent Non-Executive Directors as follows:-

Chairperson : Leng Bee Bee  
Independent Non-Executive Director  
(Appointed on 14 February 2020)

Members : Tan Kong Ang  
Independent Non-Executive Director

: Lim Choon Liat  
Independent Non-Executive Director

The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration are sufficient to attract and retain Directors of quality required to 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

- Remuneration (cont'd)**

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

Listed Issuer	Fees (RM)	Salaries (RM)	Bonuses (RM)	EPF (RM)	Benefits-in-Kind (RM)	Other (RM)	Total (RM)
<b>Company</b>							
<b>Independent Non-Executive Director</b>							
Faun Chee Yarn*	10,000	-	-	-	-	3,750	13,750
Tan Kong Ang	10,000	-	-	-	-	3,750	13,750
Lim Choon Liat	10,000	-	-	-	-	3,750	13,750
<b>Subtotal</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,250</b>	<b>41,250</b>
<b>Non-Independent Non-Executive Chairman</b>							
Datuk Chua Hock Gee	26,000	-	-	-	-	-	26,000
<b>Subtotal</b>	<b>56,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,250</b>	<b>67,250</b>
<b>Group</b>							
Datuk Chua Hock Gee	27,000	-	-	-	-	-	27,000
Lau Fook Meng	253,000	-	-	-	-	593	253,593
<b>Subtotal</b>	<b>280,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>593</b>	<b>280,593</b>
<b>Total</b>	<b>336,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,843</b>	<b>347,843</b>

The remuneration of key management personnel for the financial year ended 31 December 2019 are set out below:-

Key Management Personnel	Number	Salary/ Fees (RM)	Bonuses (RM)	EPF (RM)	Benefits-in-Kind (RM)	Other (RM)	Total (RM)
RM400,001-450,000	1	407,000	-	30,240	-	924	438,164
RM350,001-400,000	-	-	-	-	-	-	-
RM300,001-350,000	-	-	-	-	-	-	-
RM250,001-300,000	-	-	-	-	-	-	-
RM200,001-250,000	1	253,000	-	6,240	-	1,517	260,757
RM150,001-200,000	-	-	-	-	-	-	-
RM100,001-150,000	2	229,000	-	12,960	-	829	242,789
RM50,000-100,000	-	-	-	-	-	-	-
RM50,000 and below	-	-	-	-	-	-	-

\*Faun Chee Yarn was re-designated from Independent Non-Executive Director to Executive Director on 14 February 2020.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 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 Ms Leng Bee Bee as the AC Chairperson (appointed on 14 February 2020) currently. 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 2 years before he or she could be appointed as a member of the AC. However, this is not applicable to the Company for the financial year 2019. The terms of reference can be viewed at the Company's website at [www.kpsconsortium.com.my](http://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 Chairperson, 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 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 impartiality, 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 AC 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. At the last AGM, a question and answer session were held where all shareholders were given the opportunity to raise questions with responses from the Board.

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](http://www.kpsconsortium.com.my).

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

### **PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)**

- **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 Statement on Corporate Governance has been approved by the Board of the Company on 26 June 2020.

## AUDIT COMMITTEE REPORT

The Audit Committee of KPSCB is pleased to present the Audit Committee Report for the financial year ended 31 December 2019.

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:-

Chairperson : Leng Bee Bee  
Independent Non-Executive Director  
(Appointed on 14 February 2020)

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](http://www.kpsconsortium.com.my)

#### *Composition*

The Audit Committee shall be appointed from among their members and should consist 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 1<sup>st</sup> 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 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
- (iii) fulfills such other requirements as prescribed or approved by the Exchange.

## AUDIT COMMITTEE REPORT (CONT'D)

### 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 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.

### 3. Audit Committee Meetings Attendance

The Audit Committee had conducted five (5) meetings for the financial year ended 31 December 2019. 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
Faun Chee Yarn*	5/5
Tan Kong Ang	5/5
Lim Choon Liat	5/5
Leng Bee Bee**	N/A

*\*Re-designated to Executive Director on 14 February 2020*

*\*\*Appointed after financial year ended 31 December 2019*

The Committee shall meet at least five (5) times a year 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.

## AUDIT COMMITTEE REPORT (CONT'D)

### 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 quarterly financial results and announcements for the financial quarters prior to the Board of Directors for consideration and approval;
- (b) Reviewed the audited financial statements for the financial year ended 31 December 2019;
- (c) Reviewed the external auditors' reports for the financial year ended 31 December 2019 in relation to audit and accounting issues arising from the audit;
- (d) Reviewed the external auditors' audit plan for the financial year ended 31 December 2019;
- (e) Considered the nomination of external auditors for recommendation to the Board for re-appointment;
- (f) Reviewed the internal audit plan, findings, reports and management implementation of audit recommendations; and
- (g) Reviewed the Statement on Risk Management and Internal Control and recommended to the Board for adoption.

### 5. Internal Audit Function

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 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 reports to the Audit Committee. Areas of weakness were identified and communicated to the Audit Committee and the management for improvement.

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.



## AUDIT COMMITTEE REPORT (CONT'D)

### 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;
  - 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;

## AUDIT COMMITTEE REPORT (CONT'D)

### 7. Functions (cont'd)

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

- (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;
  - resignations of senior internal audit staff member and providing the resigning staff member an opportunity to submit his/her reason for resignation.
- (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 2019. 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; and
- Management assurance that the Group’s risk management and internal control systems have been in place and operating adequately at all time.

### **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.

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

### **INTERNAL AUDIT (cont'd)**

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

During the financial year, the Internal Auditors conducted internal control reviews on certain key operating functions and procedures and recommended actions plans for Management improvement. The audit reports containing audit findings and recommendations together with Management's responses thereto were circulated to all members of the Audit Committee. 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 cost incurred for the internal audit function in respect of the financial year ended 31 December 2019 was RM85,932.

### **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 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 2019.

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 has approved this statement for issuance on 26 June 2020.

## OTHER INFORMATION REQUIRED PURSUANT TO PART A, APPENDIX 9C OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

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 Fee**  
The amount of audit fee payable to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2019 is RM364,500.
- **Non-Audit Fee**  
The amount of non-audit fee payable to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2019 is RM86,100.
- **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 were no recurrent related party transactions of a revenue nature during the year.

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## DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are disclosed in Note 8 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.

## RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Profit for the financial year	<u>6,573,236</u>	<u>1,251,042</u>
Attributable to:-		
Owners of the Company	6,485,660	1,251,042
Non-controlling interests	<u>87,576</u>	<u>-</u>
	<u>6,573,236</u>	<u>1,251,042</u>

## 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 other than those disclosed in the Notes to the financial statements.

## DIRECTORS' REPORT (CONT'D)

### 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\*  
Faun Chee Yarn\*  
Tan Kong Ang  
Lim Choon Liat  
Leng Bee Bee (appointed on 14 February 2020)

\* Directors of the Company and certain subsidiaries.

**Subsidiaries:-**

Koh Kok Hoor  
Low Teck Cheong  
Yong Chee Wei  
Lim Kok Teong

Datuk Chua Hock Gee will retire by rotation in accordance with Clause 78 of the Company's Constitution and Leng Bee Bee will retire in accordance with Clause 79 of the Company's Constitution, 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:-

	Incurring by the Company RM	Incurring by the subsidiaries RM	Group RM
Directors' fees	56,000	280,000	336,000
Directors' emoluments	11,250	593	11,843
	<u>67,250</u>	<u>280,593</u>	<u>347,843</u>

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

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

### **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 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.

### **EVENT AFTER THE REPORTING PERIOD**

The event after the reporting period is disclosed in Note 39 to the financial statements.

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

### **AUDITORS**

The auditors' remuneration of the Group and of the Company are disclosed in Note 27 to the financial statements.

There was no indemnity given to or insurance effected for the auditors of the Company.

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  
3 June 2020

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 60 to 153 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 2019 and of their financial performance and 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  
3 June 2020

## 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 60 to 153 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 )  
3 June 2020 )

.....

LAU FOOK MENG  
(MIA NO: 1627)  
CHARTERED ACCOUNTANT

Before me:

Commissioner for Oaths

## INDEPENDENT AUDITORS' REPORT

### 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 2019 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 60 to 153.

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 2019, and of their financial performance and 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' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



## INDEPENDENT AUDITORS' REPORT (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.

#### *Impairment on doubtful receivables*

##### **The risk**

Referring to Note 13 to the financial statements. The Group has significant trade receivables amounted to RM219,468,587 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 loss, 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 loss 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.

#### *Inventories existence and valuation*

##### **The risk**

Refer to Note 12 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.

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

## **INDEPENDENT AUDITORS' REPORT (CONT'D)**

### **Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

If, based on the work we have performed, 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 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.

## INDEPENDENT AUDITORS' REPORT (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.

## INDEPENDENT AUDITORS' REPORT (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, related safeguards.

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

## **INDEPENDENT AUDITORS' REPORT (CONT'D)**

### **Other Matters**

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

**GRANT THORNTON MALAYSIA PLT**  
(NO: 201906003682 & AF: 0737)  
**CHARTERED ACCOUNTANTS**

Kuala Lumpur  
3 June 2020

**TAN CHEE BENG**  
(NO: 02664/02/2021(J))  
**CHARTERED ACCOUNTANT**

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		<b>Group</b>		<b>Company</b>	
	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	83,980,088	85,874,248	-	-
Capital work-in-progress	5	-	-	-	-
Prepaid land lease payments	6	-	1,691,340	-	-
Investment properties	7	44,439,002	26,730,000	-	-
Investment in subsidiaries	8	-	-	152,244,320	150,572,106
Investment in an associate	9	1	1	1	1
Goodwill on consolidation	10	43,151,039	43,151,039	-	-
Deferred tax assets	11	2,496,001	2,156,852	-	-
Total non-current assets		<u>174,066,131</u>	<u>159,603,480</u>	<u>152,244,321</u>	<u>150,572,107</u>
<b>Current assets</b>					
Inventories	12	97,779,211	144,035,492	-	-
Trade receivables	13	219,468,587	230,282,550	-	-
Other receivables	14	10,637,076	16,590,212	-	-
Amount due from subsidiaries	8	-	-	1,261,385	1,277,610
Tax recoverable		1,252,110	1,089,218	18,313	29,713
Cash and bank balances	15	<u>50,102,244</u>	<u>29,807,180</u>	<u>174,177</u>	<u>124,747</u>
Total current assets		<u>379,239,228</u>	<u>421,804,652</u>	<u>1,453,875</u>	<u>1,432,070</u>
<b>TOTAL ASSETS</b>		<u><u>553,305,359</u></u>	<u><u>581,408,132</u></u>	<u><u>153,698,196</u></u>	<u><u>152,004,177</u></u>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	16	153,228,000	153,228,000	153,228,000	153,228,000
Revaluation reserve	17	3,135,255	2,986,855	-	-
Retained earnings/(Accumulated losses)		<u>114,717,825</u>	<u>108,232,165</u>	<u>(87,783)</u>	<u>(1,338,825)</u>
		271,081,080	264,447,020	153,140,217	151,889,175
Non-controlling interests		<u>1,079,300</u>	<u>991,724</u>	<u>-</u>	<u>-</u>
Total equity		<u>272,160,380</u>	<u>265,438,744</u>	<u>153,140,217</u>	<u>151,889,175</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Lease liabilities/Finance lease liabilities	18	285,888	763,582	-	-
Borrowings	19	37,867,444	34,046,738	-	-
Deferred tax liabilities	11	<u>543,200</u>	<u>624,800</u>	<u>-</u>	<u>-</u>
Total non-current liabilities		<u>38,696,532</u>	<u>35,435,120</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>					
Trade payables	20	41,519,759	51,244,824	-	-
Other payables	21	22,817,109	16,225,633	144,940	115,002
Contract liabilities	22	6,467,425	58,996,237	-	-
Amount due to a subsidiary	8	-	-	413,039	-
Amount due to a Director	23	418,167	418,167	-	-
Lease liabilities/Finance lease liabilities	18	1,011,956	1,619,596	-	-
Borrowings	19	170,185,923	151,001,583	-	-
Tax payable		<u>28,108</u>	<u>1,028,228</u>	<u>-</u>	<u>-</u>
Total current liabilities		<u>242,448,447</u>	<u>280,534,268</u>	<u>557,979</u>	<u>115,002</u>
Total liabilities		<u>281,144,979</u>	<u>315,969,388</u>	<u>557,979</u>	<u>115,002</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>553,305,359</u></u>	<u><u>581,408,132</u></u>	<u><u>153,698,196</u></u>	<u><u>152,004,177</u></u>

