South Malaysia Industries Berhad

[Co. No. 196901000152 (8482-D)]

ANNUAL REPORT 2019

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For more information, please visit website:
www.smib.com.my

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Seri Hamzah Bin Zainudin
Chairman/Independent Non-Executive Director
(Appointed on 1 July 2019 and resigned on 12 March 2020)

Tan Sri Dato' (Dr) Mohd Ramli Bin Kushairi
(Retired on 29 May 2019)

Mr Leow Thang Fong
Executive Director

Mr Chong Heng Kiong
Executive Director
(Retired on 29 May 2019)

Dato' Dr Abdullah Bin Sepien
Senior Independent Non-Executive Director

Tan Sri Datuk Seri Ismail Bin Yusof
Independent Non-Executive Director

Ms Tan Siew Poh
Non-Independent Non-Executive Director

Puan Latifah Binti Abdul Latiff
Independent Non-Executive Director

Dato' Zainuddin Bin Yahya
Independent Non-Executive Director
(Appointed on 1 October 2019)

AUDIT COMMITTEE

Dato' Dr Abdullah Bin Sepien (Chairman)
Tan Sri Datuk Seri Ismail Bin Yusof
Ms Tan Siew Poh
Puan Latifah Binti Abdul Latiff
Dato' Zainuddin Bin Yahya *(Appointed on 1 October 2019)*

NOMINATION COMMITTEE

Dato' Dr Abdullah Bin Sepien (Chairman)
Tan Sri Dato' (Dr) Mohd Ramli Bin Kushairi *(Retired on 29 May 2019)*
Tan Sri Datuk Seri Ismail Bin Yusof
Dato' Seri Hamzah Bin Zainudin *(Appointed on 1 July 2019 and resigned on 12 March 2020)*
Dato' Zainuddin Bin Yahya *(Appointed on 1 October 2019)*

REMUNERATION COMMITTEE

Dato' Seri Hamzah Bin Zainudin (Chairman) *(Appointed on 1 July 2019 and resigned on 12 March 2020)*
Tan Sri Dato' (Dr) Mohd Ramli Bin Kushairi *(Retired on 29 May 2019)*
Dato' Dr Abdullah Bin Sepien
Tan Sri Datuk Seri Ismail Bin Yusof
Ms Tan Siew Poh

RISK MANAGEMENT COMMITTEE

Mr Leow Thang Fong (Chairman)
Mr Chong Heng Kiong
Ms Tan Siew Poh
Mr Ham Sai Kit
Ms Yau Sek Fun

COMPANY SECRETARIES

Ms Yong May Li
(LS 0000295)/ SSM PC No. 202008000285
Ms Wong Chee Yin
(MAICSA 7023530)/ SSM PC No. 202008001953
Ms Tan Siew Chin
(MAICSA 7007938)/ SSM PC No. 202008000798

AUDITORS

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Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-22793088
Fax : 03-22793099

SHARE REGISTRAR

Tricor Investor and Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8 Jalan Kerinci
59200 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-27839299
Fax : 03-27839222

REGISTERED OFFICE

Suite 1301, 13th Floor, City Plaza
Jalan Tebrau, 80300 Johor Bahru
Johor Darul Takzim
Tel : 07-3322088
Fax : 07-3328096

HEAD OFFICE

15th Floor, Menara SMI
No. 6 Lorong P. Ramlee
50250 Kuala Lumpur
Tel : 03-20781522
Fax : 03-20721509

PRINCIPAL BANKERS

RHB Bank Berhad
Bank Islam Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Sector : Property
Stock Code : 4375

WEBSITE

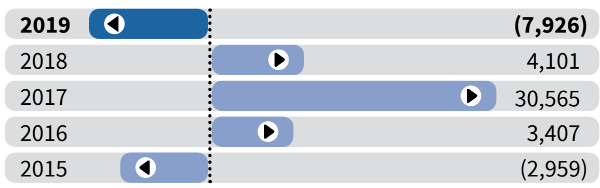
www.smib.com.my

GROUP FINANCIAL HIGHLIGHTS

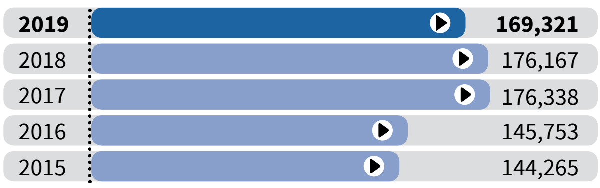
	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
RESULTS					
Revenue	67,754	70,494	64,079	71,374	72,563
EBITDA	(5,079)	7,138	33,712	6,703	1,806
Profit/(Loss) before interest and tax	(6,682)	5,479	31,933	5,043	(1,198)
Finance costs	(1,244)	(1,377)	(1,368)	(1,635)	(1,761)
Profit/(Loss) before tax	(7,926)	4,101	30,565	3,407	(2,959)
Profit/(Loss) after tax	(8,750)	3,257	29,202	1,617	(3,502)
Net profit/(loss) attributable to owners of the parent	(7,680)	4,294	28,124	2,973	(3,944)
FINANCIAL POSITION					
Total assets	203,488	217,591	220,797	190,962	202,255
Total liabilities	45,616	51,679	53,113	56,558	64,917
Borrowings	22,860	26,519	26,614	20,948	24,248
Shareholders' equity	169,321	176,167	176,338	145,753	144,265
SHARE INFORMATION					
Basic earnings per share (sen)	(3.66)	2.05	13.40	1.42	(1.88)
Net assets per share (sen)	80.65	83.91	83.99	69.43	68.72
Year high (sen)	21.50	25.00	30.50	17.50	20.50
Year low (sen)	13.00	13.50	14.00	13.00	14.00
Year close (sen)	15.00	14.00	20.00	15.00	16.00
Trading volume ('000)	56,003	44,790	148,427	54,070	43,547
Market capitalisation (RM'000)	31,491	29,392	41,988	31,491	33,590
FINANCIAL RATIO					
Return on equity (%)	-4.5	2.4	15.9	2.0	-2.7
Return on total assets (%)	-3.8	2.0	12.7	1.6	-2.0
Gearing ratio (times)	0.14	0.16	0.16	0.16	0.18

REVENUE (RM'000)

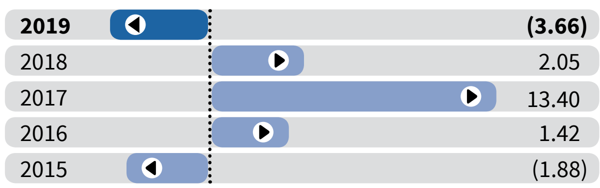
PROFIT/(LOSS) BEFORE TAX (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



BASIC EARNINGS PER SHARE (SEN)



MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 31 December 2019.

OVERVIEW

The Company is principally engaged in property and investment holding, trading and property development activities and the provision of management services while its subsidiary companies are principally involved in property development, car park operation, manufacturing and trading of assorted wires and leasing of premises.

The Group's property development projects and car park sites are located in Kelana Jaya, Selangor and Ipoh while its wire factory is located in Tampoi, Johor. With the cessation of the Group's cinema business in China in 2013, the operation in China is mainly the leasing of premises.

CORPORATE OBJECTIVES AND STRATEGIES

The Group's main corporate objectives which were incorporated in a 3-Year Business Plan 2020 - 2022 approved by the Board on 28 August 2019 are as follows:

(1) to sustain existing operations and turnaround to profitability by optimal utilisation of its available resources whilst meeting the needs of customers, employees and business partners; and
(2) to identify business opportunities for long term growth.

The key aspect to the Group's business sustainability is establishing continuous revenue streams while reigning in rising operating costs. The immediate priority of the Board of Directors is:

Identifying New Land Bank

The challenge to the Group has always been finding suitable land bank at good locations with shorter holding periods and faster turnaround time. Joint ventures with suitable parties are also alternatives being pursued after the success of the Group's first Joint Development project i.e. Pinnacle Kelana Jaya.

However, in view of the economic uncertainty, the Management will adopt a cautious approach in considering potential land investments taking into consideration the weak property sentiments, coupled by the pandemic which has created much uncertainly for an already weak segment plus the conservative lending policies of the Financial Institutions at least for the next 12 months.

Identifying New Business

The slowdown in the global as well as the domestic demand has increased business risks. As such, the Group is adopting a more prudent approach in sourcing for or identifying new ventures in the short term.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

THE GROUP'S BUSINESS AND PERFORMANCE

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

Revenue

The Group's revenue of RM67.75 million in FYE 2019 represents a 4% or RM2.74 million decrease from RM70.49 million in FYE 2018. The decrease in revenue was mainly due to lower contribution from property division offset by higher revenue from the manufacturing and trading division.

The manufacturing and trading division's revenue increased by RM0.21 million mainly due to a 5.9% increase in sales quantities despite a 3.3% decrease in selling prices. Raw materials cost decreased by 7.8% while average production cost decreased by 8.2%.

The property division recorded a 16.6% (RM2.54 million) decrease in revenue from RM15.26 million in FYE 2018 to RM12.72 million in FYE 2019 mainly due to the lower contribution from the Pinnacle project upon final recognition of the landowner entitlement (RM4.59 million) in 2019.

The revenue from the property and investment holding division was RM6.4 million in FYE 2019, a 5.9% (RM0.4 million) decrease from RM6.8 million in FYE 2018 mainly due to the lower rental income after a major tenant vacated the office spaces upon expiry of their tenancies.

Gross Profit Margin

GP margin increased from 16.6% in FYE 2018 to 18.4% in FYE 2019 mainly due to:

(a) A 5% increase in GP margin of the manufacturing division in FYE 2019 as a result of higher sales quantities and decrease in raw materials and other production costs;

(b) Higher GP margin of Ipoh Project (FYE 2019: 64%; FYE 2018: 48%) mainly due to the adjustment of over-estimated cost of Taman Saikat Phase 5A1-2 of RM1.75 million in FYE 2019 upon completion of project in June 2019.

Profit or Loss before Tax

The Group recorded a loss before tax of RM7.93 million FYE 2019, a higher loss of RM12.03 million as compared to a profit of RM4.1 million in FYE 2018 mainly due to higher loss from property, car park operation and investment holding divisions offset by lower loss of manufacturing and trading division, increase in impairment loss of investment properties of RM1.41 million and the absence of the RM10.18 million gain on government compulsory land acquisition in Kelana Jaya.

The manufacturing and trading division recorded a lower loss before tax of RM1.4 million in FYE 2019 as compared to RM3.89 million in FYE 2018 as a result of higher sales quantities and gross profit margin due to lower raw materials and other production costs.

The property division recorded a lower profit before tax of RM1.87 million in FYE 2019 as compared to RM3.53 million in FYE 2018 mainly due to lower contribution from the Pinnacle project upon final profit recognition in FYE 2019.

The analysis of the profit or loss before tax of the major operating divisions is as follows:

Manufacturing and Trading
(RM1.39m loss in FYE 2019 vs. RM3.89m loss in FYE 2018: lower loss of 64% or RM2.5m)

The manufacturing and trading division's revenue increased slightly to RM48.6 million in FYE 2019 as compared to RM48.4 million in FYE 2018. The higher sales volume of 5.9% was mainly in respect of domestic sales. Selling prices had however dropped by an average of 3.3% as a result of lower production cost mainly attributable to a 7.8% decrease in wire rod cost. Consequently, a higher gross profit margin of 3.6% was recorded in FYE 2019 as compared with gross loss margin of 1.51% in FYE 2018.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

Property Development
(RM1.87m profit in FYE 2019 vs. RM3.53m profit in FYE 2018: lower profit of 47% or RM1.66m)

Pinnacle project:
RM1.94m decrease in profit recognition:
- FYE 2019: RM3.35m final landowner entitlement for unsold units
- FYE 2018: RM5.29m arising from the sale of completed stock units

Taman Saikat:
RM1.21m increase in profit recognition:
- FYE 2019: RM3.35m profit
- FYE 2018: RM2.14m profit

Phase 5A1~ 2 (34 units 2-storey terrace house launched in April 2017 and completed in June 2019) contributed RM3.15m profit in FYE 2019 [FYE 2018: RM2.14m]. The RM1.01m increase in 2019 profit recognition was mainly due to the reversal of over-estimated development costs of RM1.75m upon vacant possession.

Phase 1B2 (8 units 2-storey semi-D launched in Jan 2019) contributed RM0.21 million profit in FYE 2019.

Taman Ipoh Jaya project ("TIJ"):
RM0.35m increase in profit recognition:
- FYE 2019: RM1.81m profit
- FYE 2018: RM1.46m profit

TIJ 2 - Phase 4S (16 units shop-office) contributed RM1.81m in FYE 2019 from the sale of 5 completed units vs. RM1.31m in FYE 2018.

TIJ1 - Phase 8B1 (8 units 2-storey semi-D) was completed and fully sold in 2018, contributed RM146k in FYE 2018

Bandar Meru Raya project:
- FYE 2019: RMNil vs. FYE 2018: 0.23m [project fully completed in 2018].

Other Income:
Other income was lower in FYE 2019 mainly due to the absence of a RM0.93 million fair value gain adjustment in respect of 4 commercial units in FYE 2018.