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 2019**

		<b>Group</b>		<b>Company</b>	
	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
Revenue	24	954,489,718	775,738,933	246,000	192,000
Cost of sales		<u>(917,161,934)</u>	<u>(735,496,251)</u>	-	-
Gross profit		37,327,784	40,242,682	246,000	192,000
Other income		2,594,690	2,095,969	1,222,214	-
Selling and distribution expenses		(10,774,341)	(9,535,641)	-	-
Administrative expenses		(10,252,344)	(7,823,132)	(258,420)	(206,955)
Net of impairment loss on financial assets		(1,624,478)	(1,135,431)	-	-
Other expenses		(1,406,337)	(659,391)	-	-
Finance income	25	1,468,886	616,254	67,275	66,554
Finance costs	26	(8,706,692)	(8,078,491)	(1,914)	-
Share of loss of associate		<u>-</u>	<u>(183,690)</u>	<u>-</u>	<u>-</u>
Profit before tax	27	8,627,168	15,539,129	1,275,155	51,599
Tax expense	28	<u>(2,053,932)</u>	<u>(5,047,713)</u>	<u>(24,113)</u>	<u>(36,925)</u>
Profit for the financial year		6,573,236	10,491,416	1,251,042	14,674
<b>Other comprehensive income, net of tax</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Revaluation on land and building upon transfer to investment properties		339,400	-	-	-
Tax effect on items that will not be reclassified to profit or loss	28	<u>(191,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>148,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the financial year		<u>6,721,636</u>	<u>10,491,416</u>	<u>1,251,042</u>	<u>14,674</u>
<b>Profit for the financial year attributable to:-</b>					
- Owners of the Company		6,485,660	10,257,748	1,251,042	14,674
- Non-controlling interests		<u>87,576</u>	<u>233,668</u>	<u>-</u>	<u>-</u>
		<u>6,573,236</u>	<u>10,491,416</u>	<u>1,251,042</u>	<u>14,674</u>
<b>Total comprehensive income attributable to:-</b>					
- Owners of the Company		6,634,060	10,257,748	1,251,042	14,674
- Non-controlling interests		<u>87,576</u>	<u>233,668</u>	<u>-</u>	<u>-</u>
		<u>6,721,636</u>	<u>10,491,416</u>	<u>1,251,042</u>	<u>14,674</u>
Earnings per share attributable to owners of the Company (sen):-	29				
- Basic		4.39	6.94		
- Diluted		<u>-</u>	<u>-</u>		

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



**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

← Attributable to owners of the Company →

Group	Share capital RM	Non- distributable Revaluation reserve RM	Distributable Retained earnings/ (Accumulated losses) RM	Total RM	Non-controlling interests RM	Total equity RM
Balance at 1 January 2018	153,228,000	2,986,855	97,974,417	254,189,272	758,056	254,947,328
Total comprehensive income for the financial year	-	-	10,257,748	10,257,748	233,668	10,491,416
Balance at 31 December 2018	153,228,000	2,986,855	108,232,165	264,447,020	991,724	265,438,744
Profit for the financial year	-	-	6,485,660	6,485,660	87,576	6,573,236
Other comprehensive income for the financial year	-	148,400	-	148,400	-	148,400
Total comprehensive income for the financial year	-	148,400	6,485,660	6,634,060	87,576	6,721,636
Balance at 31 December 2019	153,228,000	3,135,255	114,717,825	271,081,080	1,079,300	272,160,380
<b>Company</b>						
Balance at 1 January 2018	153,228,000	-	(1,353,499)	151,874,501	-	151,874,501
Total comprehensive income for the financial year	-	-	14,674	14,674	-	14,674
Balance at 31 December 2018	153,228,000	-	(1,338,825)	151,889,175	-	151,889,175
Total comprehensive income for the financial year	-	-	1,251,042	1,251,042	-	1,251,042
Balance at 31 December 2019	153,228,000	-	(87,783)	153,140,217	-	153,140,217

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
		<b>Group</b>		<b>Company</b>	
<b>OPERATING ACTIVITIES</b>					
Profit before tax		8,627,168	15,539,129	1,275,155	51,599
<b>Adjustments for:-</b>					
Amortisation of prepaid land lease payments		-	72,230	-	-
Bad debts written off		407,197	7,707	-	-
Inventories:-					
- written down		504,954	651,552	-	-
- reversal of written down		(489,956)	(90,021)	-	-
- written off		16,329	-	-	-
Depreciation of property, plant and equipment		3,550,191	2,414,103	-	-
Depreciation of right-of-use assets		572,075	-	-	-
Gain on disposal of property, plant and equipment		(27,981)	(10,529)	-	-
Fair value gain on investment properties		-	(267,500)	-	-
Interest expenses		8,706,692	8,078,491	1,914	-
Property, plant and equipment written off		484,704	1	-	-
Impairment loss on:-					
- trade receivables		2,567,393	695,193	-	-
- other receivables		492,989	1,560,000	-	-
Interest income		(1,468,886)	(616,254)	(67,275)	(66,554)
Reversal of impairment loss on:-					
- trade receivables		(1,435,904)	(1,119,762)	-	-
- investment in subsidiaries		-	-	(1,222,214)	-
Share of loss of associate		-	183,690	-	-
Operating profit/(loss) before working capital changes		22,506,965	27,098,030	(12,420)	(14,955)
Changes in working capital:-					
Inventories		46,224,954	(3,324,773)	-	-
Receivables		14,735,424	(41,728,255)	-	-
Payables		(5,998,215)	(10,551,443)	29,938	(26,630)
Contract liabilities		(52,528,812)	19,328,555	-	-
Bankers' acceptance		16,281,199	40,178,738	-	-
Subsidiaries		-	-	21,000	56,172
Cash generated from operations		41,221,515	31,000,852	38,518	14,587
Interest received		1,468,886	616,254	-	-
Interest paid		(6,368,946)	(6,040,634)	-	-
Tax refunded		1,274,770	375,586	14,787	-
Tax paid		(5,103,463)	(6,356,192)	(27,500)	(37,164)
Net cash from/(used in) operating activities		32,492,762	19,595,866	25,805	(22,577)
<b>INVESTING ACTIVITIES</b>					
Addition of investment in a subsidiary		-	-	(450,000)	-
Capital work-in-progress incurred	<b>A</b>	-	(880,896)	-	-
Purchase of investment property	<b>B</b>	(7,159,002)	-	-	-
Purchase of property, plant and equipment	<b>C</b>	(432,501)	(12,835,186)	-	-
Proceeds from disposal of property, plant and equipment		31,100	13,734	-	-
Net cash used in investing activities		(7,560,403)	(13,702,348)	(450,000)	-

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
FINANCING ACTIVITIES					
Interest paid		(2,337,746)	(2,154,673)	(1,914)	-
Interest received		-	-	67,275	66,554
Advances from/(Repayment from) subsidiaries		-	-	408,264	(70,418)
Repayment to associate		-	(68,750)	-	-
Advance from a substantial shareholder of the Company		2,864,626	2,653,923	-	-
Repayment of term loan		(4,711,445)	(3,813,557)	-	-
Repayment of multi-option loan		(402,018)	(485,034)	-	-
Repayment of lease liabilities/finance lease liabilities		(1,888,022)	(10,259,292)	-	-
Drawdown of term loan		-	8,359,457	-	-
Proceeds from lease/finance lease		-	6,201,820	-	-
Net cash (used in)/from financing activities		(6,474,605)	433,894	473,625	(3,864)
CASH AND CASH EQUIVALENTS					
Net changes		18,457,754	6,327,412	49,430	(26,441)
Brought forward		28,787,600	22,460,188	124,747	151,188
Carried forward	D	47,245,354	28,787,600	174,177	124,747

**NOTES TO THE STATEMENTS OF CASH FLOWS**

**A. CAPITAL WORK-IN-PROGRESS INCURRED**

	Group		Company	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM	RM	RM	RM
Total purchase	-	3,978,156	-	-
Purchase through lease arrangement	-	(1,918,500)	-	-
Purchase through term loan	-	(1,178,760)	-	-
Cash payment	-	880,896	-	-

**B. PURCHASE OF INVESTMENT PROPERTY**

	Group		Company	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM	RM	RM	RM
Total purchase	17,159,002	-	-	-
Purchase through term loan	<u>(10,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash payment	<u>7,159,002</u>	<u>-</u>	<u>-</u>	<u>-</u>

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

**NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)**

**C. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

	<b>Group</b>		<b>Company</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM	RM	RM	RM
Total purchase	1,235,189	41,880,296	-	-
Purchase through finance lease arrangement	(802,688)	(1,165,110)	-	-
Purchase through term loan	-	(27,880,000)	-	-
Cash payment	<u>432,501</u>	<u>12,835,186</u>	<u>-</u>	<u>-</u>

**D. CASH AND CASH EQUIVALENTS**

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

	<u>Note</u>	<b>Group</b>		<b>Company</b>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM	RM	RM	RM
Cash and bank balances	<b>15</b>	50,102,244	29,807,180	174,177	124,747
Bank overdraft	<b>19</b>	<u>(2,856,890)</u>	<u>(1,019,580)</u>	<u>-</u>	<u>-</u>
		<u>47,245,354</u>	<u>28,787,600</u>	<u>174,177</u>	<u>124,747</u>

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

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2019

### 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 8 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 3 June 2020.

### 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.

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

### 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 2019.

The initial application of the new standards/amendments/improvements to the standards did not have a material impact on the financial statements, except for:-

##### 2.4.1.1 MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statements of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessor will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application.

The effect of adoption MFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:-

	<b>Group RM</b>
Non-current assets	
Property, plant and equipment	1,691,340
Prepaid land lease payments	<u>(1,691,340)</u>
	<u>-</u>



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

### 2.4 MFRSs (cont'd)

#### 2.4.1 Adoption of New Standards/Amendments/Improvements to MFRSs (cont'd)

The initial application of the new standards/amendments/improvements to the standards did not have a material impact on the financial statements, except for (cont'd):-

##### 2.4.1.1 MFRS 16 Leases (cont'd)

The Group has lease contracts for various items of plant and machinery and motor vehicles. Before the adoption of MFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. The accounting policy for leases prior to 1 January 2019 is disclosed in Note 3.3 to the financial statements.

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The accounting policy for leases applied from 1 January 2019 is disclosed in Note 3.3 to the financial statements. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

##### Leases previously classified as Finance Leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117). The requirements of MFRS 16 were applied to these leases from 1 January 2019.

##### Leases previously accounted for as Operating Leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:-

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

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

### 2.4 MFRSs (cont'd)

#### 2.4.1 Adoption of New Standards/Amendments/Improvements to MFRSs (cont'd)

The initial application of the new standards/amendments/improvements to the standards did not have a material impact on the financial statements, except for (cont'd):-

##### 2.4.1.1 MFRS 16 Leases (cont'd)

Based on the above, the adoption of MFRS 16 did not have an impact to the financial statements except for reclassification of prepaid land lease payments amounted to RM1,691,340 and leased assets which were acquired under finance lease arrangement amounted to RM2,873,356 to right-of-use assets under property, plant and equipment.

#### 2.4.2 Standards Issued But Not Yet Effective

The new and amended standards and interpretations 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 and interpretations, if applicable, when they become effective.

##### Amendments to MFRSs and IC Interpretation effective 1 January 2020:-

Amendments to MFRS 3	Definition of Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 7, MFRS 9 and MFRS 139	Interest Rate Benchmark Reform

Amendments to Reference to Conceptual Framework on MFRS Standards (MFRS 2\*, 3, 6\*, 14\*, 101, 108, 134\*, 137, 138 and IC Interpretation 12\*, 19\*, 20\*, 22 and 132\*).

##### MFRSs effective 1 January 2021:-

MFRS 17*	Insurance Contracts
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##### Amendments to MFRSs effective 1 January 2022:-

Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
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##### Amendments to MFRSs - effective date deferred indefinitely:-

Amendments to MFRS 10 and MFRS 128	Consolidated Financial Statements and Investments in Associate and Joint Ventures - Sale or contribution of Assets between Joint Venture
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\* Not applicable to the Group's and the Company's operation.

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

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

### **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 estimates.

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 and right-of-use assets which are subjected to technological development and level of usage. Therefore, residual values of these assets and future.

##### 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 10 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):-

##### Provision for Expected Credit Losses (“ECL”) of Trade Receivables

The Group uses a provision matrix to calculate ECL 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.

The assessment of the correlation between historical observed rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL 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 ECL on the Group's trade receivables is disclosed in Note 34(a) 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 12 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.

## **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):-

##### 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.

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 11 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 7 to financial statements.

## **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**

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.

##### Property Lease Classification – Group As Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

##### 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.



## **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)**

##### ***Judgements made in applying Accounting Policies applied until 31 December 2018***

###### **Leases**

In applying the classification of leases in MFRS 117, management considers some of its leases of leasehold land as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 Leases.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

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

### **3.1 Consolidation**

#### **3.1.1 Subsidiaries**

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

Investment in subsidiaries 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.1 Consolidation (cont'd)**

##### **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.

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.

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

#### **3.1 Consolidation (cont'd)**

##### **3.1.3 Business Combinations (cont'd)**

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 statement 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.1 Consolidation (cont'd)**

##### **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.

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.

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

#### **3.1 Consolidation (cont'd)**

##### **3.1.8 Associates (cont'd)**

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

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

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

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

#### 3.2 Property, Plant and Equipment (cont'd)

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% - 33%
Plant and machinery	7% - 20%
Motor vehicles	10% - 20%
Furniture, fittings and office equipment	10% - 25%

Capital work-in-progress consists of equipment, tools and plant and machinery under construction/installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to equipment, tools and plant and machinery under construction/installation until the assets are ready for their intended use. Assets under construction/installation are not depreciated until it is completed and ready for their intended use.

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

##### *Accounting Policies applied from 1 January 2019*

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.

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

#### 3.3 **Leases (cont'd)**

##### *Accounting Policies applied from 1 January 2019 (cont'd)*

##### 3.3.1 **Group as a Lessee (cont'd)**

###### 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	10% - 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.

###### 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.

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

#### 3.3 Leases (cont'd)

##### *Accounting Policies applied from 1 January 2019 (cont'd)*

##### 3.3.1 Group as a Lessee (cont'd)

###### Lease Liabilities (cont'd)

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 statement 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.

##### *Accounting Policies applied until 31 December 2018*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.



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

#### 3.3 Leases (cont'd)

##### *Accounting Policies applied until 31 December 2018 (cont'd)*

##### **Finance Lease**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

##### **Operating Lease**

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land is an operating lease structure is classified as prepaid land lease payments.

The Group's prepaid land lease payments are amortised on a straight-line basis over the lease term within 22 years to 60 years.

#### 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.

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

#### **3.4 Investment Properties (cont'd)**

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 of retirement or disposal.

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.

### 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 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.

##### 3.7.1.2 Impairment

The Group assesses on a forward-looking basis of expected credit losses ("ECL") for all debt instruments not held at FVTPL. ECL 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.

### **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)**

The measurement of ECL 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.

ECL are measured on either of the following basis:-

- 12-month ECL: 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 ECL: 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 ECL 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 ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

For all other financial instruments, the Group and the Company recognise a loss allowance equal to 12-month ECL 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 ECL.

ECL are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL 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).

### **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)**

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.

##### Collective Assessment

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

##### Individual Assessment

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**

##### Initial Recognition and Measurement

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

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

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

##### Subsequent Measurement

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

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

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



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

#### **3.7 Financial Instruments (cont'd)**

##### **3.7.2 Financial Liabilities (cont'd)**

##### **3.7.2.1 Classification and Subsequent Measurement (cont'd)**

###### Financial Liabilities at Amortised Cost

Trade and other payables, amount due to a subsidiary, a Director, finance lease liabilities 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.

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

#### **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**

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. 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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

##### Sales of Goods and Rendering of Services

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
- (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.

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

#### 3.12 Revenue and Other Income (cont'd)

##### 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.

##### 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 as a liability (or an asset) to the extent that it is unpaid (or refundable).

##### 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 statement 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.

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

#### **3.13 Tax Expense (cont'd)**

##### **3.13.2 Deferred Tax (cont'd)**

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

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

#### **3.15 Goods and Services Tax**

Goods and Services Tax (“GST”) is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Group paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:-

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

In the prior financial year, GST reset at standard rated of 0% with effective on 1 June 2018 and sales and services tax (“SST”) was enacted with effective on 1 September 2018 to replace GST.

#### **3.16 Employee Benefits Expense**

##### **3.16.1 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.

##### **3.16.2 Defined Contribution Plans**

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.17 Foreign Currency**

##### **3.17.1 Foreign Currency Translation**

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

##### **3.17.2 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).

##### **3.18 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 36 to the financial statements.

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

#### **3.19 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 loss include all current and prior period retained earnings or accumulated loss.

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.

#### **3.20 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)**

#### **3.21 Contingencies**

##### **3.21.1 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.

##### **3.21.2 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.

#### **3.22 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.
- (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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.23 Earnings per Ordinary Share**

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

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

Diluted EPS 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 <u>land</u> RM	Leasehold <u>land</u> RM	<u>Buildings</u> RM	Plant and <u>machinery</u> RM	Motor <u>vehicles</u> RM	Furniture, fittings and office <u>equipment</u> RM	<u>Total</u> RM
<b>Cost</b>							
At 1.1.2018	8,311,726	-	23,329,068	29,554,747	6,373,017	2,663,939	70,232,497
Additions	33,921,376	-	2,000,000	4,880,903	1,006,600	71,417	41,880,296
Disposals	-	-	-	-	(369,400)	-	(369,400)
Written off	-	-	(60,492)	-	-	(450)	(60,942)
Transfer from capital work- in-progress	-	-	-	17,928,709	-	-	17,928,709
At 31.12.2018, as previously reported	42,233,102	-	25,268,576	52,364,359	7,010,217	2,734,906	129,611,160
Adjustment on initial application of MFRS 16	-	3,556,068	-	-	-	-	3,556,068
At 1.1.2019, as restated	42,233,102	3,556,068	25,268,576	52,364,359	7,010,217	2,734,906	133,167,228
Additions	-	-	-	509,913	645,542	79,734	1,235,189
Disposals	-	-	-	-	(105,696)	(4,400)	(110,096)
Written off	-	-	-	(520,000)	-	(71,459)	(591,459)
Revaluation	-	-	290,000	-	-	-	290,000
Reclassification	-	-	-	(536,038)	536,038	-	-
Transfer to investment properties	-	-	(550,000)	-	-	-	(550,000)
At 31.12.2019	42,233,102	3,556,068	25,008,576	51,818,234	8,086,101	2,738,781	133,440,862
<b>Accumulated depreciation</b>							
At 1.1.2018	-	-	10,531,448	23,676,249	5,208,716	2,333,532	41,749,945
Charge for the financial year	-	-	542,202	1,275,901	521,229	74,771	2,414,103
Disposals	-	-	-	-	(366,195)	-	(366,195)
Written off	-	-	(60,492)	-	-	(449)	(60,941)
At 31.12.2018, as previously stated	-	-	11,013,158	24,952,150	5,363,750	2,407,854	43,736,912
Adjustment on initial application of MFRS 16	-	1,864,728	-	-	-	-	1,864,728
At 1.1.2019, as restated	-	1,864,728	11,013,158	24,952,150	5,363,750	2,407,854	45,601,640
Charge for the financial year	-	72,230	530,285	2,722,599	717,269	79,883	4,122,266
Disposals	-	-	-	-	(105,694)	(1,283)	(106,977)
Written off	-	-	-	(37,555)	-	(69,200)	(106,755)
Reclassification	-	-	-	(232,248)	232,248	-	-
Revaluation	-	-	(49,400)	-	-	-	(49,400)
At 31.12.2019	-	1,936,958	11,494,043	27,404,946	6,207,573	2,417,254	49,460,774

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

	Freehold <u>land</u> RM	Leasehold <u>land</u> RM	<u>Buildings</u> RM	Plant and <u>machinery</u> RM	Motor <u>vehicles</u> RM	Furniture, fittings and office <u>equipment</u> RM	<u>Total</u> RM
<b>Group (cont'd)</b>							
<b>Net carrying amount</b>							
At 31.12.2019	42,233,102	1,619,110	13,514,533	24,413,288	1,878,528	321,527	83,980,088
At 31.12.2018	42,233,102	-	14,255,418	27,412,209	1,646,467	327,052	85,874,248

#### 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:-

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Land and buildings	57,366,745	56,488,520
Plant and machinery	9,603,958	10,296,983
	<u>66,970,703</u>	<u>66,785,503</u>

#### 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.

#### Transfer to investment properties

During the financial year, two buildings were transferred to investment properties because it was no longer used by the Group and these buildings were leased to third parties.

Immediately before the transfer, the Group remeasured the properties at fair value and recognised a gain of RM339,400 in other comprehensive income. The valuation techniques and significant unobservable input used in measuring the fair value of the buildings at the date of transfer were the same as those applied to investment properties.

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

##### Lease assets

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

<b>Group</b>	<b>Leasehold <u>land</u> RM</b>	<b>Plant and <u>machinery</u> RM</b>	<b>Motor <u>vehicles</u> RM</b>	<b><u>Total</u> RM</b>
<b>Cost</b>				
At 1.1.2019	3,556,068	1,443,928	1,838,366	6,838,362
Additions	-	163,438	513,503	676,941
Transfer to property, plant and equipment	-	-	(347,750)	(347,750)
At 31.12.2019	<u>3,556,068</u>	<u>1,607,366</u>	<u>2,004,119</u>	<u>7,167,553</u>
<b>Accumulated depreciation</b>				
At 1.1.2019	1,864,728	48,132	360,806	2,273,666
Charge for the financial year	72,230	147,117	352,728	572,075
Transfer to property, plant and equipment	-	-	(93,396)	(93,396)
At 31.12.2019	<u>1,936,958</u>	<u>195,249</u>	<u>620,138</u>	<u>2,752,345</u>
<b>Net carrying amount</b>				
At 31.12.2019	<u>1,619,110</u>	<u>1,412,117</u>	<u>1,383,981</u>	<u>4,415,208</u>

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

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

#### 5. CAPITAL WORK-IN-PROGRESS

	<b>Group Equipment, tools, plant and <u>machinery</u> RM</b>
<b>Cost</b>	
At 1.1.2018	13,833,737
Additions	3,978,156
Borrowing costs capitalised at the rate of 6.60% per annum	116,816
Transfer to property, plant and equipment	<u>(17,928,709)</u>
At 31.12.2018/1.1.2019/31.12.2019	<u>-</u>



## 6. PREPAID LAND LEASE PAYMENTS

<b>Group</b>	<b>Short leasehold <u>land</u> RM</b>	<b>Long leasehold <u>land</u> RM</b>	<b><u>Total</u> RM</b>
<b>Cost</b>			
At 1.1.2018/31.12.2018, as previously reported	3,105,877	450,191	3,556,068
Adjustment on initial application of MFRS 16	<u>(3,105,877)</u>	<u>(450,191)</u>	<u>(3,556,068)</u>
At 1.1.2019, as restated/At 31.12.2019	<u>-</u>	<u>-</u>	<u>-</u>
<b>Accumulated amortisation</b>			
At 1.1.2018	1,596,831	195,667	1,792,498
Amortisation charged during the financial year	<u>66,097</u>	<u>6,133</u>	<u>72,230</u>
At 31.12.2018, as previously reported	1,662,928	201,800	1,864,728
Adjustment on initial application of MFRS 16	<u>(1,662,928)</u>	<u>(201,800)</u>	<u>(1,864,728)</u>
At 1.1.2019, as restated/At 31.12.2019	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net carrying amount</b>			
At 31.12.2019	<u>-</u>	<u>-</u>	<u>-</u>
At 31.12.2018	<u>1,442,949</u>	<u>248,391</u>	<u>1,691,340</u>
		<b><u>2019</u> RM</b>	<b><u>2018</u> RM</b>
<u>Amount to be amortised</u>			
Not later than 1 year		-	72,230
Later than 1 year but not later than 5 years		-	288,920
Later than 5 years		<u>-</u>	<u>1,330,190</u>
		<u>-</u>	<u>1,691,340</u>

Long leasehold land represents leasehold land with unexpired lease period of more than 50 years while short leasehold land represents leasehold land with unexpired lease period of less than 50 years.

Long leasehold land and short leasehold land have been pledged to licensed banks for banking facilities granted to certain subsidiaries.

## 7. INVESTMENT PROPERTIES

<b>Group</b>	<b><u>Buildings</u></b> <b>RM</b>	<b><u>Freehold</u></b> <b><u>land</u></b> <b>RM</b>	<b><u>Total</u></b> <b>RM</b>
<b>Fair value</b>			
At 1.1.2018	16,960,622	9,501,878	26,462,500
Fair value adjustment	<u>267,500</u>	<u>-</u>	<u>267,500</u>
At 31.12.2018	17,228,122	9,501,878	26,730,000
Addition	17,159,002	-	17,159,002
Transfer from property, plant and equipment	<u>550,000</u>	<u>-</u>	<u>550,000</u>
At 31.12.2019	<u>34,937,124</u>	<u>9,501,878</u>	<u>44,439,002</u>

Investment properties comprise of office shoplot and apartments that are leased to third parties. Each of the leases are cancellable within three months prior written notice or payment of three months fee in lieu of notice.

During the financial year, two buildings have been transferred from property, plant and equipment to investment properties as disclosed in Note 4 to the financial statements, since these properties were no longer used by the Group and leased to third parties.

### Income and expenses recognised in profit or loss

	<b>Group</b>	
	<b><u>2019</u></b> <b>RM</b>	<b><u>2018</u></b> <b>RM</b>
Lease income	<u>653,772</u>	<u>877,379</u>
Direct operating expenses for investment properties:-		
- income generating investment properties	95,923	92,719
- non-income generating investment properties	<u>-</u>	<u>1,459</u>

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

	<b>Group</b>	
	<b><u>2019</u></b> <b>RM</b>	<b><u>2018</u></b> <b>RM</b>
Within 1 year	1,269,213	106,661
Between 1 and 2 years	1,211,053	20,000
Between 2 and 3 years	<u>452,386</u>	<u>-</u>
Total undiscounted lease payments	<u>2,932,652</u>	<u>126,661</u>

## 7. INVESTMENT PROPERTIES (CONT'D)

### 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:-

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
Freehold land	7,000,000	7,000,000
Buildings	<u>31,749,002</u>	<u>14,040,000</u>
	<u>38,749,002</u>	<u>21,040,000</u>

### Strata title yet to issue

The strata title of buildings of subsidiaries with net carrying amount of RM19,089,002 (2018: RM1,930,000) are yet to issue by relevant authorities.