Property & Investment Holding

Car Park Operation
(RM0.7m loss in FYE 2019 vs. RM11.4m profit in FYE 2018: lower profit of RM12.1m)

In FYE 2019, RM1.08 million fair value loss adjustments were made in respect of the Kelana Square and Zenith car parks based on valuations carried out by independent professional valuers on 31 December 2019 whereas in FYE 2018, RM10.18 million gain was recognised in respect of the compensation for the government compulsory land acquisition in Kelana Jaya.

Operation wise, the car parks registered lower profit of RM0.41 million in FYE 2019 as compared with RM1.27 million in FYE 2018 mainly due to higher car park direct costs, maintenance and repair costs, office administrative expenses, professional fees in respect of the new traffic flow and higher depreciation of new car park operating equipments.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

China Operation
(RM2.62m loss in FYE 2019 vs. RM2.54m loss in FYE 2018: higher loss of 3% or RM0.08m)

SMI Leisure and Entertainment Limited group recorded a higher loss of RM2.62 million in FYE 2019 mainly due to higher staff costs and office administrative expenses. Revenue comprising rental income from premises in Hubei was marginally lower in FYE 2019 at RM1.33m [FYE 2018: RM1.34m]. Hubei cinema had ceased operation on 15.8.2013 and had on 9.7.2015 changed its principal activity to leasing of premises.

Golden Fame Enterprises Ltd group recorded minimal operating costs after the winding down of its cinema operations.

The Holding Companies
(RM5.1m loss in FYE 2019 vs. RM4.36m loss in FYE 2018: higher loss of RM0.74m)

The higher loss registered by the holding companies in FYE 2019 was mainly due to lower rental income of RM0.4 million as a result of a major tenant vacating out of 4 floors of office space in June 2019, higher building maintenance cost incurred for lift repairs, higher administrative expenses and the absence of a RM0.17 million fair value gain adjustment in respect of other receivable in 2018.

FINANCIAL POSITION AS AT 31 DECEMBER 2019

Assets

The Group's non-current assets of RM133.1 million as at 31 December 2019 comprise mainly property, plant and equipment, right-of-use assets, investment properties, land held for property development and investment in quoted and unquoted shares.

The carrying value of investment properties of the Group as at 31 December 2019 was RM85.2 million, a decrease of RM1.4 million from RM86.6 million in the preceding year ended 31 December 2018 mainly due to the RM1.4 million impairment loss adjustment in respect of cinema premises in China.

The Group's other investments (long term) increased from RM23.8 million in the financial year ended 31 December 2018 to RM24.5 million in 2019. The Company's quoted investments in Malaysia registered fair value gain of RM0.77 million in the financial year ended 31 December 2019. Meanwhile, the Group's investment in unquoted shares in New Zealand recorded a foreign currency translation loss of RM0.07 million due to the weakening of New Zealand dollars against Ringgit Malaysia as at 31 December 2019.

Liquidity

The Group's financial position as at 31 December 2019 was healthy with relatively low level of borrowings at RM22.9 million and high deposits, cash and bank balances of RM14.36 million.

As at 31 December 2019, the Group's gearing ratio remain low at 0.14 as a result of minimal drawdown of bank overdraft net of loan and borrowings repayment of RM2.1 million. The cash flows generated from the Group's car park operations, the Group's developments in Ipoh and the manufacturing division was more than sufficient to meet the Group's respective borrowing commitments.

The Group's working capital requirements were funded by cash generated from the on-going development projects, car park and rental collections and manufacturing proceeds. Given the Group's low gearing level and the availability of assets to be offered for securities, the Group is in a good position to obtain additional short term financing should the need arises.

As at 31 December 2019, there was no major capital expenditure other than the RM2.3 million spent on car park operating equipments and upgrading costs, purchase of factory plant and machineries of RM0.2 million and acquisition of a piece of development land in Ipoh for RM0.7 million.

REVIEW OF OPERATING ACTIVITIES

Manufacturing and Trading

The Group's manufacturing and trading activities were mainly carried out by SMI Wire Sdn Bhd ("SMIW") which manufactures and trades in assorted steel wires including cold drawn, annealed, galvanized PVC coated steel wires and staple wires. The core product is galvanized steel wires and the main raw material is steel wire rods which are mainly sourced locally.

In 2019, the operating conditions of the local wire industry were unchanged from than the year before with excess capacity and low market demand. The price of wire rods was however lower in 2019 as a result of price competition among local manufacturers. This had a positive impact on the manufacturing division as the gross profit margin improved by 5.1% in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

Manufacturing and Trading (cont'd)

In September 2016, the Malaysian government imposed interim safeguard duties of 13.9% against wire rods from 42 countries, including China. On 13 April 2017, the Government confirmed to impose definitive safeguard duties for the period of three years of 13.9% from 15 April 2017 to 14 April 2018 and thereafter 12.9% for the same period in 2019 and 11.9% in 2020. This effectively prevented imports of cheaper wire rods especially from China. Following this, in the first quarter of 2017, SMIW stopped importing wire rods from China. As such, the prices of raw materials used in our production were sourced at higher prices from the local steel mills. With effect from January 2018, the Malaysian Government has stopped employers from recouping the foreign worker levy of RM1,850 each from the foreign workers. This, coupled with the raising of the minimum wage of local workers from RM1,000 to RM1,100 from January 2019 has increased labour costs. The industry is also faced with increasing cost pressures from the 16% increase in piped natural gas and electricity cost since January 2018.

Demand for galvanized wires was stagnant in the first quarter of 2020 with the division's revenue relatively unchanged from 2019 except for the reduction in sales in the month of March 2020 as a result of the shutdown of operations due to the Government's Movement Control Order ("MCO"). The wire industry is not expected to pick up in 2020 as it continues to be impacted by low market demand and rising costs. Several production cost inputs viz. gas and electricity and labour costs have increased substantially and the division is unable to increase selling prices due to the prevailing adverse market conditions. The manufacturing division's objective is to minimize losses from 2020 to 2022 and return to profitability thereafter. Various measures are in place to drive sales, improve production efficiency and reduce production costs.

Property Development

Pinnacle Kelana Jaya ("Pinnacle")

This project was developed vide a joint development agreement between a wholly owned subsidiary, Perantara Properties Sdn Bhd ("PPSB") and Terra Mirus Kelana Sdn Bhd. Pinnacle is a commercial development comprising 9 units of shops and 228 units of loft offices with a gross development value ("GDV") of approximately RM180 million. With the rising demand for multi-functional properties within Klang Valley, the loft offices which offer purchasers the flexibility of business and personal lifestyle concurrently, was launched in December 2014. 70% sales were achieved for Pinnacle and the project was completed in November 2017. Marketing efforts will be concentrated on selling the remaining completed Pinnacle units in 2020.

Taman Saikat ("TS")

TS is another residential development undertaken by Anastoria and Kok Development Sdn Bhd comprising 205 lots of terraced houses, 18 semi-detached lots and 1 bungalow lot with a total GDV of RM65 million. Located on a 10-acre site at the Gunung Rapat area, TS is within close proximity of the city centre. As at 31 December 2018, 7 phases comprising 171 units of double-storey terraced houses and 10 units of double-storey semi-detached houses with a combined GDV of RM44 million have been developed. In April 2017, Phase 5A1-2 comprising 34 units of double-storey terraced houses with an average price of RM418,800 and GDV of RM14.7 million was launched. As at 31 December 2019, sales achieved were 74% and the project was completed in May 2019.

Phase 1B2 comprising 8 units of double storey semi-detached houses with selling price of RM738,800 was launched in January 2019. As at 31 December 2019, sales achieved were 25% and the project was 40% completed. The GDV of this project is RM5.9 million and the project is expected to be completed in 2021.

Taman Ipoh Jaya Timur 2 ("TIJ T2")

TIJ T2, located at the convergence of two trunk roads (Jalan Wira Jaya and Lebuh Wira Jaya) is another phase of commercial development undertaken by Anastoria. TIJ T2 comprising 16 units of double-storey shop-office priced from RM620,000 to RM748,000, was launched in March 2015 and the remaining units were fully sold as at 31 December 2019. The estimated GDV of TIJ T2 was RM10 million and the project was completed in April 2018 and fully sold in 2019.

Taman Klebang Emas ("TKE")

TKE, located at Klebang off Jalan Kuala Kangsar, Ipoh is a new project undertaken by Anastoria. The first phase, Phase 1A1-5 consists of 38 units of double-storey terraced houses with average selling price of RM400,000 and estimated GDV of RM16 million was launched in June 2019.

The weak performance of the property sector amidst market glut and depressed prices which continued into the first quarter of 2020 was made worse by the COVID-19 pandemic and the ensuing MCO period. With record number of unsold property units, it will take a while before the property sector register any significant growth.

With the prevailing weak and cautious market, the Group foresees that the current and next 2 financial years will be more challenging. 2020 and 2021 are expected to see property prices bottoming out. The Group will continue to focus on the development of its remaining land in Ipoh, Taman Klebang, off Jalan Kuala Kangsar i.e. a new piece of land in Ipoh and completing and selling the remaining unsold units of the Pinnacle Kelana Jaya project.

Property & Investment Holding

The property and investment holding division's activities comprise property investment (rental and car park operation) and investment holding. The Group's leisure and entertainment division in China had been reclassified to the investment holding division in 2015 due to the change in the principal activity of a subsidiary in China from operation of multiplex cinema to leasing of premises. Due to low box office revenue as a result of competition from new multiplex cinemas in malls and shopping complexes, the Group ceased its cinema operation in Hubei in the third quarter of 2013. The cinema premises were leased to a local party and converted into a restaurant cum budget hotel.

The co-operative joint venture contract for the Hubei site is for 25 years had expired on 30 December 2019. The liquidation process has commenced and is expected to be completed before the end of 2020. Thereafter, the Group is expected to exit China.

As part of the Group's internal restructuring exercise, car park operations has been reclassified from the property division to property & investment holding division in 2017.

The Group is expected to enjoy a steady car park collection in 2020 on expectation of faster recovery of this business post MCO. However, rental income from investment properties is anticipated to drop in 2020 as higher vacancies and inability to re-let space due to the downside in business community confidence in the aftermath of COVID-19 pandemic.

Car Park Operations

The Group owns and operates 2,121 car park bays in Kelana Square and 1,249 car park bays in Zenith Corporate Park in Kelana Jaya. In the quarter ended 31 March 2020, the car park operation generated steady revenue of approximately RM0.98 million (Q4 2019: RM1.06 million) and profit before tax of RM0.08 million (Q4 2019: RM0.18 million). The Group has commenced various upgrading and maintenance works at the two car park sites which are expected to bring in additional parking revenue in the medium term. We expect the car park operation to recover faster than the Group's other businesses post MCO as companies re-open and given the continuous maintenance and upgrade, an increase in car park rates after more than 15 years is timely. The Group will in the third quarter of 2020 implement the rate change.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

IDENTIFIED ANTICIPATED OR KNOWN RISKS

The Group's operations and financial results could be affected by risks affecting the property development and manufacturing industries primarily the market demand, scarcity of land suitable for development, escalating land costs, prices of raw materials, currency exchange fluctuations, labour shortages and labour costs, changes in government policies on interest rates, taxes, import duties and tariffs. Measures undertaken by the Group to mitigate these risks include prudent cost management, hedging of foreign currency exposure, efficient production processes and upgrading of production capabilities and human resource policies on training, recruitment and retention.

CORPORATE DEVELOPMENTS

The Group did not undertake any corporate exercise or issue any debt or equity securities in the financial year ended 31 December 2019.

On 26 July 2019, the Company entered into a Share Sale Agreement for a 60% equity investment representing 1,800,000 ordinary shares in Forward Energy Sdn Bhd ("FESB") for a cash consideration of RM6.0 million ("SSA"). FESB's nature of business is in the renewable energy related business specifically in the area of consulting and as an independent power producer in a smaller scale. The SSA is conditional upon the fulfillment of certain conditions including, inter alia, the execution of the relevant agreements with government authorities and third parties.

However, the onslaught of Covid-19 which led to the MCO coupled with the change in the ruling state government had caused further delays to the finalisation of the agreement. Although the vendors are required to resolve all the outstanding obligations under the SSA by 25 July 2020, the Group is doubtful that the deadline can be met. Due to the protracted time line for the completion of the SSA, exacerbated by the MCO which had adversely affected the operations of the Group and consequently its cash flow, the Group may have to re-consider the acquisition of the 60% equity interest and may instead opt for a smaller stake thus giving leeway for other parties to co-invest into FESB. The Group has continuously been engaging with the vendors as well as parties who are in the market to invest in renewable energy business which is in line with the business sustainability.

GROUP OUTLOOK/PROSPECTS

COVID-19 Pandemic and Movement Control Order ("MCO") from 18 March 2020 to 3 May 2020

The COVID-19 pandemic and MCO implemented by the Government has disrupted the Group's business activities as all operations were shutdown and only reopened on 4 May 2020 except for construction work which resumed on 27 May 2020. The resumption of business was approached with much caution and with strict compliance to the standard operating procedures to minimise the possibility of contacting/spreading the disease. Our manufacturing division, resumed production at below 50% capacity as the lock down stalled deliveries as orders waned.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

GROUP OUTLOOK/PROSPECTS (CONT'D)

The financial impact of the outbreak to the Group cannot be reasonably estimated due to the uncertainties in eradicating the COVID-19 virus and the duration of the pandemic as vaccines take time to develop. The dynamic situation and the rising US-China tension replete with uncertainty and turmoil would mean that a global recession is inevitable. Economic activities will take time to recover to pre-COVID-19 level.