### 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:-

	<b>Group Level 2</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
<b>Recurring fair value measurement</b>		
Freehold land	9,501,878	9,501,878
Buildings	<u>34,937,124</u>	<u>17,228,122</u>

### Level 2 fair value

Level 2 fair value of freehold 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.

## 8. SUBSIDIARIES

### Investment in subsidiaries

	<b>Company</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
<b>At cost</b>		
Unquoted shares	153,374,640	152,924,640
Accumulated impairment losses	<u>(1,130,320)</u>	<u>(2,352,534)</u>
	<u>152,244,320</u>	<u>150,572,106</u>

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

	<b>Company</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
At 1 January	2,352,534	2,352,534
Reversal of impairment loss during the financial year	<u>(1,222,214)</u>	<u>-</u>
At 31 December	<u>1,130,320</u>	<u>2,352,534</u>

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:-

<u>Name of company</u>	<u>Principal place of business</u>	<u>Effective ownership interest and voting interest</u>		<u>Principal activities</u>
		<u>2019</u>	<u>2018</u>	
		%	%	
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
Welley Enterprise Sdn. Bhd.	Malaysia	100	100	Distributing and retailing of plywood and related building materials

## 8. SUBSIDIARIES (CONT'D)

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

<u>Name of company</u>	<u>Principal place of business</u>	<u>Effective ownership interest and voting interest</u>		<u>Principal activities</u>
		<u>2019</u> %	<u>2018</u> %	
Modern Steel Sdn. Bhd.	Malaysia	51	51	Trading in steel bar and cement
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
Hai Ming Marketing Sdn. Bhd.	Malaysia	100	100	Trading in paper products
Paragon Paper & Plywood Sdn. Bhd.	Malaysia	99.9	99.9	Manufacturing of tissue paper and tissue related products
Paragon Marketing Sdn. Bhd.	Malaysia	100	100	Trading in tissue, plywood and related products
KPS Plywood Sdn. Bhd.	Malaysia	100	100	Trading of plywood and investment holding
Akateak Sdn. Bhd.	Malaysia	100	100	Distributor and retailer of wooden doors, plywood and related building materials
I'Kranji Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading in printed laminated plywood, poultry products, seafoods, confectionery items and its related products

## 8. SUBSIDIARIES (CONT'D)

### Non-controlling interests in subsidiaries

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

	<u>Modern Steel Sdn. Bhd.</u>	
	<u>2019</u>	<u>2018</u>
<b>Percentage of ownership interest and voting interest (%)</b>	49%	49%
Carrying amount of non-controlling interest (RM)	<u>1,068,164</u>	<u>976,985</u>
Profit allocated to non-controlling interest (RM)	<u>91,179</u>	<u>235,564</u>

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:-

	<u>2019</u> RM	<u>2018</u> RM
<b>Financial position as at 31 December</b>		
Non-current assets	89,700	71,489
Current assets	11,508,294	15,369,614
Current liabilities	<u>(9,535,679)</u>	<u>(13,564,868)</u>
Net assets	<u>2,062,315</u>	<u>1,876,235</u>
<b>Financial performance for the financial year ended 31 December</b>		
Profit for the financial year	186,080	480,742
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>186,080</u>	<u>480,742</u>
<b>Included in the total comprehensive income is:-</b>		
Revenue	<u>35,091,953</u>	<u>63,817,332</u>
<b>Summary of cash flows for the financial year ended 31 December</b>		
Net cash outflow used in operating activities	(1,108,392)	(689,543)
Net cash inflow/outflow from/(used in) financing activities	<u>206,050</u>	<u>(87,546)</u>
Net cash outflow	<u>(902,342)</u>	<u>(777,089)</u>

## 8. SUBSIDIARIES (CONT'D)

### Significant restrictions

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

### Amount due from/(to) subsidiaries

	<b>Company</b>	
	<u>2019</u> RM	<u>2018</u> RM
<u>Amount due from subsidiaries</u>		
Trade balance	86,325	107,325
Non-trade balance	<u>1,175,060</u>	<u>1,170,285</u>
	<u>1,261,385</u>	<u>1,277,610</u>
<u>Amount due to a subsidiary</u>		
Non-trade balance	<u>413,039</u>	<u>-</u>

The amount due from subsidiaries are unsecured, interest free and repayable on demand, except for an amount of RM1,170,000 (2018: RM1,170,000) which bears interest rate at 5.75% (2018: 5.50% to 5.75%) per annum.

The amount due to a subsidiary is unsecured, interest free and repayable on demand, except for an amount of RM411,125 (2018: Nil) which bears interest rate at 5.75% (2018: Nil) per annum.

## 9. ASSOCIATE

### Investment in an associate

	<b>Group and Company</b>	
	<u>2019</u> RM	<u>2018</u> RM
<b>At cost</b>		
Unquoted share in Malaysia	<u>1</u>	<u>1</u>

Details of associate are as follows:-

<u>Name of company</u>	<u>Principal place of business</u>	<u>Effective ownership interest and voting interest</u>		<u>Principal activity</u>
		<u>2019</u> %	<u>2018</u> %	
Hai Ming Exsim Development Sdn. Bhd.	Malaysia	40	40	Property development



## 9. 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:-

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
<b>Hai Ming Exsim Development Sdn. Bhd.</b>		
<b>Financial position as at 31 December</b>		
Current assets	1,698,879	1,987,242
Current liabilities	<u>(2,324,050)</u>	<u>(2,742,847)</u>
Net liabilities	<u>(625,171)</u>	<u>(755,605)</u>
Carrying amount of the proportion of the Groups' ownership	<u>1</u>	<u>1</u>
<b>Financial performance for the financial year ended 31 December</b>		
Total comprehensive income/(loss)	<u>130,434</u>	<u>(1,214,833)</u>
<b>Group's share of results for the financial year ended 31 December</b>		
Group share of loss	-	(183,690)
Group's share of other comprehensive income	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>(183,690)</u>

### **Unrecognised share of losses**

The Group has not recognised profit related to Hai Ming Exsim Development Sdn. Bhd. amounting to RM52,174 (loss in 2018: RM302,243) in the current financial year and losses of RM250,069 (2018: RM302,243) 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.

## 10. GOODWILL ON CONSOLIDATION

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	<u>RM</u>	<u>RM</u>
<b>Goodwill arising from business combination</b>		
1 January/31 December	<u>43,151,039</u>	<u>43,151,039</u>

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 3.95% (2018: 5.51%).

(ii) **Growth rate**

The weighted average growth rates used are consistent with the long-term average growth rate anticipated for the entities based on its past performance and industry demand. The average growth rate applied was 4.00% (2018: 5.00%) per annum.

(iii) **Discount rate**

The discount rate used are pre-tax and reflect specific risks relating to the plywood segment. The discount rate applied was 5.72% (2018: 5.72%) per annum.

## 10. GOODWILL ON CONSOLIDATION (CONT'D)

### 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 there are possible changes in key assumptions which could cause the carrying value of the CGU to exceed its recoverable amount. The estimated CGU relating to recoverable amount for the unit exceeds its carrying amount by approximately RM308 million (2018: RM331 million).

## 11. DEFERRED TAX ASSETS/(LIABILITIES)

### (i) Deferred tax assets

Group	<u>Assets</u> RM	<u>2019</u> <u>Liabilities</u> RM	<u>Net</u> RM	<u>Assets</u> RM	<u>2018</u> <u>Liabilities</u> RM	<u>Net</u> RM
At 1 January	2,755,335	(598,483)	2,156,852	2,587,812	(252,000)	2,335,812
Recognised in profit or loss	309,346	63,803	373,149	167,523	(346,483)	(178,960)
Recognised in other comprehensive income	-	(34,000)	(34,000)	-	-	-
At 31 December	<u>3,064,681</u>	<u>(568,680)</u>	<u>2,496,001</u>	<u>2,755,335</u>	<u>(598,483)</u>	<u>2,156,852</u>

The components of recognised deferred tax assets are made up of temporary difference arising from:-

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Property, plant and equipment	(192,680)	(294,483)
Right-of-use assets	(38,000)	-
Real property gain tax:-		
- investment properties	(304,000)	(304,000)
- property, plant and equipment	(34,000)	-
Allowance for impairment	1,486,687	1,747,373
Contract liabilities	1,351,000	776,000
Unutilised capital allowances	56,994	54,962
Others	170,000	177,000
	<u>2,496,001</u>	<u>2,156,852</u>

## 11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

### (i) Deferred tax assets (cont'd)

Deferred tax assets have not been recognised in respect of the following items (stated at gross amount):-

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Property, plant and equipment	(9,541,194)	(7,958,291)
Right-of-use assets	578,009	-
Real property gain tax on investment properties	(116,000)	(116,000)
Allowance for impairment	2,493,384	1,876,800
Unutilised business losses	5,750,200	4,483,942
Unutilised capital allowances	9,248,312	6,465,600
Unutilised reinvestment allowance	6,754,000	6,754,000
Others	92,722	156,140
	<u>15,259,433</u>	<u>11,662,191</u>

The potential deferred tax assets of certain subsidiaries are not recognised in the financial statements as it is anticipated that the tax effects of such benefits will not be realised in the foreseeable future.

The availability of unutilised business losses for offsetting against future taxable profits of the Company and subsidiaries in Malaysia is subject to no substantial changes in the shareholding of the subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The Malaysia Finance Act gazetted on 27 December 2018 has imposed a time limitation to restrict the carry forward of the unutilised business losses. The unutilised business losses accumulated up to the year of assessment 2018 are allowed to be carried forward for 7 consecutive years of assessment (i.e. from years of assessment 2019 to 2025) and any balance of the unutilised business losses thereafter shall be disregarded.

The unutilised business losses amounted to RM4,500,523 (2018: Nil) will expire in year of assessment 2026.

### (ii) Deferred tax liabilities

<b>Group</b>	<u>Assets</u> RM	<u>2019</u> <u>Liabilities</u> RM	<u>Net</u> RM	<u>Assets</u> RM	<u>2018</u> <u>Liabilities</u> RM	<u>Net</u> RM
At 1 January	258,700	(883,500)	(624,800)	263,922	(571,100)	(307,178)
Recognised in profit or loss	161,800	76,800	238,600	(5,222)	(312,400)	(317,622)
Recognised in other comprehensive income	-	(157,000)	(157,000)	-	-	-
At 31 December	<u>420,500</u>	<u>(963,700)</u>	<u>(543,200)</u>	<u>258,700</u>	<u>(883,500)</u>	<u>(624,800)</u>

## 11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

### (ii) Deferred tax liabilities (cont'd)

The components of recognised deferred tax liabilities are made up of temporary difference arising from:-

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
Property, plant and equipment	(377,700)	(363,500)
Right-of-use assets	(66,000)	-
Real property gain tax on investment properties	(205,600)	(362,800)
Revaluation surplus on land and building	(314,400)	(157,200)
Allowance for impairment	302,400	226,500
Unutilised capital allowances	67,500	-
Others	50,600	32,200
	<u>(543,200)</u>	<u>(624,800)</u>

## 12. INVENTORIES

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
Raw materials	8,490,603	7,138,943
Consumables	112,168	125,671
Work-in-progress	1,550,628	-
Work-in-progress (property development cost) (Note 12.2)	-	77,053,637
Unsold properties	35,103,410	-
Finished goods	33,579,359	13,732,484
Trading goods	18,943,043	45,984,757
At carrying amount	<u>97,779,211</u>	<u>144,035,492</u>

### 12.1 Recognised in profit or loss

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
Inventories recognised in cost of sales	866,150,985	656,807,758
Inventories written down	504,954	651,552
Inventories written off	16,329	-
Reversal of inventories written down	<u>(489,956)</u>	<u>(90,021)</u>

## 12. INVENTORIES (CONT'D)

### 12.1 Recognised in profit or loss (cont'd)

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

### 12.2 Property development cost

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
At 1 January	77,053,637	72,129,253
Cost incurred during the financial year	18,082,227	4,924,384
Cost recognised during the financial year	(60,032,454)	-
Transfer to unsold properties	<u>(35,103,410)</u>	<u>-</u>
At 31 December	<u>-</u>	<u>77,053,637</u>

## 13. TRADE RECEIVABLES

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Trade receivables	230,282,537	240,262,708
Retention sum	296,250	-
Less: Allowance for impairment loss	<u>(11,110,200)</u>	<u>(9,980,158)</u>
	<u>219,468,587</u>	<u>230,282,550</u>

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

### Group

	<u>Individual impairment</u> RM	<u>Collective impairment</u> RM	<u>Total</u> RM
At 1 January 2018	9,830,187	2,207,072	12,037,259
Charge for the financial year	161,735	533,458	695,193
Reversal of impairment losses	(764,833)	(354,929)	(1,119,762)
Written off	<u>(1,632,532)</u>	<u>-</u>	<u>(1,632,532)</u>
At 31 December 2018	7,594,557	2,385,601	9,980,158
Charge for the financial year	2,432,152	135,241	2,567,393
Reversal of impairment losses	(590,834)	(845,070)	(1,435,904)
Written off	<u>(1,447)</u>	<u>-</u>	<u>(1,447)</u>
At 31 December 2019	<u>9,434,428</u>	<u>1,675,772</u>	<u>11,110,200</u>

### 13. TRADE RECEIVABLES (CONT'D)

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 rate ranging from 0.75% to 1.50% (2018: 0.75% to 1.50%) per month.