Albeit the challenging situation, the Group has been proactive in identifying areas where costs can be minimised as revenue is impacted by the lockdown. Bank Negara Malaysia's guidelines issued on 25 March 2020 to Financial Institutions to aid corporates came at an opportune time as it enabled the Group to request and approval obtained for a moratorium on repayment of the loan facilities for the next 6 months thus giving time for business activity to reboot. Coupled with the approval for additional working capital from the Financial Institution, the Group is able to sustain its operation and expected to meet its debt obligations going forward.

Bank Negara Malaysia has revised the GDP downwards to project a contraction of growth at between -2% to 0.5% in 2020 accounting for the after effects of the pandemic. GDP growth was 4.3% in 2019. Unemployment rate jumped to a high of 5% in April 2020 as a result of the MCO. As businesses consolidate, cut losses on not profitable units, downsize or wind down, consumer spending will be impacted with the implementation of pay cuts, freezing of new hiring and retrenchments.

The property sector which has already been facing supply glut will be further impacted by the negative consumer sentiment. The Government's measures viz. the automatic six month moratorium on all bank loans, waiver of quit rent and assessments for second half of 2020, real property gains tax exemptions and reduction in stamp duty and are expected to cushion the impact of COVID-19 and induce property market activities. As for the rental and value of investment properties, they are anticipated to fall based on higher vacancies and inability to re-let space as businesses cut back costs.

As such, the Directors of the Group will continue to closely monitor the situation and respond proactively to mitigate the impact on the Group's financial performance and financial position.

DIVIDEND

The Board of Directors does not recommend the payment of any dividend for the financial year ended 31 December 2019 as there were accumulated losses in the statements of financial position as at 31 December 2019.

SUSTAINABILITY STATEMENT

This Detailed Sustainability Statement ("Statement") sets out what the Board considers as material sustainability risks and opportunities, collectively known as Material Sustainability Matters that impact the way the Group's operations are carried out as well as how such Material Sustainability Matters are managed. This Statement is prepared in accordance with Paragraph 29, Part A of Appendix 9C of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") as well as Practice Note 9 of the Listing Requirements on the content of sustainability statements. In preparing this Statement, the Board of Directors ("Board") has also considered the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits, issued by Bursa Malaysia.

The contents of this Statement encompass the Group's key business operations, which have been determined based on their revenue and contributions to the Group's results, as follows:

(i) wire manufacturing and trading;
(ii) property development; and
(iii) car park operations.

These business operations collectively represent 96% of the Group's revenue.

This Statement underlines the Group's commitment towards ensuring that its business operations are carried out sustainably and responsibly, taking cognisance of the economic, environmental and social ("EES") implications it is exposed to.

SUSTAINABILITY GOVERNANCE STRUCTURE

Whilst the Board is primarily responsible for the sustainability performance of the Group, the Risk Management Committee ("RMC"), helmed by key management personnel, has been tasked to assist the Board in managing sustainability related matters.

The Group integrates sustainability into its risk management system, where sustainability is treated as one of the key success factors at all its meetings. The RMC is entrusted with responsibilities that include the establishment of a sustainability framework; reviewing of the adequacy of the sustainability initiatives and processes; ensuring the effectiveness in identification, management and reporting of Material Sustainability Matters; and monitoring and overseeing all sustainable strategies and initiatives of the Group. The RMC plays a pivotal role in ensuring the success of the Group's sustainability initiatives.

Since 2018, the Group has adopted a sustainability framework and provided overall oversight in the sustainability initiatives and processes with regard to the materiality assessment review, its results and management of Material Sustainability Matters.

MATERIALITY PROCESS

The Group has adopted a materiality process developed considering the Listing Requirements and Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits. During the financial year and up to the date of this Statement, the Group has undertaken a materiality assessment review of the material sustainability matters identified for the financial year ended 31 December 2019, to identify any significant changes in the Group's materiality sustainability matters.

The materiality assessment review has taken into consideration any development or significant changes to the industries, businesses and markets the Group operates in, stakeholders' views and concerns and business implications with regard to economic, environmental and social aspects. Management personnel responsible for the respective business units had participated in the materiality assessment review and this has been included in the scope of the Statement. The Group's stakeholders include, amongst others, customers, employees, contractors, consultants, shareholders and investors, and government agencies, law enforcers and regulators.

For the financial year under review, the Group has noted no significant changes in the materiality sustainability matters of the Group, which are discussed in detail in the following sections.

MATERIAL SUSTAINABILITY MATTERS AND HOW THEY ARE MANAGED

Quality and Timely Delivery

With over 30 years of experience in wire manufacturing, the Group has built a loyal client base through the quality and reliability of its products and delivery. The Group's factory located in Johor Bahru is operating at optimum production capacity of about 1,000MT of wires per month to fulfil customers' new and repeat orders as well as for buffer stock. The Wire Manufacturing Division has a dedicated Quality Controller who is responsible for ensuring consistency in the quality of its products and delivery.

In addition, the Group's Sales Manager for Wire Manufacturing Division maintains a strong client base close relationship with customers, as well as business operations, in ensuring expectations, including expectation gaps if any, between internal stakeholders and external stakeholders are properly managed.

Generally, the Group's products in this business segment are delivered within one-week of the agreed timeline and the Group has not received any major complaint in this regard for the financial year under review.

The Group considers the quality and timely delivery of its property development units to be vital and has, accordingly, adopted the industry's best practices, where procurement of materials and services are controlled via tender board procedures, to ensure conformance to specified requirements and timely delivery of performance.

In addition, the Group's Property Division conducts stringent quality checks at all stages of construction and finishing of their property development projects. The project managers appointed are well equipped with industry knowledge and vast experience. In their day-to-day operations, project managers conduct frequent site visits to supervise and monitor the projects, putting emphasis on design safety, practicality and aesthetic appeal that are packaged in the comfort of a secure and well-built home. The Group is also looking into adopting Construction Industry Development Board's ("CIDB") Quality Assessment System in Construction ("QLASSIC") standard in their future projects as part of its commitment towards ensuring quality workmanship.

The Group's Taman Ipoh Jaya Timur ("TIJ T2") commercial development project was completed successfully in accordance with the scheduled timeline. For the financial year under review, there were no major complaints in the project quality received and on minor defects such as wall crack, minor leakage, painting & etc, 100% of the concerns raised by its buyers were addressed within the stipulated timeframe.

On the other hand, the Group's Taman Saikat ("TS") residential development project was completed as scheduled with Certificate of Completion and Compliance obtained in the 2nd quarter of 2019. A new residential development has commenced in end of year 2018 which is the semi-detached houses scheduled to be completed by end of 2020.

The newly launched residential development located at Taman Klebang Emas has commenced in the 2nd quarter of 2019. Currently the works progress is on schedule and targeted to complete in year 2021.

The Group anticipates and stays abreast of latest trends in the property market, embracing and adapting well to innovations such as our current planning of transit-oriented developments ("TOD") strategically located along the Klang Valley's urban public transportation system. From time to time, the Property Division carries out market surveys to keep abreast of the latest market needs and expectations.

The Group has two (2) car park sites located in Petaling Jaya, Selangor, which serve the neighbouring residences, retail shoppers and office workers. Additionally, the Group recognises the importance for its car park facilities to remain in conducive conditions and, as such, periodic maintenance and upkeep works are performed.

SUSTAINABILITY STATEMENT
(CONT'D)

The Group recognises the importance of security and cleanliness at its car park facilities. As such, it has appointed security and cleaning vendors to maintain security, including periodic patrolling to handle and prevent crime, and maintain cleanliness at the sites respectively. To enhance security, the Group has successfully installed Closed-Circuit Television at both car park facilities in year 2019. Alongside the replacement of lighting with LED lightings, which was initiated during last quarter of 2019, visibility and security of both car parks have started to see noticeable improvements, and this creates a more comfortable and secure environment for users.

There were no major incidents recorded on security issues at the car park facilities for the financial year ended 31 December 2019.

Waste Management

More than ever, the Group views waste management as an integral part of its wire manufacturing business. Unmanaged generation and disposal of waste presents a cost to the business and may also lead to opportunity cost. The Group has hence put in place efforts to minimise waste disposal from the manufacturing process, for example, selling off by-products of the manufacturing process such as zinc ash and zinc dross instead of disposing. This does not only help to reduce disposal cost incurred but also provides opportunity for waste to be converted into value.

The Group has also established an effluent treatment system, where effluents from manufacturing activities are treated and thereafter collected by a licensed outsourced hazardous waste management company for disposal. The main type of wastewater generated from the Group's wire manufacturing operation is effluent from wire cooling and acid rinse water, which is a scheduled waste and is treated in-house and collected by licensed outsourced hazardous waste management company.

At construction site, the Group takes care to reduce and manage wastes in a responsible manner by ensuring the appointed licensed contractors to do the same. Besides installing silt traps to minimise site pollution, all wastes generated from project sites are either recycled for reuse or transported to designated disposal sites timely and efficiently to minimise disruption to the daily lives of the community.

Energy and Resource Conservation

At the manufacturing plant, energy and electricity is one of the most intensively used resources. Efficient use of energy and electricity is crucial, not only in managing the profit margin of the business, but also in tackling climate change. The Group has engaged an energy consulting engineering firm to analyse and advise on the efficient use of energy. As a result, various efforts were undertaken to reduce energy consumption, such as installation of skylight roofing to provide natural lighting during daytime and the replacement of high bay lighting with LED lighting by phases. The progress of this initiative as of financial year ended 31 December 2019 is as follows:

Key efforts	Progress	Completion Year	Estimated savings per annum (RM)
Installation of skylight roofing	100%	2016	20,785
Replacement with LED lighting	100%	2018 & 2019	9,873
Air compressor system operation re-shuffle-reduction from 89kW to 74kW	100%	2019	39,157
	Total Estimated Savings per Annum		**69,815**

The Group believes in harmony and balance between nature and the built environment. To conserve natural resources, the Group adopts low-flush toilet system in its design, which reduces water usage and provides cost saving in water bills for the home owners.

Additionally, the Group is diligent in the selection of building materials, placing focus on environmentally friendly building materials. The use of non-degradable materials such as plastic is minimised while materials that may cause health hazards such as asbestos ceiling are avoided, where possible. The Group is also looking at the prospect of having its future projects certified with Green Building Index ("GBI"), a recognition on efficient use of resources and minimal environmental impact to its surroundings.

At the car park sites, the Group also targets to achieve greater energy efficiency by carrying out upgrading works on lighting systems, which includes installation of LED lightings. The LED lightings in the car park sites has provided a more comfortable and secure environment for users, as well as to minimise electricity consumption cost. For areas where upgrading works had been completed, noticeable improvements were observed, and that creates a more secure and comfortable environment for users of the car parks.

Occupational Safety and Health

The Group is cognisant of the operating environment of its businesses and has placed significant emphasis in ensuring its employees perform their day-to-day operations in a safe and healthy working environment. Occupational safety and health risk is discussed and monitored through the Group's quarterly meetings of the Risk Management Committee. The Group has in place established standard operating procedures for its operation activities which have incorporated safety procedures and practices. In addition, employees are provided with relevant personal protective equipment and periodic safety training to instil safety awareness.

At the Group's key subsidiary, i.e. the Wire Manufacturing Division, the Group supervises the safety conduct of its operations through the Operational Safety and Health ("OSHA") Committee. OSHA meetings are held periodically to report and discuss any safety and health related risks, including formulation of action plans, if required.

As for the Group's property development division, while the Groups does not directly involves in the carrying out of construction works of its developments, it requires contractors to maintain a safe work environment which at minimum complies with relevant safety laws and regulations.

For the financial year ended 31 December 2019, the Group's summary on recordable incidents relating to employees' occupational safety and health are as follows:

	Total Recordable Incidents	Total Lost Workdays	Severity Rate*
Year 2018	2	19	9.5
Year 2019	1	3	3

*Note: * Severity Rate is a calculation that gives an average of the lost days per recordable incident.*

Additionally, there were no fatalities for the financial year ended 31 December 2019.

The Group will continue to monitor and review its internal control system pertaining to occupational safety and health to provide employees with a safe work environment.

Skills and Talent Development and Retention

The Group is mindful of the need to constantly upskill its workforce and treat its employees fairly by providing equal opportunities to all for personal and career enhancement within the Group. Every year, the Group invests in developing employees' functional development, leadership, soft skills, as well as occupational safety trainings. The Group also encourages professional development by employees by offering to sponsor the cost of selected professional qualifications.

SUSTAINABILITY STATEMENT
(CONT'D)

Through performance appraisal sessions and day-to-day engagement with employees, Heads of Departments discuss with employees to identify each individual's training needs and arrange for trainings with the respective Human Resources function. In addition, the Group keeps itself updated on changes or development in the Group's business environment and relevant industries, including changes to laws and regulations, and provides appropriate trainings to relevant personnel to ensure the Group's businesses remain relevant and comply with laws and regulations.

Some of the key trainings provided for the financial year under review includes, but not limited to, the following:

- Sales and Service Tax ("SST");
- Malaysian Financial Reporting Standards (MFRS);
- 2020 Budget Seminar;
- employer's responsibilities to workers;
- labour permit & statutory issues;
- errors & non-compliance in accordance with Labour Law;
- industrial programmable logic controller; and
- safe forklift handling.

The Group recognises the value of dedicated and long serving employees, acknowledging that their dedication, loyalty and contribution throughout the years have made the Group what it is today. The Group has a policy to provide financial incentives to award long serving employees for completing 10 years of service within the Group and subsequently every five (5) years thereafter. For the financial year under review, the Group presented 21 employees who have been with the Group for 10 years or more with its Long Service Award.

The Group also places emphasis on the importance to achieve a positive work-life balance by providing its employees with adequate rest days (i.e. paid leave) as well as an overseas vacation trip annually. Additionally, the Group's employees are passionate about making a difference in the community and they are encouraged to be involved in causes that resonate with them. In 2019, employees of the Group raised donations and assisted in some maintenance and repair works for a charitable organisation, to provide support in various forms to the elderly and children.

For the financial year under review, the Group has established a staff welfare fund. The value statement of the fund which is "Building Staff Welfare Through Charity And Education" is to extend help to staff (and their children) who are in need of medical and educational financial support. The Fund is managed by an "Oversight Committee" comprising senior staff from various departments within the Group where applications and disbursement of funds will be administered through the Group's Social Club.

Building a sustainable future

The Board is of the view that the existing sustainability practices adopted are adequate and pertinent to steer the Group's sustainable growth. Nonetheless, it will consider the need to implement other sustainability practices, as appropriate, to augment existing ones as the Board monitors the sustainability performance of the Group's operations on an ongoing basis.

DIRECTORS' PROFILE

DATO' SERI HAMZAH BIN ZAINUDIN
Independent Non-Executive Chairman
Chairman of the Remuneration Committee
Member of Nomination Committee
Malaysian, Age 63
Date of Appointment: 1 July 2019
Date of Resignation: 12 March 2020

Dato' Seri Hamzah Bin Zainudin graduated from University Technology Malaysia, with a Diploma in Quantity Surveying.

Dato' Seri Hamzah is the Member of Parliament for Larut, Perak since 2008 until present. Previously, he was the Minister of Domestic Trade, Co-operatives and Consumerism from July 2015 to May 2018. Dato' Seri Hamzah also served as the Deputy Minister of Housing and Local Government from March 2008 to April 2009, Plantation Industries and Commodities from April 2009 to April 2012 and Foreign Affairs from May 2013 to July 2015.

MR LEOW THANG FONG
Executive Director
Malaysian, Age 68
Date of Appointment: 26 September 1994

Mr Leow Thang Fong is a Fellow of the Institute of Chartered Accountants of England and Wales and a member of the Malaysian Institute of Accountants. He was in the auditing profession for eight years, after which he left Hanafiah Raslan & Mohamed in 1979. He then joined the Corporate Finance Department of Chartered Merchant Bankers Malaysia Berhad in 1979 after which he joined Asian Pac Holdings Berhad to become its Company Secretary in 1984. He then left in 1989 and joined Gula Perak Berhad as a Director until January 2009.

DATO' DR ABDULLAH BIN SEPIEN
Senior Independent, Non-Executive Director
Chairman of the Audit Committee
Chairman of the Nomination Committee
Member of the Remuneration Committee
Malaysian, Age 73
Date of Appointment: 26 September 1994

Dato' Dr Abdullah Bin Sepien obtained his Doctor of Philosophy in Economics and Masters Degree in Agriculture Development Economics from the Australia National University in 1980 and 1975 respectively; and a Bachelor of Science Degree in Agricultural Economics from Louisiana State University in 1971. He served Bank Bumiputera Malaysia Berhad ("BBMB") Group for more than 12 years in various capacities. These included Chief Economist of BBMB from 1983 to 1985, Chief Executive of Bumiputera Lloyds Leasing Berhad from 1985 to 1986, Chief Executive of Bumiputera Merchant Bankers Berhad from 1986 to 1989 and Chief General Manager of BBMB from 1989 to 1993. Before joining BBMB, he was with the Rubber Research Institute of Malaysia from 1967 to 1981, and was Head of Economics and Statistics Division in 1981.

TAN SRI DATUK SERI ISMAIL BIN YUSOF
Independent, Non-Executive Director
Member of the Audit Committee
Member of the Nomination Committee
Member of the Remuneration Committee
Malaysian, Age 76
Date of Appointment: 15 February 1992

Tan Sri Datuk Seri Ismail Bin Yusof holds a Bachelor of Arts (Honours) Degree from University of Malaya in 1967 and served in various capacities with the Government from 1967 to 1991. He was previously the Secretary of the Federal Territory Development Division in the Prime Minister's Department. He is also a member of the Board of Trustees of the Albukhary Foundation.

Currently, Tan Sri Datuk Seri Ismail Bin Yusof sits on the Board of MINHO Berhad and BCB Berhad

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DIRECTORS' PROFILE
(CONT'D)

MS TAN SIEW POH
Non Independent, Non-Executive Director
Member of the Audit Committee
Member of the Remuneration Committee
Malaysian, Age 56
Date of Appointment: 30 December 2008

Ms Tan Siew Poh graduated from the University of Melbourne, Australia with a Bachelor of Commerce majoring in Accounting and Economics and is a Certified Practising Accountant. She is a member of the Australian Society of Certified Practising Accountants and Malaysia Institute of Accountants. Ms Tan worked with Prudential Assurance Berhad in the Investment division for about three years before moving on to join the Corporate Finance Division in Asian International Merchant Bankers Berhad in 1990. Ms Tan then joined Rashid Hussein Securities Sdn Bhd in 1993 and last held the position of Assistant General Manager of Corporate Finance, before moving on to oversee the Corporate Planning Division of the Company in 1996.

Currently, Ms Tan Siew Poh sits on the Board of Asian Pac Holdings Berhad.

PUAN LATIFAH BINTI ABDUL LATIFF
Independent, Non-Executive Director
Member of the Audit Committee
Malaysian, Age 58
Date of Appointment: 1 June 2018

Puan Latifah Abdul Latiff holds a Bachelor of Science Degree (majoring in Finance) from Indiana University, Bloomington, USA.

Puan Latifah has almost 32 years experience in the banking and financial services industry with key focus on areas of origination, negotiating and structuring loan transactions, business development, loan portfolio management and credit supervision. Throughout her career, she had served local and foreign banks, development bank as well as Danajamin Nasional Berhad, Malaysia's first financial guarantee insurer, during which time she held senior management positions and was a member of various management committees.

DATO' ZAINUDDIN BIN YAHYA
Independent, Non-Executive Director
Member of the Audit Committee
Member of the Nomination Committee
Malaysian, Age 61
Date of Appointment: 1 October 2019

Dato' Zainuddin Bin Yahya holds a Bachelor of Economics Degree from University of Malaya in 1981. Prior to joining the Ministry of Foreign Affairs in 1988, he was an Assistant Director at the Ministry of International Trade and Industry for 5 years.

Dato' Zainuddin has almost 31 years experience in diplomacy, having served in various bilateral and multilateral posts at the Malaysian missions/embassies abroad. During his career, Dato' Zainuddin served as Ambassador of Malaysia to a few countries namely Syria; Belgium/EU and concurrently accredited to Luxembourg; and the People's Republic of China and concurrently accredited to Mongolia.

Note:-

Save as disclosed above, none of the Directors have:-
i) Family relationship with any Director and/or substantial shareholder of the Company;
ii) Conflict of interest with the Company; and
iii) Conviction for offences (other than traffic offences) within the past 5 years.

PROFILE OF KEY SENIOR MANAGEMENT

MR CHONG HENG KIONG
Director
Malaysian, Male, Age 82

Mr Chong Heng Kiong is the Executive Director of Anastoria Sdn Bhd, a wholly owned subsidiary of the Company.

Mr Chong graduated from Royal Melbourne Institute of Technology, Australia with a Degree in Civil Engineering and Diploma in Industrial Management in 1968. He is now responsible for SMI's property development operations. He holds several directorships in both local and overseas incorporated private companies which are involved in real estate development. He was a former Board member of the Company whom was appointed on 26 September 1994 and retired on 29 May 2019.

Mr Chong is the uncle of Mr Mah Sau Cheong, a substantial shareholder of SMI.

MR HAM SAI KIT
General Manager
Malaysian, Male, Age 64

Mr Ham Sai Kit joined SMI in March 1986 and is the General Manager of the manufacturing operations. He graduated from Loughborough University of Technology with a degree in Civil Engineering in 1978 and also holds a Master in Business Administration from Cranfield Institute of Technology, United Kingdom. He has extensive marketing experience in the building and construction industry and had a successful career in the civil and structural engineering consultancy sector.

MS YAU SEK FUN
Group Accountant
Malaysian, Female, Age 54

Ms Yau Sek Fun joined SMI in July 2000 as Group Accountant. She is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. Prior to joining the Company, she was attached to the then Arthur Anderson & Co from 1988 to 1995 where she gained experience in auditing companies in various industries. Thereafter, she joined Asian Pac Holdings Berhad as its accountant before joining SMI.

MR WONG KUM SENG
Production Manager
Malaysian, Male, Age 66

Mr Wong Kum Seng is the Production Manager of SMI Wire Sdn Bhd. He joined the Group in October 1987. He received his Production Engineering Degree from the University of Aston, United Kingdom in 1977 and has extensive experience in managing metal hardware factories. He was with Malaysia Ropes Berhad from 1978 to 1982 as Production Manager and Malaysia Metal Industries Berhad as Factory Manager from 1982 to 1985. He obtained his Master in Business Administration from the University of Bath, United Kingdom.

PROFILE OF KEY SENIOR MANAGEMENT
(CONT'D)

DATIN ZUBAIDAH BINTI BUNYAMIN
General Manager
Malaysian, Female, Age 64

Datin Zubaidah Binti Bunyamin joined SMI in April 1994 as the Senior Manager, Property Division and was promoted to General Manager. She handle's the property administration and land matters that requires close liaison with the Government Departments and State Authorities. She is well versed with legal matters related to stratified development.

Datin Zubaidah studied The Institute of Chartered Secretaries and Administrators at the Middlesex University London, United Kingdom. Prior to joining SMI, she was the Internal Auditor, Unit Head in Malaysia Building Society Berhad in 1978 and thereafter she joined Kewangan Usaha Bersatu Berhad and was the senior Manager of the Treasury Department.

Note:-

Save as disclosed above, none of the Key Senior Management have:-
i) Family relationship with any Director and/or substantial shareholder of the Company;
ii) Conflict of interest with the Company; and
iii) Conviction for offences (other than traffic offences) within the past 5 years.

AUDIT COMMITTEE REPORT

COMPOSITION AND MEETINGS

The Audit Committee ("AC") comprises the following members and details of attendance at meetings held during the financial year ended 31 December 2019 are as follows:-

Names/ Designation	Attendance of Meeting
Dato' Dr Abdullah Bin Sepien Chairman/ Independent Non-Executive Director	5/5
Tan Sri Datuk Seri Ismail Bin Yusof Member/ Independent Non-Executive Director	5/5
Ms Tan Siew Poh Member/ Non-Independent Non-Executive Director	5/5
Puan Latifah Binti Abdul Latiff Member/ Independent Non-Executive Director	5/5
Dato' Zainuddin Bin Yahya Member/ Independent Non-Executive Director (Appointed on 1 October 2019)	1/1

A total of five (5) meetings were held during the financial year. These meetings were also attended by the Group Accountant, Internal Auditor and representatives of the External Auditors. Other members of the Board and Senior Management attended the meetings by invitation. The AC also met with the External Auditors during the year without the presence of Executive Board members and Senior Management. The meetings have been appropriately structured with AC members receiving notices, agendas and papers sufficiently in advance of the meetings.

The AC Chairman reports to the Board on principal matters deliberated at the AC meetings. Minutes of each meeting are circulated to the Board at the following Board meeting.

TERMS OF REFERENCE

The Terms of Reference of the AC is available on the Company's website at www.smib.com.my.

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year 2019, the AC in the discharge of its functions and duties had carried out the following activities to meet its responsibilities:

Financial Reporting

- Reviewed the unaudited quarterly financial reports before recommending to the Board for approval and release to Bursa Securities Malaysia Berhad ("Bursa Malaysia"). The review was to ensure compliance with the Main Market Listing Requirements ("Listing Requirements"), Malaysian Financial Reporting Standards, the Companies Act and other applicable legislations and regulations, focusing particularly on:

    - The overall performance of the Group
    - Compliance with accounting standards and regulatory requirements
    - Any changes in accounting policies and practices
    - Significant issues arising from the audit and
    - Going concern assumption

AUDIT COMMITTEE REPORT
(CONT'D)

ACTIVITIES DURING THE FINANCIAL YEAR (CONT'D)

Financial Reporting (cont'd)

- Reviewed the annual audited financial statements of the Company and the Group with the External Auditors and the management prior to submission to the Board of Directors for approval.