The Group's normal trade credit term granted to trade receivables range from cash term to 120 days (2018: cash term to 120 days). Other credit terms are assessed and approved by management on a case-by-case basis.

### 14. OTHER RECEIVABLES

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Non-trade receivables	3,223,845	8,377,882
Less: Allowance for impairment		
Brought forward	-	(9,910)
Written off	-	9,910
Carried forward	-	-
	<u>3,223,845</u>	<u>8,377,882</u>
Deposits	3,014,232	3,120,477
Less: Allowance for impairment		
Brought forward	(1,560,000)	-
Addition	(492,989)	(1,560,000)
Carried forward	(2,052,989)	(1,560,000)
	<u>961,243</u>	<u>1,560,477</u>
Deposits for purchase of inventories	1,351,141	358,692
Prepayments	2,052,713	2,150,673
GST recoverable	3,048,134	4,142,488
	<u>10,637,076</u>	<u>16,590,212</u>

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

	<u>2019</u> RM	<u>2018</u> RM
United States Dollar ("USD")	<u>787,853</u>	<u>176,016</u>



## 15. CASH AND BANK BALANCES

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

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
USD	<u>526</u>	<u>526</u>

## 16. SHARE CAPITAL

	<b>Group and Company</b>	
	<u>2019</u> RM	<u>2018</u> RM
<b>Issued and fully paid with no par value:-</b>		
147,827,158 units of ordinary shares	<u>153,228,000</u>	<u>153,228,000</u>

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.

## 17. REVALUATION RESERVE

### **Group**

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

## 18. LEASE LIABILITIES/FINANCE LEASE LIABILITIES

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

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Non-current	285,888	763,582
Current	<u>1,011,956</u>	<u>1,619,596</u>
	<u>1,297,844</u>	<u>2,383,178</u>

## 18. LEASE LIABILITIES/FINANCE LEASE LIABILITIES (CONT'D)

The Group has leases for plant and machinery and motor vehicles. Future minimum lease payments as at financial year end are as follows:-

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Not later than 1 year	1,066,085	1,731,984
Later than 1 year but not later than 5 years	<u>311,812</u>	<u>780,292</u>
Total undiscounted lease liabilities/Finance lease liabilities	<u>1,377,897</u>	<u>2,512,276</u>

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

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Short-term leases	144,967	-
Low value assets	4,878	-
Rental expenses:-		
- equipment	-	32,649
- warehouse	-	60,000
- office	-	802,158
- hostel	<u>-</u>	<u>18,960</u>

During the financial year, the total cash outflow of the Group for leases amounted to RM2,127,551.

The effective interest rates of lease liabilities/finance lease liabilities are ranging from 3.79% to 6.95% (2018: 3.79% to 6.60%) per annum.

The lease liabilities/finance lease liabilities of the Group are secured by way of corporate guarantee by the Company, a director of subsidiaries and personal guarantee by a substantial shareholder of the Company.

## 19. BORROWINGS

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
<b>Non-current</b>		
<u>Secured:-</u>		
Term loans	37,296,268	33,073,536
Multi-option loan	571,176	973,202
	<u>37,867,444</u>	<u>34,046,738</u>
<b>Current</b>		
<u>Secured:-</u>		
Term loans	5,517,210	4,451,387
Multi-option loan	400,008	400,000
Bankers' acceptance	140,227,532	127,236,950
Bank overdraft	2,856,890	1,019,580
	149,001,640	133,107,917
<u>Unsecured:-</u>		
Bankers' acceptance	21,184,283	17,893,666
	<u>170,185,923</u>	<u>151,001,583</u>
<b>Total borrowings</b>		
Term loans	42,813,478	37,524,923
Multi-option loan	971,184	1,373,202
Bankers' acceptance	161,411,815	145,130,616
Bank overdraft	2,856,890	1,019,580
	<u>208,053,367</u>	<u>185,048,321</u>
<b>Maturity of borrowings:-</b>		
Within 1 year	170,185,923	151,001,583
More than 1 year and less than 5 years	17,653,992	15,815,443
After 5 years	20,213,452	18,231,295
	<u>208,053,367</u>	<u>185,048,321</u>

- (a) The secured bankers' acceptance, bank overdraft, term loans and multi-option loan are secured in the following manner:-
- Charge and deeds of assignment over the landed properties and plant and machinery of certain subsidiaries as disclosed in Notes 4, 6 and 7 to the financial statements;
  - Personal guarantee by a substantial shareholder of the Company and a Director of subsidiary;
  - Corporate guarantee by the Company and a subsidiary;
  - Pledged over quoted shares owned by a substantial shareholder of the Company;

## 19. **BORROWINGS (CONT'D)**

- (a) The secured bankers' acceptance, bank overdraft, term loans and multi-option loan are secured in the following manner (cont'd):-
- (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 subsidiary;
  - (vii) Letter of Hibah; and
  - (viii) 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.

The bank overdraft bears interest rates ranging from 7.92% to 8.32% (2018: 7.67% to 8.57%) per annum.

The banker acceptance bears interest rates ranging from 3.29% to 5.23% (2018: 3.79% to 5.61%) per annum.

The multi-option loan bears interest rates ranging from 5.57% to 5.87% (2018: 5.63% to 5.86%) per annum. The repayment term for secured multi-option loan is 60 (2018: 60) monthly installments.

The term loan bears interest rates ranging from 4.06% to 6.32% (2018: 4.13% to 6.12%) per annum. The repayment term for secured term loan ranging from 60 to 180 (2018: 60 to 180) monthly installments.

## 20. **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 (2018: cash term to 120 days).

Included in trade payables are the retention sum amounting to RM2,235,038 (2018: RM1,760,195).

## 21. **OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM	RM	RM	RM
Non-trade payables	20,633,588	14,095,319	14,040	7,002
Accruals of expenses	1,612,477	1,796,334	130,900	108,000
Deposits received	489,543	274,607	-	-
SST payable	81,501	59,318	-	-
GST payable	-	55	-	-
	<u>22,817,109</u>	<u>16,225,633</u>	<u>144,940</u>	<u>115,002</u>

## 21. OTHER PAYABLES (CONT'D)

### Group

Included in non-trade payables consist of amount due to a substantial shareholder of the Company amounted RM13,521,208 (2018: RM10,656,582). The amount due is unsecured, interest free and repayable on demand.

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

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
USD	<u>199,992</u>	<u>199,992</u>

## 22. CONTRACT LIABILITIES

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Deferred revenue	<u>6,467,425</u>	<u>58,996,237</u>

Deferred income 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.

Significant changes to the contract liabilities balances during the financial year are as follows:-

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Contract liabilities at the beginning of the year recognised as revenue	58,996,237	-
Contract liabilities at the beginning of the year not recognised as revenue	<u>-</u>	<u>39,667,682</u>

## 23. AMOUNT DUE TO A DIRECTOR

### Group

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

## 24. REVENUE

	<b>Group</b>		<b>Company</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM	RM	RM	RM
<b>Revenue from contract with customers</b>				
Products and services transferred at a point in time:-				
Sales of goods	884,101,504	775,633,059	-	-
Management fee received and receivable from subsidiaries	-	-	246,000	192,000
Rendering of services	117,692	105,874	-	-
	<u>884,219,196</u>	<u>775,738,933</u>	<u>246,000</u>	<u>192,000</u>
Products and services transferred over time:-				
Property development	66,329,847	-	-	-
Construction	3,940,675	-	-	-
	<u>70,270,522</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>954,489,718</u>	<u>775,738,933</u>	<u>246,000</u>	<u>192,000</u>

### 24.1 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:-

<b>Group</b>	<b>Paper milling RM</b>	<b>Paper converting RM</b>	<b>Building materials RM</b>	<b>Other trading RM</b>	<b>Total RM</b>
<b>2019</b>					
<b>Major products/service lines</b>					
Manufacture of tissue paper and tissue related products	33,767,951	-	-	-	33,767,951
Paper converting and trading in paper related products	-	123,405,970	-	-	123,405,970
Distributor and retailer of building materials	-	-	721,483,836	-	721,483,836
Trading in stationery and paper related products	-	-	-	5,443,747	5,443,747
Property development and construction	-	-	-	70,270,522	70,270,522
Others	-	-	-	117,692	117,692
Total revenue from contracts with customers	<u>33,767,951</u>	<u>123,405,970</u>	<u>721,483,836</u>	<u>75,831,961</u>	<u>954,489,718</u>
<b>Primary geographical markets</b>					
Malaysia	33,767,951	123,405,970	721,283,436	75,831,961	954,289,318
Overseas #	-	-	200,400	-	200,400
	<u>33,767,951</u>	<u>123,405,970</u>	<u>721,483,836</u>	<u>75,831,961</u>	<u>954,489,718</u>

## 24. REVENUE (CONT'D)

### 24.1 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	Other trading RM	Total RM
<b>2019 (cont'd)</b>					
<b>Timing of revenue recognition</b>					
Products and services transferred at a point in time	33,767,951	123,405,970	721,483,836	5,561,439	884,219,196
Products transferred over time	-	-	-	70,270,522	70,270,522
	<u>33,767,951</u>	<u>123,405,970</u>	<u>721,483,836</u>	<u>75,831,961</u>	<u>954,489,718</u>
<b>2018</b>					
<b>Major products/service lines</b>					
Manufacture of tissue paper and tissue related products	46,127,428	-	-	-	46,127,428
Paper converting and trading in paper related products	-	118,450,757	-	-	118,450,757
Distributor and retailer of building materials	-	-	604,122,607	-	604,122,607
Trading in stationery and paper related products	-	-	-	6,932,267	6,932,267
Others	-	-	-	105,874	105,874
	<u>46,127,428</u>	<u>118,450,757</u>	<u>604,122,607</u>	<u>7,038,141</u>	<u>775,738,933</u>
<b>Primary geographical markets</b>					
Malaysia	46,127,428	118,450,757	602,787,931	7,038,141	774,404,257
Overseas #	-	-	1,334,676	-	1,334,676
	<u>46,127,428</u>	<u>118,450,757</u>	<u>604,122,607</u>	<u>7,038,141</u>	<u>775,738,933</u>
<b>Timing of revenue recognition</b>					
Products and services transferred at a point in time	46,127,428	118,450,757	604,122,607	7,038,141	775,738,933

# less than 5% for each individual country.



## 24. REVENUE (CONT'D)

	<u>2019</u> RM	<u>2018</u> RM
<b>Company</b>		
<b>Revenue from contract with customers</b>		
<u>Products and services transferred at a point in time:-</u>		
Management fee	<u>246,000</u>	<u>192,000</u>
<u>Primary geographical market:-</u>		
Malaysia	<u>246,000</u>	<u>192,000</u>

## 25. FINANCE INCOME

	<b>Group</b>		<b>Company</b>	
	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
Overdue interest income	837,514	250,675	-	-
Interest income from subsidiaries	-	-	67,275	66,554
Interest income from banks	<u>631,372</u>	<u>365,579</u>	<u>-</u>	<u>-</u>
	<u>1,468,886</u>	<u>616,254</u>	<u>67,275</u>	<u>66,554</u>

## 26. FINANCE COSTS

	<b>Group</b>		<b>Company</b>	
	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
Interest expenses:-				
- bankers' acceptance	6,355,852	6,029,256	-	-
- lease liabilities/finance lease liabilities	89,684	260,911	-	-
- term loans	2,182,287	1,686,479	-	-
- multi-option loan	65,775	90,467	-	-
- bank overdraft	13,094	11,378	-	-
- charged by a subsidiary	<u>-</u>	<u>-</u>	<u>1,914</u>	<u>-</u>
	<u>8,706,692</u>	<u>8,078,491</u>	<u>1,914</u>	<u>-</u>

## 27. PROFIT BEFORE TAX

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

	<b>Group</b>		<b>Company</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM	RM	RM	RM
Auditors' remuneration:-				
- statutory audit	364,500	349,500	69,000	68,000
- others	86,100	86,100	8,000	8,000
Bad debts written off	407,197	7,707	-	-
Depreciation of property, plant and equipment	3,550,191	2,414,103	-	-
Depreciation of right-of-use assets	572,075	-	-	-
Gain on disposal of property, plant and equipment	(27,981)	(10,529)	-	-
Property, plant and equipment written off	484,704	1	-	-
Realised gain on foreign exchange	(170,897)	(332,730)	-	-
Rental income:-				
- premises	(1,097,593)	(1,318,125)	-	-
- plant and machinery	(720,000)	(60,000)	-	-
Reversal of impairment on investment in subsidiaries	-	-	(1,222,214)	-

## 28. TAX EXPENSE

### Tax recognised in profit or loss

	<b>Group</b>		<b>Company</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM	RM	RM	RM
<b>Current tax:-</b>				
- current financial year	2,685,731	4,734,975	30,761	33,001
- (over)/under provision in prior financial year	(20,050)	(183,844)	(6,648)	3,924
	<u>2,665,681</u>	<u>4,551,131</u>	<u>24,113</u>	<u>36,925</u>
<b>Deferred tax:-</b>				
- origination and reversal of temporary differences	(355,049)	1,141,154	-	-
- over recognised in prior financial year	(256,700)	(644,572)	-	-
	<u>(611,749)</u>	<u>496,582</u>	<u>-</u>	<u>-</u>
	<u>2,053,932</u>	<u>5,047,713</u>	<u>24,113</u>	<u>36,925</u>

## 28. TAX EXPENSE (CONT'D)

### Tax recognised in profit or loss (cont'd)

A reconciliation of income tax expense applicable to profit 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:-

	<b>Group</b>		<b>Company</b>	
	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
Profit before tax	<u>8,627,168</u>	<u>15,539,129</u>	<u>1,275,155</u>	<u>51,599</u>
Tax at statutory tax rate of 24%	2,070,520	3,729,391	306,037	12,384
Tax effects in respect of:-				
Expenses not deductible for tax purposes	536,776	1,019,053	18,055	20,617
Income not subject to tax	(1,139,952)	(23,450)	(293,331)	-
Movement of deferred tax assets not recognised	863,338	747,727	-	-
(Over)/Under provision of tax expense in prior financial year	(20,050)	(183,844)	(6,648)	3,924
Over recognised of deferred tax in prior financial year	(256,700)	(644,572)	-	-
Effect of changes in real property gains tax rate	<u>-</u>	<u>403,408</u>	<u>-</u>	<u>-</u>
	<u>2,053,932</u>	<u>5,047,713</u>	<u>24,113</u>	<u>36,925</u>

### Tax recognised in other comprehensive income

	<b>Group</b>		<b>Company</b>	
	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
Revaluation of land and buildings	<u>191,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 29. EARNINGS PER SHARE

### Basic earnings per ordinary share

The calculation of basic earnings per share was based on the profit attributable to ordinary equity holders of the Company and weighted average number of ordinary shares issued calculated as follows:-

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	<u>6,485,660</u>	<u>10,257,748</u>
Weighted average number of ordinary shares at 31 December	<u>147,827,158</u>	<u>147,827,158</u>
Basic earnings per share (sen)	<u>4.39</u>	<u>6.94</u>

### Diluted earnings per share

Diluted earnings per share is not computed as there were no dilutive potential equity instruments in issue that gave diluted effect to the earnings per share.

## 30. EMPLOYEE BENEFITS EXPENSE

	<b>Group</b>		<b>Company</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM	RM	RM	RM
Salaries and other emoluments	11,394,050	10,470,794	11,250	11,250
Defined contribution plan	901,068	846,810	-	-
Social security contributions	141,163	118,850	-	-
Other staff related expenses	<u>183,231</u>	<u>239,366</u>	<u>-</u>	<u>-</u>
	<u>12,619,512</u>	<u>11,675,820</u>	<u>11,250</u>	<u>11,250</u>

The employee benefits expense of the Group and of the Company included Directors' emoluments as disclosed in Note 31 to the financial statements.

### 31. DIRECTORS' REMUNERATION

The details of remuneration received and receivable by Directors of the Company and subsidiaries during the financial year are as follows:-

	<b>Group</b>		<b>Company</b>	
	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
<b>Executive Directors:-</b>				
<b>Directors of the Company</b>				
Fees	306,000	264,000	26,000	-
Salaries and other emoluments	593	6,592	-	-
	<u>306,593</u>	<u>270,592</u>	<u>26,000</u>	<u>-</u>
<b>Directors of subsidiaries</b>				
Fees	338,000	207,500	-	-
Salaries and other emoluments	360,000	249,500	-	-
Defined contribution plan	43,200	29,940	-	-
Social security contributions	1,753	1,900	-	-
	<u>742,953</u>	<u>488,840</u>	<u>-</u>	<u>-</u>
Total Executive Directors' remuneration	<u>1,049,456</u>	<u>759,432</u>	<u>26,000</u>	<u>-</u>
<b>Non-executive Directors:-</b>				
<b>Directors of the Company</b>				
Fees	30,000	30,000	30,000	30,000
Salaries and other emoluments	11,250	11,250	11,250	11,250
Total Non-executive Directors' remuneration	<u>41,250</u>	<u>41,250</u>	<u>41,250</u>	<u>41,250</u>
Total Directors' remuneration	<u>1,090,706</u>	<u>800,682</u>	<u>67,250</u>	<u>41,250</u>

### 32. CONTINGENT LIABILITIES

	<b>Company</b>	
	<u>2019</u> RM	<u>2018</u> RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries (unsecured):-		
- Limit	<u>301,250,000</u>	<u>257,776,190</u>
- Utilised	<u>206,163,703</u>	<u>181,366,847</u>

### 33. 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:-

	<b>Group</b>		<b>Company</b>	
	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
Loan given by a subsidiary	-	-	411,125	-
Interest charged to a subsidiary	-	-	67,275	66,554
Interest charged by a subsidiary	-	-	1,914	-
Management fee charged to subsidiaries	-	-	246,000	192,000
Dividend paid to non-controlling interest	-	39,200	-	-
Consultancy fee paid to a substantial shareholder of the Company	143,100	32,400	-	-
Introducer fee payable to a substantial shareholder of the Company	<u>238,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

The outstanding balances arising from related party transactions were disclosed in Notes 8, 21 and 23 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 and entity that provides key management personnel services to the Group.

The remuneration of Company's Directors and other members of key management personnel of the Group during the financial year are as follows:-

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Fees	481,000	335,500
Salaries and other emoluments	408,000	255,500
Defined contribution plan	49,440	29,940
Social security contribution	<u>3,270</u>	<u>2,492</u>
	<u>941,710</u>	<u>623,432</u>

## 34. FINANCIAL INSTRUMENTS

### CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised amortised cost (“AC”) as follows:-

	Carrying <u>amount</u> RM	<u>AC</u> RM
<b>Group</b>		
<b>2019</b>		
<b>Financial assets</b>		
Trade receivables	219,468,587	219,468,587
Other receivables	4,185,088	4,185,088
Cash and bank balances	50,102,244	50,102,244
	<hr/>	<hr/>
Total	273,755,919	273,755,919
	<hr/>	<hr/>
<b>Financial liabilities</b>		
Trade payables	41,519,759	41,519,759
Other payables	22,735,608	22,735,608
Amount due to a Director	418,167	418,167
Borrowings	208,053,367	208,053,367
	<hr/>	<hr/>
Total	272,726,901	272,726,901
	<hr/>	<hr/>
<b>Company</b>		
<b>2019</b>		
<b>Financial assets</b>		
Amount due from subsidiaries	1,261,385	1,261,385
Cash and bank balances	174,177	174,177
	<hr/>	<hr/>
Total	1,435,562	1,435,562
	<hr/>	<hr/>
<b>Financial liabilities</b>		
Amount due to a subsidiary	413,039	413,039
Other payables	144,940	144,940
	<hr/>	<hr/>
Total	557,979	557,979
	<hr/>	<hr/>



## 34. FINANCIAL INSTRUMENTS (CONT'D)

### CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

The table below provides an analysis of financial instruments categorised amortised cost ("AC") as follows (cont'd):-

	Carrying amount RM	AC RM
<b>Group</b>		
<b>2018</b>		
<b>Financial assets</b>		
Trade receivables	230,282,550	230,282,550
Other receivables	9,938,359	9,938,359
Cash and bank balances	29,807,180	29,807,180
<b>Total</b>	<b>270,028,089</b>	<b>270,028,089</b>
<b>Financial liabilities</b>		
Trade payables	51,244,824	51,244,824
Other payables	16,166,260	16,166,260
Amount due to a Director	418,167	418,167
Finance lease liabilities	2,383,178	2,383,178
Borrowings	185,048,321	185,048,321
<b>Total</b>	<b>255,260,750</b>	<b>255,260,750</b>
<b>Company</b>		
<b>2018</b>		
<b>Financial assets</b>		
Amount due from subsidiaries	1,277,610	1,277,610
Cash and bank balances	124,747	124,747
<b>Total</b>	<b>1,402,357</b>	<b>1,402,357</b>
<b>Financial liability</b>		
Other payables	115,002	115,002

### 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.

## 34. 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:-

##### (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 do 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.

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.

## 34. 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)

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:-

2019	Current RM	Days past due					Total RM
		1 to 30 days RM	31 to 60 days RM	61 to 90 days RM	91 to 120 days RM	More than 121 days RM	
Expected credit loss rate	0.52%	0.77%	0.94%	1.20%	1.08%	1.23%	
Gross carrying amount	113,108,304	31,726,786	25,304,598	10,444,791	14,277,453	35,716,855	230,578,787
Expected credit loss (Collective)	590,854	243,118	237,935	125,638	153,461	324,766	1,675,772
Expected credit loss (Individual)	-	-	-	1,397	22,227	9,410,804	9,434,428

## 34. 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)

The following table provides information about the credit risk exposure on the Group's trade receivables using a provision matrix (cont'd):-

2018	Current	Days past due					Total
		1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 121 days	
	RM	RM	RM	RM	RM	RM	RM
Expected credit loss rate	0.64%	0.82%	1.11%	1.09%	0.98%	2.09%	
Gross carrying amount	74,000,236	47,422,337	34,275,951	29,623,118	15,534,139	39,406,927	240,262,708
Expected credit loss (Collective)	476,481	387,315	380,234	324,267	151,805	665,499	2,385,601
Expected credit loss (Individual)	15,254	-	-	-	-	7,579,303	7,594,557

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.

## 34. 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):-

##### Concentration of credit risk

The credit risk concentration profile of the Group as at the reporting date is as follows:-

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
<b>By country:-</b>		
Malaysia	<u>219,468,587</u>	<u>230,282,550</u>
<b>By industry sector:-</b>		
Paper milling	7,275,904	8,408,845
Paper converting	26,647,648	29,749,382
Building materials	181,578,460	183,473,364
Other trading	<u>3,966,575</u>	<u>8,650,959</u>
	<u>219,468,587</u>	<u>230,282,550</u>

##### Financial guarantee/Corporate guarantee

The maximum exposure to credit risk amounting to RM206,163,703 (2018: RM181,366,847) representing the outstanding banking facilities of the subsidiaries 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. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

## 34. 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):-

##### Financial guarantee/Corporate guarantee (cont'd)

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.

## 34. 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:-

	Carrying amount	Total contractual cash flows	Maturity			
			Current On demand/ Less than 1 year	Non - current		
	RM	RM	RM	1 to 2 years	2 to 5 years	More than 5 years
<b>2019</b>						
<b>Group</b>						
<b>Non-derivative financial liabilities</b>						
<b>Secured:-</b>						
Bank overdraft	2,856,890	2,856,890	2,856,890	-	-	-
Bankers' acceptance	140,227,532	140,227,532	140,227,532	-	-	-
Term loans	42,813,478	55,203,492	7,495,841	9,906,331	12,851,928	24,949,392
Multi-option loan	971,184	1,045,712	446,980	598,732	-	-
Lease liabilities	1,297,844	1,377,897	1,066,085	311,812	-	-
<b>Unsecured:-</b>						
Trade payables	41,519,759	41,519,759	41,519,759	-	-	-
Other payables	22,735,608	22,735,608	22,735,608	-	-	-
Amount due to a Director	418,167	418,167	418,167	-	-	-
Bankers' acceptance	21,184,283	21,184,283	21,184,283	-	-	-
<b>Total</b>	<b>274,024,745</b>	<b>286,569,340</b>	<b>237,951,145</b>	<b>10,816,875</b>	<b>12,851,928</b>	<b>24,949,392</b>
<b>2018</b>						
<b>Group</b>						
<b>Non-derivative financial liabilities</b>						
<b>Secured:-</b>						
Bank overdraft	1,019,580	1,019,580	1,019,580	-	-	-
Bankers' acceptance	127,236,950	127,236,950	127,236,950	-	-	-
Term loans	37,524,923	49,940,689	6,494,705	6,286,373	14,236,865	22,922,746
Multi-option loan	1,373,202	1,518,619	470,273	447,293	601,053	-
Finance lease liabilities	2,383,178	2,512,276	1,731,984	616,253	164,039	-
<b>Unsecured:-</b>						
Trade payables	51,244,824	51,244,824	51,244,824	-	-	-
Other payables	16,166,260	16,166,260	16,166,260	-	-	-
Amount due to a Director	418,167	418,167	418,167	-	-	-
Bankers' acceptance	17,893,666	17,893,666	17,893,666	-	-	-
<b>Total</b>	<b>255,260,750</b>	<b>267,951,031</b>	<b>222,676,409</b>	<b>7,349,919</b>	<b>15,001,957</b>	<b>22,922,746</b>

## 34. 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):-

	Carrying amount RM	Total contractual cash flows RM	Maturity			
			Current On demand/ Less than 1 year RM	Non - current		
				1 to 2 years RM	2 to 5 years RM	More than 5 years RM
<b>2019</b>						
<b>Company</b>						
<b>Non-derivative</b>						
<b>financial liabilities</b>						
<b>Unsecured:-</b>						
Other payables	144,940	144,940	144,940	-	-	-
Amount due to a subsidiary	413,039	413,039	413,039	-	-	-
Total financial liabilities	557,979	557,979	557,979	-	-	-
Financial guarantee *	-	206,163,703	206,163,703	-	-	-
<b>Total</b>	557,979	206,721,682	206,721,682	-	-	-
<b>2018</b>						
<b>Company</b>						
<b>Non-derivative</b>						
<b>financial liabilities</b>						
<b>Unsecured:-</b>						
Other payables/Total financial liability	115,002	115,002	115,002	-	-	-
Financial guarantee *	-	181,366,847	181,366,847	-	-	-
<b>Total</b>	115,002	181,481,849	181,481,849	-	-	-

\* This exposure of liquidity risk is included for illustration purpose only as the related financial guarantee has not crystallised.