Annual Reporting

- Reviewed and recommended the Corporate Governance Overview Statement, Statement on Risk Management and Internal Control and Audit Committee Report for the financial year ended 31 December 2019 to the Board for approval for inclusion in the Annual Report.

Internal Audit

- Reviewed and approved the annual audit plan prepared by Internal Audit Department ("IAD") for activities to be undertaken for financial year 2020;

- Reviewed the sufficiency of resources required and competencies of staff within the internal audit function to execute the annual audit plan; and

- Reviewed the internal audit reports prepared by IAD which highlighted the audit issues and recommendations as well as the Management's responses thereto. Discussed with the management on actions to be taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports. The AC also monitored and reviewed the progress of the agreed corrective actions on audit findings to ensure all audit issues are resolved within the agreed stipulated period.

External Auditors

- Reviewed the audit plan of the External Auditors in terms of their scope of audit, methodology and timetable, audit materiality, areas of focus prior to the commencement of their audit;

- Reviewed and discussed with the External Auditors' audit report and areas of concern highlighted in the management letter, including management response to the concerns raised by the External Auditors, and evaluation of the system of internal control;

- Assessed the independence and objectivity of the External Auditors during the year. This includes monitoring the fees of total non-audit work by the External Auditors. The non-audit fees are disclosed in the Additional Disclosures on page 37 in this Annual Report;

- Reviewed the audit fees, the number and experience of audit staff assigned to the audit engagement, resources and effectiveness of the External Auditors;

- Discussed the key audit matters raised by the External Auditors with the management and the disclosure thereof in the Auditors' Report for the financial year ended 31 December 2019, which is in line with the requirements of the International Standards on Auditing; and

- Had one discussion session with the External Auditors on 27 February 2020 in the absence of the Executive Director and senior management.

Related Party Transaction

- Reviewed the quarterly updates on the related party transactions entered into by the Company and/or its group of companies, to ensure the transactions were at arm's length and not detrimental to the interests of the minority shareholders.

AUDIT COMMITTEE REPORT
(CONT'D)

ACTIVITIES DURING THE FINANCIAL YEAR (CONT'D)

Risk Management

The AC reviewed the overall risk profile of the Group and provided guidance on the action plans to address the identified risks and reported to the Board thereon.

Reviewed the quarterly Risk Assessment Reports comprising the action plans on significant risk and Risk Register which were presented to the AC and also further deliberated at the Board.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is performed in-house and is independent from the main activities and operations of the Group's operating units. The principal responsibility of the IAD is to perform independent, regular and systematic reviews of systems of internal controls throughout the Group so as to provide reasonable assurance that such systems continue to operate effectively and efficiently. The IAD also works collaboratively with the Risk Management Committee to review the risk management processes of the Group.

It is the responsibility of the IAD to provide the AC with independent and objective reports on the state of internal controls of the various business operating units within the Group and the extent of compliance with the Group's policies and procedures as well as relevant statutory requirements. The audit reports are presented to the AC for review, deliberation and approval.

During the financial year, the following activities were carried out by the IAD:

- Prepared the annual audit plan for 2020 to 2022 for approval by the AC;
- Performed reviews based on the approved audit plan, in which focus areas were from the results of risk assessment conducted on the business plan, financial statements and operational processes;
- Identified auditable areas and performed reviews based on the risk levels assessed. Consideration was also given to any concerns shared by the Management. The areas that were audited comprised manufacturing, property, trade and commercial, financial, compliance and information system related activities;
- Assessed the internal controls put in place by the Management to safeguard the Group's assets and inventory and verified their satisfactory operation in the course of executing the Internal Audit Plan;
- Conducted periodic checks to determine the extent of compliance with established policies, procedures and statutory requirements;
- Recommended improvements to the existing systems of controls and procedures by way of issuing audit reports to the appropriate operating units and management for corrective actions to be taken;
- Reviewed the risk management reports on significant key risks, discussion with the management and remedial action to be taken to address or mitigate such risks;
- Highlighted to the Management the weaknesses together with the recommended corrective actions;
- Followed management corrective actions on audit issues raised or recommendations of the recently completed audits. Determined whether the corrective actions taken had generally achieved the desired results; and
- Reported to the AC on the performance status of the audit plan and status of resources of the Group's internal audit function.

The total cost incurred from the internal audit function in respect of the financial year ended 31 December 2019 was RM186,160.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of South Malaysia Industries Berhad ("the Board") recognises the importance of practicing high standards of corporate governance in the best interest of the Company and its stakeholders, and to protect and enhance shareholders' value and the performance of the Company and its subsidiaries ("the Group").

The Board is committed to the principles and recommendations of the Malaysian Code on Corporate Governance which took effect on 26 April 2017 ("MCCG" or "the Code") and is pleased to present the Group's application of the three (3) key principles set out in the MCCG during the financial year ended 31 December 2019, under the stewardship of the Board:-.

Principle A	:	Board leadership and effectiveness;
Principle B	:	Effective audit and risk management; and
Principle C	:	Integrity in corporate reporting and meaningful relationship with stakeholders.

This overview statement is to be read together with the Corporate Governance Report 2019 ("CG 2019") of the Company which is available on the Company's website at www.smib.com.my.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

Part I – Board Responsibilities

Clear roles and responsibilities of the Board and Management

The Board's main roles are to create value for shareholders and provide leadership to the Group. It is primarily responsible for the Group's overall strategic plans and directions, overseeing the conduct of the businesses, risk management, succession planning for members of the board and senior management, implementing investor relation programmes and ensuring the system of internal controls and management information are adequate and effective.

The Board recognises its 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:

- To review and approve strategies, business plans and significant policies and ensure the Group's goals are clearly established, and to monitor implementation and performance of the strategy, policies, plans, legal and fiduciary obligations;
- To ensure that the Management devises action plans in accordance with business plans and work towards achieving the targets. Monthly Management meetings are carried out to track progress and identify risks;
- To evaluate whether the business is being properly managed and to ensure that the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard the Company's assets. The Board analyses the financial results periodically and seek clarification on any anomaly. Besides explaining on the deviation, the Management is also required to have back-up plans. Further meetings will be conducted to follow up on the effectiveness of these plans;
- To ensure that the Group has appropriate business risk management processes, including adequate control environment be it the internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks;
- To establish various Board Committees and ensure their effectiveness to address specific issues, by considering their recommendations and acting on their reports;
- To ensure that there is in place an appropriate succession plan for members of the Board and senior management. The Management periodically reviews the status of succession of key positions;

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

Part I – Board Responsibilities (cont'd)

Clear roles and responsibilities of the Board and Management (cont'd)

- To review the Board Charter periodically and making it available publicly on the Company's website including the Terms of Reference ("TOR") which deals with the respective committees namely, Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee; and

- To ensure that there is in place an appropriate investor relations and communications policy and accordingly the Company has established an email address namely query@smib.com.my. The Board recognizes the need to keep shareholders informed on key or material development. Most of the communications are through announcements made to Bursa Malaysia. General information has been provided on the Company's website at www.smib.com.my and is constantly updated. Further information such as conditions of business, business direction, status of certain projects, etc are explained in the Management Discussion and Analysis in the Annual Report. AGM is held once a year and EGMs whenever the need arises.

To ensure the effective discharge of its function and responsibilities, the Board delegates some of the authorities and discretion to the Executive Directors and key management team of the operating units within the Group ("the Management") as well as properly constituted Board committees. There is a clear segregation of responsibilities reserved for the Board and those delegated to the Management.

The Board committees established to assist the Board are namely:

i. Audit Committee ("AC")
ii. Nomination Committee ("NC")
iii. Remuneration Committee ("RC")
iv. Risk Management Committee ("RMC")
(collectively referred to as the "Board Committees").

The power delegated to the Board Committees are set out in the Terms of Reference of each of the Committees as approved by the Board and available on the Company's website at www.smib.com.my.

The Chairman

The Chairman holds a Non-Executive position and is primarily responsible for matters pertaining to the Board and the overall conduct of the Group. The Chairman is committed to instill good corporate governance practices, leadership and effectiveness of the Board.

Chairman and Executive Director

The roles of the Chairman and the Executive Directors are distinct and separated to ensure a balance of power and authority. The Executive Director is responsible to the Board for the day-to-day management of the Group.

Qualified and Competent Company Secretaries

The Board is supported by a suitable, qualified and competent Company Secretary who is responsible for providing support and guidance to the Board on issues relating to compliance with rules and regulations and relevant laws affecting the Company as well as amongst others, the following matters:

- Organising and attending Board and Board Committee meetings and preparing the minutes thereof;
- Compiling and circulating Board and Board Committee meeting papers;
- Supporting the Board on adherence to Board Policies and Procedures;

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

Part I – Board Responsibilities (cont'd)

Qualified and Competent Company Secretaries (cont'd)

The Board is supported by a suitable, qualified and competent Company Secretary who is responsible for providing support and guidance to the Board on issues relating to compliance with rules and regulations and relevant laws affecting the Company as well as amongst others, the following matters (cont'd):

- Advising the Board on corporate governance issues;
- Communicating with regulatory bodies and Bursa Securities;
- Attending to all statutory and other filings; and
- Facilitating the Board in conducting the annual Board Assessment.

On quarterly basis, the Company Secretary serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares in accordance with Chapter 14 of the Bursa Malaysia Listing Requirements.

The Company also engages the services of Tricor Corporate Services Sdn Bhd, an external consultant on corporate secretarial matters and compliance to provide additional advice on issues pertaining to compliance and Corporate Governance.

Access to information and advice

A pre-scheduled annual calendar of the Board and Board Committee meetings as well as the AGM is circulated at the beginning of each calendar year to facilitate the Directors' time planning for their attendance. The Board meets at least four (4) times a year, with additional meetings convened on an ad-hoc basis as and when the Board's approval and guidance are required. Prior to board meetings, the Directors are furnished with an agenda together with the relevant documents and information on the matters to be deliberated. Notices of ordinary meetings are sent to the Directors electronically seven (7) days in advance and the Board papers are made available at least five (5) days before the meeting is held, except in the case of an emergency, where reasonable time would suffice.

Senior Management are also invited to join Board meetings to provide explanations as and when required. All deliberations, discussions and decisions of the Board meetings are minuted and recorded accordingly.

The Chairman of the Board Committees namely the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee, brief the Board on matters discussed as well as decision taken at the meetings of their respective Board Committees. Management meetings are conducted with the operating heads to deliberate on the performance of the Group, sales, development and strategies, operational, environmental, risk management and internal controls as well as regulatory matters pertaining to the Group.

The Board has access to the advice and services of the Company Secretary and may undertake independent professional advice, where necessary and in appropriate circumstances, in furtherance of its duties.

Board Charter

The role and functions of the Board, which includes the differing roles of the Executive Directors and the Non-Executive Directors as well as the schedule of matters reserved for the Board, are clearly delineated in the Board Charter.

The Board Charter also sets out processes and procedures for convening Board meetings. The Board will review the Board Charter periodically in ensuring it remains consistent with the Board's objectives, current law and practices. The Board Charter was last reviewed in May 2018 and is available on the Company's website at www.smib.com.my.

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

Part I – Board Responsibilities (cont'd)

Whistle-blowing and Code of Conduct and Ethics

The Board recognizes the importance of whistle-blowing and is committed to maintaining the highest standards of ethical conduct within the Group. In line with this commitment, the Board has formalized a whistle-blowing policy and code of conduct and ethics for the Group. Further details on the code of conduct and ethics and whistle-blowing policy are set out in the Board Charter which is available for reference on the Company's website at www.smib.com.my.

As prescribed in the whistle-blowing policy, the Board and the Management give their assurance that employees' and third parties' identities are kept confidential and that whistle-blowers will not be at risk to any form of victimization or retaliation from their superiors or any member of the Management provided that they act in good faith in their reporting. All concerns raised shall be reported directly to the Audit Committee Chairman and will be investigated.

In November 2019, the Board through its AC reviewed the proposed anti-corruption policy into its code of conduct, which was intended to strengthen the integrity, governance and anti-corruption framework of the Company. This is to ensure that good standards of behavior permeate throughout all levels of the Group, and would help to prevent misconduct and unethical practices and consequently, will support the delivery of long term sustainable success of the Company.

Part II – Board Composition

Composition of the Board

The Board currently has Six (6) members, comprising one (1) Executive Director, four (4) Independent, Non-Executive Directors and one (1) Non-Independent, Non-Executive Director, which is in compliance with Paragraph 15.02 of the MMLR and practices advocated by the MCCG where at least half of the board comprises independent directors. Of the six (6) Directors on the Board, two (2) are women.

In July 2019, Dato' Seri Hamzah Bin Zainudin was appointed as Chairman of the Board in place of Tan Sri Dato' (Dr) Mohd Ramli bin Kushairi following his retirement at the conclusion of the 48th AGM. Dato' Seri Hamzah Bin Zainudin had on 12 March 2020 resigned as Chairman of the Board following his appointment as Home Minister on 10 March 2020. Mr Chong Heng Kiong, the Executive Director who did not seek for re-election at the 48th AGM was retired on 29 May 2019. On 1 October 2019, Dato' Zainuddin Bin Yahya was appointed to the Board as Independent Non-Executive Director.