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities at the reporting date.



## 34. 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:-

	<u>2019</u> RM	<u>2018</u> RM
<b>Group</b>		
<b>Fixed rate instruments</b>		
<u>Financial liabilities</u>		
- Lease liabilities/Finance lease liabilities	(1,297,844)	(2,383,178)
- Bankers' acceptance	<u>(161,411,815)</u>	<u>(145,130,616)</u>
Net financial liabilities	<u>(162,709,659)</u>	<u>(147,513,794)</u>

## 34. 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):-

	<u>2019</u> RM	<u>2018</u> RM
<b>Group (cont'd)</b>		
<b>Floating rate instruments</b>		
<u>Financial liabilities</u>		
- Term loans	(42,813,478)	(37,524,923)
- Multi-option loan	(971,184)	(1,373,202)
- Bank overdraft	<u>(2,856,890)</u>	<u>(1,019,580)</u>
Net financial liabilities	<u>(46,641,552)</u>	<u>(39,917,705)</u>
<b>Company</b>		
<b>Floating rate instrument</b>		
<u>Financial asset</u>		
- Amount due from a subsidiary	<u>1,170,000</u>	<u>1,170,000</u>

##### 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 (2018: +/-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.

	<b>Increase/(Decrease) on profit/(loss)/equity of the year</b>			
	<b>Group</b>		<b>Company</b>	
	RM	RM	RM	RM
2019 (+/- 25bp)	(116,604)	116,604	2,925	(2,925)
2018 (+/- 25bp)	<u>(99,794)</u>	<u>99,794</u>	<u>2,925</u>	<u>(2,925)</u>

## 34. 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)

##### 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.

In prior financial year, the contracted underlying principal amount of currency forward contract of the Group is RM86,043.

The forward foreign currency contracts have not been recognised since the fair value on initial recognition was not material.

The carrying amount of the Group's exposure to foreign currency risk as at reporting date is disclosed in Notes 14, 15, and 21 to the financial statements.

##### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit for the year and equity to a reasonably possible change in the USD exchange rate against RM, with all other variables held constant.

## 34. 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)

The main areas of financial risks faced by the Group and the policy of the Group in respect of the major areas of treasury activity are set out as follows:-

	Effect for the profit of the year/equity RM
<b>2019</b>	
USD/RM	
- strengthened 5%	29,419
- weakened 5%	<u>(29,419)</u>
<b>2018</b>	
USD/RM	
- strengthened 5%	1,173
- weakened 5%	<u>(1,173)</u>

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 and of the Company's financial instruments will fluctuate because of changes in market prices (other than foreign exchange or interest rates).

The Group and the Company do not hold any quoted or marketable financial instrument, hence is not exposed to any movement in market prices.

## 34. FINANCIAL INSTRUMENTS (CONT'D)

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### Reconciliation of Liabilities arising from Financing Activities

2019	1 January RM	Cash flows RM	Purchase of assets RM	31 December RM
<b>Group</b>				
Loans and borrowings				
- Lease liabilities	2,383,178	(1,888,022)	802,688	1,297,844
- Borrowings				
- Term loan	37,524,923	(4,711,445)	10,000,000	42,813,478
- Multi-option loan	1,373,202	(402,018)	-	971,184
	38,898,125	(5,113,463)	10,000,000	43,784,662
Amount due to a substantial shareholder of the company	10,656,582	2,864,626	-	13,521,208
Total liabilities from financing activities	51,937,885	(4,136,859)	10,802,688	58,603,714
<b>Company</b>				
Amount due to a subsidiary	-	413,039	-	413,039
Total liability from financing activity	-	413,039	-	413,039

### 34. FINANCIAL INSTRUMENTS (CONT'D)

#### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

##### Reconciliation of Liabilities arising from Financing Activities (cont'd)

	1 January RM	Cash flows RM	Purchase of assets RM	31 December RM
<b>2018</b>				
<b>Group</b>				
Loans and borrowings				
- Finance lease liabilities	3,357,040	(4,057,472)	3,083,610	2,383,178
- Borrowings				
- Term loan	3,920,263	4,545,900	29,058,760	37,524,923
- Multi-option loan	1,858,236	(485,034)	-	1,373,202
	5,778,499	4,060,866	29,058,760	38,898,125
Amount due to an associate	68,750	(68,750)	-	-
Amount due to a substantial shareholder of the company	8,002,659	2,653,923	-	10,656,582
Total liabilities from financing activities	17,206,948	2,588,567	32,142,370	51,937,885
<b>Company</b>				
Amount due to a subsidiary	99,560	(99,560)	-	-
Total liability from financing activity	99,560	(99,560)	-	-

#### 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.

## 34. FINANCIAL INSTRUMENTS (CONT'D)

### Fair Value Hierarchy

No fair value hierarchy has been disclosed as the Group and the Company do not have financial instruments measured at fair value.

## 35. 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 2019 and financial year ended 31 December 2018.

The borrowings include finance 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.

	<u>2019</u> RM	<u>2018</u> RM
Total borrowings:-		
- lease liabilities/finance lease liabilities	1,297,844	2,383,178
- bankers' acceptance	161,411,815	145,130,616
- term loans	42,813,478	37,524,923
- multi-option loan	971,184	1,373,202
- bank overdraft	<u>2,856,890</u>	<u>1,019,580</u>
	<u>209,351,211</u>	<u>187,431,499</u>
Owners' equity	<u>271,081,080</u>	<u>264,447,020</u>
Debt-to-equity ratio	<u>0.77</u>	<u>0.71</u>

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.

## 36. 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:-

<b>Business segments</b>	<b>Business activities</b>
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.
Other trading	: Trading in paper, paper products, stationery, general household products, and other unclassified companies of diversified 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.



36. **OPERATING SEGMENTS – GROUP (CONT'D)**

(i) **Business segment (cont'd)**

<b>2019</b>									
	<b>Note</b>	<b>Paper milling RM</b>	<b>Paper converting RM</b>	<b>Building materials RM</b>	<b>Investment and management RM</b>	<b>Other trading RM</b>	<b>Consolidation adjustments RM</b>	<b>Total consolidated RM</b>	
<b>Revenue</b>									
External revenue		33,767,951	123,405,970	721,483,836	-	75,831,961	-	954,489,718	
Inter-segment revenue	(a)	70	25,936	-	246,000	-	(272,006)	-	
Total revenue		33,768,021	123,431,906	721,483,836	246,000	75,831,961	(272,006)	954,489,718	
<b>Results</b>									
Interest income		178,193	1,501,662	1,354,661	67,275	334,329	(1,967,234)	1,468,886	
Finance costs		(881,157)	(808,445)	(7,610,924)	(1,914)	(248,977)	844,725	(8,706,692)	
Depreciation		(2,149,418)	(131,021)	(1,755,044)	-	(86,783)	-	(4,122,266)	
Other non-cash income/(expenses)	(b)	(664,843)	575,496	(495,275)	-	(1,935,103)	-	(2,519,725)	
Tax expense		(67,133)	(477,645)	(1,855,279)	(24,113)	213,238	157,000	(2,053,932)	
Segment (loss)/profit	(c)	(2,967,868)	(423,899)	12,115,875	1,185,681	2,551,830	1,349,423	13,811,042	
<b>Assets</b>									
Investment in an associate		-	-	-	1	-	-	1	
Additions to non-current assets other than deferred tax assets	(d)	477,423	135,440	622,326	-	17,159,002	-	18,394,191	
Segment assets	(e)	42,319,163	47,886,860	361,006,896	152,418,497	67,934,172	(122,008,341)	549,557,247	
<b>Liabilities</b>									
Segment liabilities	(f)	12,203,076	3,403,890	45,766,392	557,979	49,892,703	(40,601,580)	71,222,460	

36. OPERATING SEGMENTS – GROUP (CONT'D)

(i) Business segment (cont'd)

	Note	Paper milling RM	Paper converting RM	Building materials RM	Investment and management RM	Other trading RM	Consolidation adjustments RM	Total consolidated RM
<b>2018</b>								
<b>Revenue</b>								
External revenue		46,127,428	118,450,757	604,122,607	-	7,038,141	-	775,738,933
Inter-segment revenue	(a)	106	-	-	192,000	-	(192,106)	-
Total revenue		46,127,534	118,450,757	604,122,607	192,000	7,038,141	(192,106)	775,738,933
<b>Results</b>								
Interest income		171,961	573,468	1,317,494	66,554	144,489	(1,657,712)	616,254
Finance costs		(1,003,661)	(974,661)	(6,743,679)	-	(5,227)	648,737	(8,078,491)
Depreciation and amortisation		(1,105,176)	(119,796)	(1,170,407)	-	(90,954)	-	(2,486,333)
Other non-cash expenses	(b)	(48,102)	(688,083)	(687,732)	-	(2,724)	-	(1,426,641)
Tax expense		(155,598)	70,181	(4,842,270)	(36,925)	(83,101)	-	(5,047,713)
Segment (loss)/profit	(c)	(357,995)	1,243,797	17,608,124	(51,880)	39,219	(343,922)	18,137,343
<b>Assets</b>								
Investment in an associate		-	-	-	1	-	-	1
Additions to non-current assets other than deferred tax assets	(d)	4,142,918	254,209	41,461,325	-	-	-	45,858,452
Segment assets	(e)	44,651,055	52,240,419	351,174,726	150,696,853	100,084,004	(120,684,996)	578,162,061
<b>Liabilities</b>								
Segment liabilities	(f)	8,731,576	7,433,201	50,307,832	115,002	95,225,179	(34,927,929)	126,884,861

## 36. 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 income/(expenses) consist of the following items as presented in the respective notes to the financial statements:-

	<u>2019</u> RM	<u>2018</u> RM
Gain on disposal of property, plant and equipment	27,981	10,529
Bad debts written off	(407,197)	(7,707)
Impairment loss on receivables	(3,060,382)	(2,255,193)
Inventories written down	(504,954)	(651,552)
Inventories written off	(16,329)	-
Fair value gain on investment properties	-	267,500
Property, plant and equipment written off	(484,704)	(1)
Reversal of inventories written down	489,956	90,021
Reversal of impairment on receivables	<u>1,435,904</u>	<u>1,119,762</u>
	<u>(2,519,725)</u>	<u>(1,426,641)</u>

- (c) The following items are added to/(deducted from) segment profit to arrive at "Profit after tax" presented in the consolidated statement of profit or loss and other comprehensive income:-

	<u>2019</u> RM	<u>2018</u> RM
Segment profit	13,811,042	18,137,343
Interest income	1,468,886	616,254
Finance costs	(8,706,692)	(8,078,491)
Share of loss of associate	<u>-</u>	<u>(183,690)</u>
Profit after tax	<u>6,573,236</u>	<u>10,491,416</u>

### 36. 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:-

	<u>2019</u> RM	<u>2018</u> RM
Property, plant and equipment	1,235,189	41,880,296
Investment properties	17,159,002	-
Capital work-in-progress	-	3,978,156
	<u>18,394,191</u>	<u>45,858,452</u>

(e) The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:-

	<u>2019</u> RM	<u>2018</u> RM
Segment assets	549,557,247	578,162,061
Investment in an associate	1	1
Deferred tax assets	2,496,001	2,156,852
Tax recoverable	1,252,110	1,089,218
	<u>553,305,359</u>	<u>581,408,132</u>

(f) The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:-

	<u>2019</u> RM	<u>2018</u> RM
Segment liabilities	71,222,460	126,884,861
Deferred tax liabilities	543,200	624,800
Lease liabilities/Finance lease liabilities	1,297,844	2,383,178
Borrowings	208,053,367	185,048,321
Tax payable	28,108	1,028,228
	<u>281,144,979</u>	<u>315,969,388</u>

## 36. 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:-

	<u>2019</u> RM	<u>2018</u> RM
Property, plant and equipment	83,980,088	85,874,248
Prepaid land lease payments	-	1,691,340
Investment properties	44,439,002	26,730,000
Goodwill on consolidation	<u>43,151,039</u>	<u>43,151,039</u>
	<u>171,570,129</u>	<u>157,446,627</u>

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods:-

	<b>Revenue by geographical market</b>	
	<u>2019</u> RM	<u>2018</u> RM
Malaysia *	954,289,318	774,404,257
Overseas #	<u>200,400</u>	<u>1,334,676</u>
	<u>954,489,718</u>	<u>775,738,933</u>

\* Company's home country

# less than 5% for each individual country

### (iii) Information about major customers

The Group does not have any revenue from a single external customer which represents 10% or more of the Group's revenue.