Tenure of Independent Directors and Shareholders' Approval for Retention of Independent Directors

The Code recommends that the tenure of an independent director shall not exceed a cumulative term of nine (9) years. The Company does not have tenure limits for Independent Directors and the Board is of the opinion that the ability of an Independent Director to exercise his/her independence and objective judgement in Board deliberations shall not be a function of his/her length of service as an Independent director.

The Board is of the view that the independence of a director is more of a state of mind and action rather than tenure of office. The Board had on 27 February 2020 via the NC conducted an annual performance evaluation and assessment on the Independent Directors who have served the Board for more than 12 years namely, Dato' Dr Abdullah Bin Sepien and Tan Sri Datuk Seri Ismail Bin Yusof, whereby they remain objective and independent in expressing their views when participating in deliberations and decision making of the Board and Board Committees. The length of their service on the Board does not in any way interfere with their exercise of independent judgment and ability to act in the best interests of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

Part II – Board Composition (cont'd)

Tenure of Independent Directors and Shareholders' Approval for Retention of Independent Directors (cont'd)

In accordance with MCCG, resolutions will be tabled in the forthcoming AGM to retain Dato' Dr Abdullah Bin Sepien and Tan Sri Datuk Seri Ismail Bin Yusof as Independent Directors through a two-tier voting process as they have served the Company for more than 12 years. Brief profile of each Director is presented from pages 17 to 18 of this Annual Report.

Gender Diversity

The Group does not have a specific policy on gender, ethnicity and age group for candidates to be appointed to the Board. However, the Board is supportive of gender diversity in the Board composition. The Board believes that there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Company. In identifying suitable candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard to the benefits of diversity on the Board. Currently, the Board achieved 30% women directors as there are 2 female members on the Board, representing 33% of the total Board members. The Board is satisfied that the current boardroom diversity is adequate for its purpose and has the appropriate blend of gender, experience and age upon recent assessment carried out by the NC.

Nomination Committee ("NC")

The NC which is charged with the responsibilities of, amongst others, recommending the appointment of new Directors to the Board, was established on 2 April 2002 and comprises all Independent Non-Executive Directors. The current members are:

Name	Position	Category
Dato' Dr Abdullah Bin Sepien	Chairman	Senior Independent, Non-Executive Director
Tan Sri Datuk Seri Ismail Bin Yusof	Member	Independent, Non-Executive Director
Dato' Seri Hamzah Bin Zainudin *(Appointed on 1 July 2019 and resigned on 12 March 2020)*	Member	Independent, Non-Executive Director
Dato' Zainuddin Bin Yahya *(Appointed on 1 October 2019)*	Member	Independent, Non-Executive Director

(Tan Sri Dato' (Dr) Mohd Ramli Bin Kushairi, Independent, Non-Executive Director was a member of NC, retired at the conclusion of the 48th AGM of the Company on 29 May 2019).

Among others, the duties and responsibilities of the NC are as follows:-

- Identify, select and recommend to the Board, candidates for directorships of the Company;
- Recommend to the Board, Directors to fill the seats on Board Committees;
- Evaluate the effectiveness of the Board and the Board Committees (including its size and composition), contributions and performance of each individual director and the independence of the Independent Directors;
- Ensure an appropriate framework and plan for Board and management succession for the Group.

The Terms of Reference of the NC is available on the Company's website at www.smib.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

Part II – Board Composition (cont'd)

Nomination Committee ("NC") (cont'd)

The NC shall meet at least once a year, however additional meetings may be called when the need arises. The NC Chairman shall report to the Board on the results of the meeting. The NC may invite to its meetings other Directors, Management and such other persons as the NC deems appropriate in order to carry out its responsibilities.

During the financial year, three (3) meetings were held and attended by all of its members. As part of succession planning, two (2) meetings by NC were held on 27 May 2019 and 28 August 2019 to review and evaluate new candidates namely Dato' Seri Hamzah Bin Zainudin and Dato' Zainuddin Bin Yahya identified by the Company's substantial shareholder. The NC considered additional skills and experience that are needed on the Board. The NC after having reviewed and evaluated the candidates, had proposed to the Board to nominate the said candidates Dato' Seri Hamzah Bin Zainudin and Dato' Zainuddin Bin Yahya where their appointment took effect on 1 July 2019 and 1 October 2019 respectively.

On 27 February 2020, the NC reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board, including core competencies of the Directors, the contribution of each individual Director as well as their character, integrity and time commitment, independence of the Independent Director, effectiveness of the Board as a whole, and the Board Committees; and also made recommendation to the Board for the re-election of Directors who are subject to retirement at the forthcoming 49th AGM.

In accordance with the Company's Constitution, at least one-third of the Directors shall retire from office every year provided always that all Directors shall retire from office at least once in every three years but shall be eligible for re-election at the AGM. No director shall remain in office for more than three years without being subject to re-election by shareholders.

At the forthcoming 49th AGM, the following directors are due to retire by rotation under Article 85.3 and 86 of the Constitution and being eligible have offered themselves for re-election:

i) Dato' Zainuddin Bin Yahya – Article 85.3
ii) Tan Siew Poh – Article 86
iii) Tan Sri Datuk Seri Ismail Bin Yusof – Article 86

The NC, with the abstaining of Dato' Zainuddin Bin Yahya and Tan Sri Datuk Seri Ismail Bin Yusof, reviewed the performance of the Directors and having noted their significant and valued contributions to the Board had recommended their re-election to the Board. The Board had concurred and endorsed the re-election of the Directors and are recommending that shareholders re-elect the said Directors at the 49th AGM.

Annual Assessment

The NC assessed the independence of Independent Directors on an annual basis, with a view to ensure the Independent Directors bring independence and objective judgement to the Board and this mitigates conflict of interest or undue influence from interested parties.

Self-evaluations had been conducted by each individual Director and Independent Director and a summary of the results of the evaluation was furnished to the NC prior to the NC meeting and to be shared with the Board to allow enhancement to be undertaken.

Based on the assessment carried out during the financial year ended 31 December 2019, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

Part II – Board Composition (cont'd)

Meetings and Time Commitment

The Board meets at least four (4) times a year, with additional meetings convened where necessary. Minutes of the Board meetings are duly recorded by the Company Secretary. During the financial year ended 31 December 2019, a total of five (5) Board meetings were held as follows:

i. Wednesday, 27 February 2019
ii. Tuesday, 9 April 2019
iii. Monday, 27 May 2019
iv. Wednesday, 28 August 2019
v. Wednesday, 27 November 2019

In between Board meetings, approval on matters requiring the sanction of the Board is sought by way of circular resolutions enclosing all the relevant information to enable the Board to make decisions. All circular resolutions approved by the Board were tabled for affirmation at the subsequent Board meeting.

Name of Directors	Number of Meetings Attended/Held
Tan Sri Dato' (Dr) Mohd Ramli Bin Kushairi Independent Non-Executive Chairman *(Retired on 29 May 2019)*	3/3
Dato' Seri Hamzah Bin Zainudin Independent Non-Executive Chairman *(Appointed on 1 July 2019 and resigned on 12 March 2020)*	1/2
Mr Leow Thang Fong Executive Director	5/5
Mr Chong Heng Kiong Executive Director *(Retired on 29 May 2019)*	2/3
Dato' Dr Abdullah Bin Sepien Independent Non-Executive Director	5/5
Tan Sri Datuk Seri Ismail Bin Yusof Independent Non-Executive Director	5/5
Ms Tan Siew Poh Non-Independent Non-Executive Director	5/5
Puan Latifah Binti Abdul Latiff Independent Non-Executive Director	5/5
Dato' Zainuddin Bin Yahya Independent Non-Executive Director *(Appointed on 1 October 2019)*	1/1

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

Part II – Board Composition (cont'd)

Meetings and Time Commitment (cont'd)

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. It is the policy of the Company for Directors to devote sufficient time and effort to carry out their responsibilities. The Board obtains this commitment from Directors at the time of appointment. It is also the Board's policy for Directors to notify the Chairman before accepting any new directorship notwithstanding that the Listing Requirements allow a Director to sit on the Board of 5 listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

Training

The Board through the NC will evaluate and determine the specific and continuous needs for each of the Directors on a regular basis. Continuous education and enrichment programmes are important in keeping the Directors updated on regulatory and corporate governance developments, besides enhancing professionalism and knowledge of the Directors in enabling them to discharge their duties more effectively.

All Directors, apart from attending the Mandatory Accreditation Programme which was accredited by Bursa Securities have also, during the financial year end attended other relevant training programmes and seminar organized internally and externally.

Directors	Training Programme	Date Attended
Dato' Seri Hamzah Bin Zainudin *(Appointed on 1 July 2019 and resigned on 12 March 2020)*	- Corporate Governance and Anti-Corruption	31/10/2019
Tan Sri Dato' (Dr) Mohd Ramli Bin Kushairi *(Retired on 29 May 2019)*	- In-house training on Corporate Liability Provision	28/03/2019
Mr Leow Thang Fong	- In-house training on Corporate Liability provision	28/03/2019
Mr Chong Heng Kiong *(Retired on 29 May 2019)*	- Nil	Not applicable
Dato' Dr Abdullah Bin Sepien	- In-house training on Corporate Liability Provision - Sustainability Inspired Innovations : Enablers of the 21st Century	28/03/2019 23/09/2019
Tan Sri Datuk Seri Ismail Bin Yusof	- In-house training on Corporate Liability Provision - The Intricacies of Sustainability Reporting Developing a Sustainability Framework - Understanding Section 17A of the Malaysian Anti-Corruption Act 2009	28/03/2019 22/04/2019 29/11/2019
Ms Tan Siew Poh	- In-house training on Corporate Liability Provision - Related party transactions - 2019 tax seminar - Corporate Governance and Anti-Corruption	28/03/2019 09/07/2019 23/10/2019 31/11/2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

Part II – Board Composition (cont'd)

Training (cont'd)

Directors	Training Programme	Date Attended
Puan Latifah Binti Abdul Latiff	- In-house training on Corporate Liability Provision	28/03/2019
	- MIA's engagement session with Audit Committee Members on Integrated Reporting	30/04/2019
	- Corporate Governance Watch – How does Malaysia Rank	03/05/2019
	- Cyber security in the Boardroom	27/06/2019
	- Demystifying the Diversity Conundrum : the road to business excellence	05/07/2019
	- ICDM International Directors Summit	15/10/2019
	- Evaluating effective internal audit function – Audit Committee's guide on how to	17/10/2019
	- Governance Convention 2019	18-19/11/2019
	- Audit Oversight Board Conversation with Audit Committee	22/11/2019
Dato' Zainuddin Bin Yahya *(Appointed on 1 October 2019)*	- Evaluating effective internal audit function – Audit Committee's guide on how to	15/10/2019
	- Mandatory Accreditation Programme	11-12/11/2019
	- Audit Oversight Board Conversation with Audit Committee	22/11/2019

Part III – Remuneration

Remuneration Committee ("RC")

In accordance with MCCG, the RC shall only consist of Non-Executive Directors and a majority of them must be Independent Directors. During the year, Dato' Seri Hamzah Bin Zainudin was appointed as Chairman of the RC in place of Tan Sri Dato' (Dr) Mohd Ramli Bin Kushairi who retired at the 48th AGM on 29 May 2019. On 12 March 2020, Dato' Seri Hamzah Bin Zainudin resigned as Chairman of RC in view of his appointment as Home Minister. Currently, the members of the RC are as follows:

Name	Position	Category
Dato' Seri Hamzah Bin Zainudin *(Appointed on 1 July 2019 and resigned on 12 March 2020)*	Chairman	Independent, Non-Executive Director
Dato' Dr Abdullah Bin Sepien	Member	Independent, Non-Executive Director
Ms Tan Siew Poh	Member	Non-Independent, Non-Executive Director
Tan Sri Datuk Seri Ismail Bin Yusof	Member	Independent, Non-Executive Director

(Tan Sri Dato' (Dr) Mohd Ramli Bin Kushairi, Independent, Non-Executive Director was a Chairman of RC, retired at the conclusion of the 48th AGM of the Company on 29 May 2019).

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

Part III – Remuneration (cont'd)

Remuneration Committee ("RC") (cont'd)

The RC's primary responsibility is to ensure that the Group's level of remuneration commensurate with the skills and responsibilities expected of the director concerned and that it is sufficient to attract and retain directors needed to run the Company successfully. The Board, as a whole, determines the remuneration of the Directors and the individual Director is required to abstain from discussing his own remuneration. The RC meets at least once a year. During the financial year under review, the RC had convened one (1) meeting which was attended by all of its members.

The remuneration package of each Executive Director is structured to reflect his experience, performance and scope of responsibilities. The remuneration of Non-Executive Directors are in the form of Directors' fees and benefits which are subject to the approval of shareholders at the AGM. All Directors are also paid allowance for each meeting they attend.

The Terms of Reference of the RC is available at the Company's website at www.smib.com.my.