## 37. 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.

### 38. COMPARATIVE INFORMATION

Certain comparative figures in the financial statements have been reclassified on the face of statements of financial position and statements of cash flows to conform the current year presentation due to change in reclassification.

	Previously stated <u>31.12.2018</u> RM	Increase/ (Decrease) RM	As reclassified <u>31.12.2018</u> RM
<b>Statements of financial position</b>			
<u>Current liabilities:-</u>			
Other payables	75,221,870	(58,996,237)	16,225,633
Contract liabilities	-	58,996,237	58,996,237
<b>Statements of cash flows</b>			
<u>Changes in working capital:-</u>			
Payables	8,777,112	(19,328,555)	(10,551,443)
Contract liabilities	-	19,328,555	19,328,555

### 39. EVENT AFTER THE REPORTING PERIOD

The recent outbreak of Coronavirus Disease 2019 (“COVID-19”) since end of year 2019 has seen significant cases increased worldwide which prompted the World Health Organisation to declare it as a pandemic on 11 March 2020. A series of precautionary and control measures have been and continued to be implemented across the world. The Malaysian Government imposed the Movement Control Order (“MCO”) from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order (“CMCO”) from 4 May 2020 to 9 June 2020. Consequently, these restrictions are expected to have material adverse effects on the Malaysia’s economy for year 2020. The deterioration of world economy has also prompted additional uncertainties to the business of the Group and the Company in financial year 2020.

As at the date of this report, the management of the Group and the Company has assessed the overall impact of the situation on the Group and the Company’s operations and financial position, and it is concluded that there are no material effects on the consolidated financial statements for the financial year ended 31 December 2019. The management is unable to reliably estimate the financial impact of COVID-19 on the Group and the Company’s financial results for the financial year ending 31 December 2020 as the pandemic had yet to run its full course hence the current situation is still fluid. The Directors shall continuously assess the impact of COVID-19 on its operations as well as the financial position for the financial year ending 31 December 2020.

## LIST OF PROPERTIES

### KPS CONSORTIUM BERHAD & GROUP OF COMPANIES

List of 10 Largest Properties in Terms of Net Book Value as at 31 December 2019

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, 6 ¾ Miles off Jalan Kapar, 42200 Klang, Selangor Darul Ehsan	Office/residential building, factory and warehouse for own use	Freehold	179,994	21	15,000	2019*
2.	Lot 15964 (574) Jalan Batu Tiga, Batu 2 (Sg Rasa), 43100 Klang, Selangor Darul Ehsan	Double storey office block & open warehouse	Freehold	133,185	2	13,297	2018
3.	Lot 15985 (920) Jalan Batu Tiga, Batu 2 (Sg Rasa), 43100 Klang, Selangor Darul Ehsan	Warehouse for own use	Freehold	167,433	2	11,957	2018
4.	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	23	7,334	2013
5.	Lot 16250 (954) Jalan Batu Tiga, Batu 2 (Sg Rasa), 43100 Klang, Selangor Darul Ehsan	Vacant land for development	Freehold	75,413	2	6,184	2018

## LIST OF PROPERTIES (CONT'D)

### KPS CONSORTIUM BERHAD & GROUP OF COMPANIES (CONT'D)

List of 10 Largest Properties in Terms of Net Book Value as at 31 December 2019 (cont'd)

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.	22 Lots of Land @ Jalan 34/2, Seksyen 34, 40470 Shah Alam, Selangor Darul Ehsan	Vacant land for development	Freehold	75,543	34	4,608	2014
7.	Lot 1943 (4986) Jalan Batu Tiga, Batu 2 (Sg Rasa), 43100 Klang, Selangor Darul Ehsan	Warehouse for own use	Freehold	63,895	2	4,483	2018
8.	Pangsapuri Bunga Raya, Taman Bunga Raya, Bukit Beruang, Daerah Melaka Tengah, 75450 Melaka	30 units apartment for rent	99-year lease to 2076	837 – 953 (total of 27,002)	16 to 17	4,360	2019*
9.	Lot PT129942, Kawasan Perusahaan Kanthan, 31200 Chemor, Perak	Factory and office building for own use	60-year lease to 14/03/2055	572,365	21	4,096	1992
10.	Lot 292 & 294, Block 36, Muara Tuang Land District, Sarawak	Factory, office building and warehouse for own use	58-year lease to 30/01/2030	245,309	40 & 22	2,320	1992 & 1993*



## SHAREHOLDINGS ANALYSIS

**As at 15 June 2020**

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 15 June 2020

Size of Shareholdings	No. of Holders	Total Holdings	%
Less than 100 shares	20	680	0.00
100 - 1,000 shares	618	568,558	0.38
1,001 - 10,000 shares	1,162	5,685,508	3.85
10,001 - 100,000 shares	479	15,337,500	10.38
100,001 - below 5% of issued shares	89	54,044,100	36.56
5% and above of issued shares	3	72,190,812	48.83
<b>TOTAL</b>	<b>2,371</b>	<b>147,827,158</b>	<b>100.00</b>

### Substantial Shareholder as at 15 June 2020

Shareholder	No. of Shares Held		%
	Direct	Indirect	
Koh Poh Seng	67,341,125	-	45.55
Lee Shee	20,483,000	-	13.86

## SHAREHOLDINGS ANALYSIS (CONT'D)

**As at 15 June 2020**

### List of Thirty (30) Largest Shareholders as at 15 June 2020

No	Name of Shareholders	No. of Shares Held	%
1	KOH POH SENG	34,107,812	23.07
2	AMSEC NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT- AMBANK ISLAMIC BERHAD FOR KOH POH SENG	22,000,000	14.88
3	LEE SHEE	16,083,000	10.88
4	RHB NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR KOH POH SENG	5,860,000	3.96
5	YONG AH PEE	3,450,000	2.33
6	CIMB GROUP NOMINEES (ASING) SDN. BHD. - EXEMPT AN FOR DBS BANK LTD (SFS)	2,777,100	1.88
7	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR KOH POH SENG (E-KLC)	2,750,000	1.86
8	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR LIAU THAI MIN	2,485,700	1.68
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 KOH POH SENG (100430)	2,200,000	1.49
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR LEE SHEE (7002861)	2,100,000	1.42
13	YEOH HUAN SUI @ YEOH PHUAY	1,977,000	1.34
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

## SHAREHOLDINGS ANALYSIS (CONT'D)

As at 15 June 2020

### List of Thirty (30) Largest Shareholders as at 15 June 2020

No	Name of Shareholders	No. of Shares Held	%
16	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR LIAU THAI MIN (MY0918)	1,079,700	0.73
17	LIAU CHOON HWA & SONS SDN. BHD.	1,042,300	0.71
18	TAN MENG HOOI	903,100	0.61
19	LIM TEIK HONG	759,600	0.51
20	HLIB NOMINEES (TEMPATAN) SDN. BHD. - HONG LEONG BANK BHD FOR TEH SHIOU CHERNG	750,000	0.51
21	L.T.M HOLDINGS SDN. BHD.	645,900	0.44
22	LIAU KEEN YEE	604,300	0.41
23	FU LAI CHEE	603,000	0.41
24	YEAM SEW MOY @ NYIAM SIEW MOY	600,000	0.41
25	YOONG HOI YEN	559,100	0.38
26	YEAM SEW MOY @ NYIAM SIEW MOY	550,000	0.37
27	LEE CHAI HUAT	541,500	0.37
28	KENANGA NOMINEES (ASING) SDN BHD - EXEMPT AN FOR PHILLIP SECURITIES PTE. LTD. (CLIENT ACCOUNT)	500,000	0.34
29	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR TEH SHIOU CHERNG (J D B TUNGGAL BR-CL)	500,000	0.34
30	MUHAMAD ALOYSIUS HENG	487,900	0.33

### Directors' Shareholdings

Directors' Shareholdings and Interest in Shares as at 15 June 2020

No.	Name Of Directors	No. of Shares Held	%
1	Datuk Chua Hock Gee	Nil	Nil
2	Mr. Lau Fook Meng	Nil	Nil
3	Mr. Faun Chee Yarn	Nil	Nil
4	Mr. Tan Kong Ang	Nil	Nil
5	Mr. Lim Choon Liat	Nil	Nil
6	Ms. Leng Bee Bee	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-Fourth 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, 11 September 2020 at 11.00 am 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 2019 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 RM49,000 for the financial year ending 31 December 2020.

**Ordinary Resolution 1**

3. To re-elect the following Directors retiring in accordance with the Company's Constitution: -

- (a) Datuk Chua Hock Gee (Clause 78)

**Ordinary Resolution 2**

- (b) Ms. Leng Bee Bee (Clause 79)

**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)**

### **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)**

**M. CHANDRASEGARAN A/L S. MURUGASU (MAICSA 0781031)**

Company Secretaries

Selangor Darul Ehsan

Dated this 30<sup>th</sup> day of June 2020

#### **NOTES:-**

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. 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 7 September 2020. Only a depositor whose name appears on the Record of Depositors as at 7 September 2020 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.
3. A member shall be entitled to appoint up to two (2) proxies to attend and vote in his place. All voting will be conducted by way of poll.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

5. (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 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.
6. If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
7. 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 not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.
8. Explanatory notes on the Special Business
  - 8.1 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 consecutive term of more than 9 years but less than 12 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.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### 8. Explanatory notes on the Special Business (cont'd)

- 8.2 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 obtaining the said authority from its shareholders at the last Annual General Meeting on 22 June 2019.

**KPS CONSORTIUM BERHAD**  
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**PROXY FORM**

(Before completing this form please refer to the notes below)

<b>No. of shares held</b>	
<b>CDS Account No.</b>	

I/We.....NRIC No./Passport No./Company No.....  
(Full name in block letters)  
of .....  
(Full address)

being a member/members of **KPS CONSORTIUM BERHAD** hereby appoint the following person(s):-

<u>Name of proxy, NRIC No. &amp; Address</u>	<u>No. of shares to be represented by proxy</u>
1. ....	.....
2. ....	.....

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-Fourth Annual General Meeting of the Company to be held at Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Friday, 11 September 2020 at 11:00 am and at any adjournment thereof to vote as indicated below:-

	<b>FOR</b>	<b>AGAINST</b>
Ordinary Resolution 1 - Approval of Directors' fees and benefits up to RM49,000 for financial year ending 31 December 2020		
Ordinary Resolution 2 - Re-election of Director, Datuk Chua Hock Gee		
Ordinary Resolution 3 - Re-election of Director, Ms. Leng Bee Bee		
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.....2020

.....  
Signature/Common Seal of shareholder

**\* Strike out whichever is not desired.**

Notes:

- 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 7 September 2020. Only a depositor whose name appears on the Record of Depositors as at 7 September 2020 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.
- A member shall be entitled to appoint up to two (2) proxies to attend and vote in his place. All voting will be conducted by way of poll.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- 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.
  - 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.
- If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
- 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 not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.



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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 2019**

Please find below my complete particulars for the delivery of a printed copy of KPS Consortium Berhad Annual Report 2019:

Particulars of Shareholder

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 2019.*

*You can download the AR 2019 from KPSCB Bursa website or log into the Company's website [www.kpsconsortium.com.my](http://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](mailto:hairul@megacorp.com.my)  
[sazali@megacorp.com.my](mailto:sazali@megacorp.com.my)



*KPS CONSORTIUM BERHAD*

198501011364 (143816-V)

Lot 622, Jalan Lapis Dua,  
Kampung Sementa, Batu 6,  
Jalan Kapar, 42200 Klang,  
Selangor Darul Ehsan,  
Malaysia.

Tel: (603) 3291 5566

Fax: (603) 3291 4489

[www.kpsconsortium.com.my](http://www.kpsconsortium.com.my)