Remuneration of Directors and Senior Management

Details of Directors Remuneration

The details of aggregate remuneration paid or payable to the Directors of the Company and the Group for the financial year ended 31 December 2019 are as follows:

	Fees RM	Salaries RM	Bonuses RM	Statutory Contribution (1) RM	Total RM
Executive Directors					
Leow Thang Fong	2,500	1,441,000	120,000	187,200	1,750,700
Chong Heng Kiong *(retired on 29 May 2019)*	1,000	327,700	-	59,710	388,410
	3,500	1,768,700	120,000	246,910	2,139,110
Non-Executive Directors					
Tan Sri Dato' Mohd Ramli Bin Kushairi *(retired on 29 May 2019)*	262,000(3)	-	-	-	262,000(3)
Dato' Seri Hamzah Bin Zainudin *(appointed on 1 July 2019 and resigned on 12 March 2020)*	90,500	-	-	-	90,500
Dato' Dr Abdullah Bin Sepien	115,500	-	-	-	115,500
Tan Sri Datuk Seri Ismail Bin Yusof	65,000	-	-	-	65,000
Ms Tan Siew Poh	65,000	-	-	-	65,000
Puan Latifah Binti Abdul Latiff	65,000	-	-	-	65,000
Dato' Zainuddin Bin Yahya *(appointed on 1 October 2019*	16,000	-	-	-	16,000
	682,500	1,768,700	120,000	246,910	2,818,110

Notes:
(1) Statutory contribution comprised contribution to Employees' Provident Fund.
(2) Fees comprised directors' fees and meeting allowances.
(3) Fees included Ex-gratia payment of RM200,000.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

Part III – Remuneration (cont'd)

Remuneration of Directors and Senior Management (cont'd)

Remuneration of Top 5 Senior Management

The remuneration of the top five (5) Senior Management (including salary, bonus and allowances) in each successive bands of RM50,000 during the financial year 2019, are as follows:

Range of Remuneration (RM)	Top Five Senior Management
900,000 - 950,000	1
600,000 – 650,000	1
450,000 – 500,000	1
400,000 – 450,000	1
350,000 – 400,000	1

The Board has chosen to disclose the remuneration of the top five (5) senior management in bands instead of named basis as the Board considered the information of the remuneration of these staff to be sensitive and proprietary. The transparency and accountability aspects of corporate governance applicable to the remuneration of these staff are deemed appropriately served by the above disclosures.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I : Audit Committee ("AC")

The AC is charged with the responsibility to conduct a formal, transparent and independent review on the financial reporting, risk management, internal control and governance processes. The Committee meets quarterly to carry out its functions and duties pursuant to its terms of reference and has unrestricted access to the internal and External Auditors and members of the Management.

For details of its composition and activities during the financial year ended 31 December 2019, please refer to the AC Report furnished on pages 21 to 23 of this Annual Report.

Part II : Risk Management Committee ("RMC")

The RMC was formed on 25 April 2013 and has been delegated by the Board to assume responsibility for the Group's risk oversight. The RMC is responsible to oversee the Company's risk management framework and policies. The RMC provides oversight, direction and counsel to the Group risk management process and considers any matter relating to the identification, assessment, monitoring and management of any risk associated with the Group that it deems appropriate.

The RMC meets quarterly with additional meetings convened to attend to urgent matters that require its deliberation. There were four (4) meetings held during the financial year ended 31 December 2019 and were attended by all the members of the RMC. The heads of department were invited to attend the meeting.

The Terms of Reference of the RMC is available at the Company's website at www.smib.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

Part II : Risk Management Committee ("RMC")

The members of the RMC are as follows:

Name	Position
Mr Leow Thang Fong	Chairman
Mr Chong Heng Kiong	Member
Ms Tan Siew Poh	Member
Mr Ham Sai Kit	Member
Ms Yau Sek Fun	Member

Sound Risk Management Framework and Internal Control System

The Board acknowledges their responsibility for maintaining and ensuring the integrity of a sound system of Internal Control which supports effective and efficient operations to safeguard shareholders' interests and the Group's business and assets.

The Board is updated on the Group's internal control system which encompasses risk management practices as well as financial, operational and compliance controls on a quarterly basis.

Ongoing reviews are performed throughout the year on quarterly basis to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. The Board is of the view that the system of internal control and risk management in place during 2019, is sound and sufficient to safeguard the Group's assets, as well as shareholders' investment, and the interests of customers, regulators, employees and other stakeholders.

Internal Audit Function

The Group's internal audit function is carried out by the Internal Audit Department ("IAD"), which reports directly to the AC on its activities based on the approved Annual Internal Audit Plan. The internal audit function is independent of the operations of the Group and provides reasonable assurance that the Group's system of internal control and risk management is satisfactory and operating effectively. The internal audit function is reported in the AC Report on page 23 of this Annual Report.

Further details of the Group's systems of risk management and internal control are reported in the Statement on Risk Management and Internal Control on pages 38 to 40 of this Annual Report.

Suitability and Independence of External Auditors

During the financial year, the External Auditors were present at three (3) AC meetings to discuss their audit plan, audit findings and the Company's financial statements. At these meetings, the AC also held a separate session with the External Auditors without the executive board members present whereby the AC was briefed by the External Auditors on their findings and any other observations that they had during the audit process.

The AC considered the non-audit services provided by the External Auditors during the financial year ended 31 December 2019 and concluded that the provision of these services did not compromise the External Auditors' independence and objectivity. The amount of fees paid for these services was not significant when compared to the total fees paid.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

Part II : Risk Management Committee ("RMC") (cont'd)

Suitability and Independence of External Auditors (cont'd)

The amount of audit and non-audit fees incurred for services rendered by the External Auditors during the financial year are as follows:

	Group RM	Company RM
Audit fee	224,279	80,000
Non-audit fee	5,000	5,000

The AC places great emphasis on the suitability and independence of the External Auditors in providing relevant and transparent reports to the stakeholders. During the financial year, the Board having considered the recommendation by the AC, was satisfied that the External Auditors, Messrs UHY has met the criteria on assessment of suitability and independence of the External Auditors including quality of audit review procedures, adequacy of audit firm's expertise, its resources to carry out the audit work according to the audit plan, and independence of the External Auditors.

The AC procures a written confirmation from the External Auditors 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 Malaysian Institute of Accountants.

The Board agreed with the recommendation of the AC on the suitability and independence of the External Auditors and thereby recommended the re-appointment of Messrs UHY for the financial year ending 31 December 2020 to the shareholders for approval at the forthcoming AGM.

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

Part I : Communication with Stakeholders

Compliance with applicable Financial Reporting Standard

The Board takes responsibility for presenting a balanced and understandable assessment of the Group's operations and prospect each time it releases its quarterly and annual financial statements to shareholders. The AC reviews the information to be disclosed to ensure its accuracy and adequacy.

A statement by Directors of their responsibilities in preparing the financial statements is set out on page 46 of this Annual Report.

Investors Relations and Shareholders Communication

The Company recognises the importance of effective and timely communication with shareholders and investors to keep them informed of the Group's latest financial performance and material business/corporate matters affecting the Company. Such information is available to shareholders and investors through the Annual Report, the various disclosures and announcements made to Bursa Malaysia Securities Berhad and the Company's corporate website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

Part II : Conduct of General Meeting

At the 48th AGM of the Company held on 29 May 2019, all members of the Board except Tan Sri Datuk Seri Ismail Bin Yusof, were present to respond to the questions raised by shareholders or proxies. The then Chairman of the Board, Tan Sri Dato' (Dr) Mohd Ramli Bin Kushairi, chaired the 48th AGM in an orderly manner and allowed the shareholders or proxies the opportunity to speak at the meeting. The members of the Senior Management of the Company were also present at the meeting to respond to any enquiries from the shareholders.

In line with the good CG practice, the notice of the 48th AGM together with the Annual Report were issued and sent to shareholders at least 28 days before the AGM date. All resolutions were voted by way of poll at which an independent scrutineer was appointed to validate the votes cast at the last AGM.

ADDITIONAL DISCLOSURES

Utilisation of Proceeds

The Company did not raise funds through any corporate proposals during the financial year ended 31 December 2019.

Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for services rendered by the External Auditors during the financial year are as follows:

	Group RM	Company RM
Audit fee	224,279	80,000
Non-audit fee	5,000	5,000

Material Contracts Involving Directors' and Substantial Shareholders' Interest

The Company and its subsidiaries did not enter into any material contracts which involved the interest of the Directors' or substantial shareholders' during the financial year.

This Corporate Governance Overview Statement has been reviewed and approved by the Board on 25 June 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FINANCIAL YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

The Board of Directors ("the Board") are pleased to present the Statement on Risk Management and Internal Control ("the Statement") of the Group for the financial year ended 31 December 2019. This Statement on Risk Management and Internal Control by the Board is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements, Malaysian Code on Corporate Governance ("MCCG" or "the Code") and in accordance with the principles and practices relating to risk management and internal controls provided in the Code and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

RESPONSIBILITY

The Group's corporate objectives are to sustain existing operations and turnaround to profitability by optimal utilisation of its available resources whilst meeting the needs of customers, employees and business partners, to identify and secure assets for long term growth.

The Board affirms its overall responsibility for the Group to establish and maintain adequate risk management and system of internal controls for the businesses of the Group in achieving the Group's corporate objective. To achieve this, the Board has in place a sound framework of the on-going risk management process for identifying, evaluating, managing and monitoring significant risks affecting the achievement of its business objectives throughout the period. The process is regularly reviewed by the Board.

The Board recognises that there are inherent limitations in all systems of risk management and internal control as it is designed to manage the Company's risk within the acceptable risk appetite, rather than to eliminate completely the risks of failure to achieve Group's business objectives. Accordingly, it can only provide a reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

The Board has made risk management an on-going exercise to effectively manage and mitigate significant risks faced or likely to be faced by the Group. The Board delegated its role on risk management to a Risk Management Committee ("RMC") comprising senior management from all functions and led by the Executive Director to achieve such objective.

The Group's risk management objectives are:

- Promote risk awareness culture in the management of all levels of operations;
- Protect assets and interests of all stakeholders;
- Ensure sustainability of operations and continuity of supply of products and services; and
- Ensure compliance with relevant guidelines and all applicable laws.

The RMC conducts quarterly review of the Group's business risks and identifies all potential areas that could impinge on the achievement of business objectives and failure to take advantage of opportunities when they arise. The Group's risk appetite is a trade-off between the cost of managing the risks and the benefits or rewards as a result of taking such risks. The Group seeks to manage its risk to an acceptable level aimed at ensuring minimum interruption to the operations of the Group.

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

RISK MANAGEMENT (CONT'D)

The senior managers from all Departments are responsible for implementing measures to manage and mitigate risks identified. The Group is currently using a risk matrix of 3 x 3 (likelihood of risk occurring vs. the consequences of the risk happening) to analyze risks. The information gathered during the risk management process is included in the Risk Register, which shall be used for managing the personnel and project risks to ensure consistency of assessment and reporting in the Group. The RMC monitors risks on an ongoing basis to ensure proper actions have been taken and assess whether there are changes in the conditions associated with the risks identified.

KEY ELEMENTS OF INTERNAL CONTROL

Fundamental internal control entrenched in the Group's operations are as follows:-

- The Group has an organisational structure which clearly defines the lines of responsibility and delegation of authority. Accordingly, management at various administrative and operational levels will function in accordance with the job descriptions, policies and procedures established by the Board for the Group as a whole;

- The objectives, authorities and responsibilities defined under the above structure are clearly documented in the Group's policies and procedures manual;

- The code of business conduct and ethics set out the standards of conduct and behaviour expected from all employees in its business dealings;

- The whistle-blowing policy published in the Group's www.smib.com.my is a commitment of the Board to integrity and ethical behaviour. The policy sets out the procedures for employees and the general public to disclose improper conduct within the Group without fear and favour;

- Regular internal audits are carried out to review the adequacy and effectiveness of the internal control system based on a detailed annual audit plan approved by the Audit Committee. The Internal Audit Department recommends on areas for improvement and conducts follow-up reviews to determine the extent to which its recommendation has been implemented;

- A comprehensive business plan which sets out the Group's medium term strategy is updated annually and forms the basis from which detailed budgets are built upon. Budgets prepared by the operating units are approved both at operating unit level and by the Board. Actual performance is monitored against budget monthly to identify significant variances and corrective measures are taken, where necessary to address issues and improve performance;

- Meetings are held at management and operational levels to disseminate information, monitor the progress of various business units, and to deliberate and decide upon operational matters. These include regular management meetings and heads of department meetings which are recorded into minutes and held based on needs. The Board is represented by the Executive Director who chairs the management meetings, whose members are the senior management and heads of department. The meetings help to remove barriers of bureaucracy and assist in ensuring more direct and effective implementation of all major and important decision.

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

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2019 Annual Report. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3: *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement intended to be included in the Annual Report is not prepared, in all material respects, on the basis of the reporting criteria as set out in Paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

CONCLUSION

The Board is satisfied that, during the financial year under review and up to the date of this report, the systems of risk management and internal control being instituted throughout the Group are in all material aspects, adequate and effective and have received the same assurance from the Executive Director and Group Accountant. Notwithstanding this, reviews of all risk management and control procedures will be an ongoing exercise carried out to ensure the continuing effectiveness of the policies and procedures under changing economic and regulatory environment in order to achieve the Group's corporate objectives.

This Statement on Risk Management and Internal Control has been reviewed and approved by the Board on 25 June 2020.

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DIRECTORS' REPORT

The Directors hereby present 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 activities of the Company are those of property and investment holding, trading, property development and provision of management services.

The principal activities of the subsidiary companies are disclosed in Note 9.

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

FINANCIAL RESULTS

	Group RM	Company RM
Net loss for the financial year	8,749,780	2,324,763
Attributable to:		
Owners of the Parent	7,679,802	2,324,763
Non-controlling interests	1,069,978	-
	8,749,780	2,324,763

RESERVES AND PROVISIONS

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

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the current financial year.

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT
(CONT'D)

DIRECTORS

The Directors in office since the beginning of the current financial year until the date of this report are:

Tan Sri Datuk Seri Ismail Bin Yusof	
Dato' Dr Abdullah Bin Sepien*	
Leow Thang Fong*	
Tan Siew Poh*	
Latifah Binti Abdul Latiff	
Dato' Seri Hamzah Bin Zainudin*	(appointed on 1 July 2019 and resigned on 12 March 2020)
Dato' Zainuddin Bin Yahya	(appointed on 1 October 2019)
Tan Sri Dato' (Dr) Mohd Ramli Bin Kushairi	(retired on 29 May 2019)
Chong Heng Kiong	(retired on 29 May 2019)

** Director of the Company and its subsidiary companies*

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) since the beginning of the current financial year until the date of this report are:

Mah Sau Cheong
Chong Heng Kiong
Datin Paduka Hajjah Rakibah Binti Hj. Abd. Manap
Ham Sai Kit
Yau Sek Fun
Cai Wei
Lim Hock Chuan

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2019	Bought	Disposed	At 31.12.2019
South Malaysia Industries Berhad				
Direct interests				
Leow Thang Fong	1,791,250	-	-	1,791,250
Tan Siew Poh	1,666	-	-	1,666
Indirect interests				
Leow Thang Fong [1]	622,000	-	-	622,000

Note:
[1] Deemed interest through the shareholding of his sister, Leow Pek Fong.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT
(CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 28(c) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for Directors and certain officers of the Company were RM1,000,000 and RM2,584 respectively. No indemnity was given to or insurance effected for auditors of the Company in accordance with Section 289 of the Companies Act 2016.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

  (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and

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

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

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

  (iv) 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.

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

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

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

OTHER STATUTORY INFORMATION (CONT'D)

(d) In the opinion of the Directors:

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

(ii) the results of the 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

(iii) 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 the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT

The significant event is disclosed in Note 33 to the financial statements.

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 34 to the financial statements.

SUBSIDIARY COMPANIES

The details of the subsidiary companies are disclosed in Note 9 to the financial statements.

AUDITORS

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

The details of auditors' remuneration are disclosed in Note 23 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 June 2020.

DATO' DR ABDULLAH BIN SEPIEN **LEOW THANG FONG**

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 52 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 of Directors in accordance with a resolution of the Directors dated 25 June 2020.

DATO' DR ABDULLAH BIN SEPIEN **LEOW THANG FONG**

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Yau Sek Fun (MIA Membership No: 7802), being the officer primarily responsible for the financial management of South Malaysia Industries Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 52 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 on 25 June 2020) **YAU SEK FUN**

Before me,

TAN SEOK KETT (NO. W530)
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SOUTH MALAYSIA INDUSTRIES BERHAD

[REGISTRATION NO.: 196901000152 (8482-D)] (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of South Malaysia Industries 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 and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 153.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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.

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.

INDEPENDENTAUDITORS' REPORT
TO THE MEMBERS OF SOUTH MALAYSIA INDUSTRIES BERHAD
[REGISTRATION NO.: 196901000152 (8482-D)] (INCORPORATED IN MALAYSIA)
(CONT'D)

Key Audit Matters (cont'd)

Key audit matters	How we addressed the key audit matters
(a) Valuation of investment properties	
As at 31 December 2019, the carrying amount of investment properties amounted to RM85,217,957. The Group's and the Company's investment properties comprise various categories of properties, which include office premises and commercial building. The Group engaged independent external valuer to determine the fair value of the investment properties at the reporting date. We have identified the valuation of investment properties as at 31 December 2019 as a key audit matter because of the significance of the amount and the valuation models used by the valuer included significant assumptions which are judgmental.	We performed the following audit procedures, among others: We reviewed the valuation reports for the investment properties and assessed the appropriateness of the valuation model, property related data, including estimates used by the professional valuer. We assessed the reasonableness of the assumptions used in the valuation and judgements made. We considered the qualification and competence of the independent external valuer and assessed the scope of work of the external valuer to determine whether the valuation was appropriate to be applied for financial reporting purposes. We reviewed and assessed the appropriateness and adequacy of the disclosures in the financial statements .
(b) Impairment of trade and other receivables	
The Group has material credit exposures in its trade and other receivables. Given the nature of these assets, the assessment of impairment involves significant estimation uncertainty, subjective assumptions and the application of significant judgement.	We have performed impairment assessments on trade and other receivables that were either in default or overdue as at 31 December 2019. We obtained and evaluated the Group's credit risk policy, and tested the associated processes used by management to assess credit exposures. We tested the trade receivables ageing report to ascertain the accuracy of the information used to assess the adequacy of impairment loss of trade receivables. We reviewed the adequacy of the impairment loss and enquired management regarding the recoverability of the selected receivables that are past due but not impaired, review the customers' correspondence, settlement agreement and obtained evidence of subsequent receipts. We also obtained confirmation from the counterparties for selected accounts. We have reviewed the appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SOUTH MALAYSIA INDUSTRIES BERHAD
[REGISTRATION NO.: 196901000152 (8482-D)] (INCORPORATED IN MALAYSIA)
(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 in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the 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.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SOUTH MALAYSIA INDUSTRIES BERHAD
[REGISTRATION NO.: 196901000152 (8482-D)] (INCORPORATED IN MALAYSIA)
(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)

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we also report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SOUTH MALAYSIA INDUSTRIES BERHAD
[REGISTRATION NO.: 196901000152 (8482-D)] (INCORPORATED IN MALAYSIA)
(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.

UHY
Firm Number: AF 1411
Chartered Accountants

YEOH AIK CHUAN
Approved Number: 02239/07/2020 J
Chartered Accountant

KUALA LUMPUR
25 June 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	9,016,369	14,809,569	299,087	543,347
Right-of-use assets	5	5,062,181	-	313,810	-
Prepaid lease payments	6	-	159,027	-	-
Investment properties	7	85,217,957	86,561,088	30,235,000	30,235,000
Inventories	8	8,521,444	10,060,058	-	-
Investment in subsidiary companies	9	-	-	64,049,286	64,596,687
Investment in an associate	10	-	-	-	-
Other investments	11	24,522,709	23,823,262	44,107,144	43,333,640
Intangible assets	12	-	-	-	-
Trade and other receivables	13	728,297	1,318,767	728,297	1,318,767
		133,068,957	136,731,771	139,732,624	140,027,441
Current Assets					
Inventories	8	17,232,611	15,748,597	-	-
Trade and other receivables	13	34,602,758	45,498,281	21,462,961	19,351,157
Tax recoverable		271,592	925,699	-	103,890
Other investments	11	4,003,722	-	-	-
Deposits, bank and cash balances	14	14,356,250	18,686,640	778,072	369,375
		70,466,933	80,859,217	22,241,033	19,824,422
Total Assets		203,535,890	217,590,988	161,973,657	159,851,863
EQUITY					
Share capital	15	244,239,167	244,239,167	244,239,167	244,239,167
Reserves	16	19,745,450	18,911,954	290,064	(483,440)
Accumulated losses		(94,664,056)	(86,984,254)	(109,195,280)	(106,870,517)
Equity attributable to owners of the parent		169,320,561	176,166,867	135,333,951	136,885,210
Non-controlling interests	17	(11,446,976)	(10,254,621)	-	-
Total Equity		157,873,585	165,912,246	135,333,951	136,885,210

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(CONT'D)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
LIABILITIES					
Non-Current Liabilities					
Loans and borrowings	18	11,227,697	12,602,936	8,165,830	9,066,024
Deferred tax liabilities	19	943,117	1,058,636	97,362	97,362
		12,170,814	13,661,572	8,263,192	9,163,386
Current Liabilities					
Trade and other payables	20	21,672,839	24,076,314	15,721,411	11,644,083
Loans and borrowings	18	11,632,040	13,915,837	2,655,103	2,159,184
Tax payable		186,612	25,019	-	-
		33,491,491	38,017,170	18,376,514	13,803,267
Total Liabilities		45,662,305	51,678,742	26,639,706	22,966,653
Total Equity and Liabilities		203,535,890	217,590,988	161,973,657	159,851,863

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

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Revenue	21	67,753,349	70,493,555	5,258,209	6,882,064
Cost of sales					
- property development costs		(2,958,196)	(6,220,872)	-	-
- others		(52,358,338)	(52,563,008)	(1,797,301)	(4,654,061)
Gross profit		12,436,815	11,709,675	3,460,908	2,228,003
Other income		2,048,457	12,602,701	248,452	352,407
Administrative expenses		(16,556,099)	(15,844,884)	(4,779,858)	(4,591,572)
Selling and distribution costs		(1,330,587)	(1,204,905)	(500)	-
Other operating expenses		(3,347,670)	(1,778,926)	(554,909)	(44,941)
Net gain/(loss) on impairment of financial instruments		66,856	(4,965)	(27,448)	(2,100,000)
(Loss)/Profit from operations		(6,682,228)	5,478,696	(1,653,355)	(4,156,103)
Finance costs	22	(1,244,138)	(1,377,316)	(673,130)	(695,208)
(Loss)/Profit before tax	23	(7,926,366)	4,101,380	(2,326,485)	(4,851,311)
Taxation	24	(823,414)	(843,888)	1,722	(97,362)
(Loss)/Profit for the financial year		(8,749,780)	3,257,492	(2,324,763)	(4,948,673)
Other comprehensive income/ (loss)					
Items that are or may be reclassified subsequently to profit or loss					
- Exchange translation differences on foreign operations		(62,385)	(682,251)	-	-
- Net change in fair value of equity investments designated at fair value through other comprehensive income		773,504	(4,109,240)	773,504	(4,109,240)
Other comprehensive income/ (loss) for the financial year		711,119	(4,791,491)	773,504	(4,109,240)
Total comprehensive loss for the financial year		(8,038,661)	(1,533,999)	(1,551,259)	(9,057,913)
(Loss)/Profit for the financial year attributable to:					
Owners of the parent		(7,679,802)	4,294,449	(2,324,763)	(4,948,673)
Non-controlling interests		(1,069,978)	(1,036,957)	-	-
		(8,749,780)	3,257,492	(2,324,763)	(4,948,673)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(CONT'D)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
(Loss)/Profit for the financial year attributable to:					
Owners of the parent		(7,679,802)	4,294,449	(2,324,763)	(4,948,673)
Non-controlling interests		(1,069,978)	(1,036,957)	-	-
		(8,749,780)	3,257,492	(2,324,763)	(4,948,673)
Total comprehensive (loss)/income for the financial year attributable to:					
Owners of the parent		(6,846,306)	66,364	(1,551,259)	(9,057,913)
Non-controlling interests		(1,192,355)	(1,600,363)	-	-
		(8,038,661)	(1,533,999)	(1,551,259)	(9,057,913)
(Loss)/Earnings per share	25				
Basic (loss)/earnings per share (sen)		(3.66)	2.05		
Diluted (loss)/earnings per share (sen)		(3.66)	2.05		

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 Parent							
	Share Capital RM	Foreign Currency Translation Reserves RM	Revaluation Reserves RM	Fair Value Reserves RM	Accumulated Losses RM	Total RM	Non-Controlling Interests RM	Total Equity RM
Group								
At 1 January 2019	244,239,167	18,227,088	1,168,306	(483,440)	(86,984,254)	176,166,867	(10,254,621)	165,912,246
Exchange translation differences on foreign operations	-	59,992	-	-	-	59,992	(122,377)	(62,385)
Net change in fair value of equity investment designated at fair value through other comprehensive income	-	-	-	773,504	-	773,504	-	773,504
Other comprehensive income/(loss) for the financial year	-	59,992	-	773,504	-	833,496	(122,377)	711,119
Loss for the financial year	-	-	-	-	(7,679,802)	(7,679,802)	(1,069,978)	(8,749,780)
Total comprehensive income/(loss) for the financial year	-	59,992	-	773,504	(7,679,802)	(6,846,306)	(1,192,355)	(8,038,661)
At 31 December 2019	244,239,167	18,287,080	1,168,306	290,064	(94,664,056)	169,320,561	(11,446,976)	157,873,585

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(CONT'D)

	Attributable to Owners of the Parent							
	Share Capital RM	Foreign Currency Translation Reserves RM	Revaluation Reserves RM	Fair Value Reserves RM	Accumulated Losses RM	Total RM	Non-Controlling Interests RM	Total Equity RM
Group								
At 31 December 2017, as previously reported	244,239,167	18,345,933	1,168,306	3,625,800	(95,061,732)	172,317,474	(8,654,258)	163,663,216
Effect on adoption of MFRS 1	-	-	-	-	4,020,820	4,020,820	-	4,020,820
At 31 December 2017, as restated	244,239,167	18,345,933	1,168,306	3,625,800	(91,040,912)	176,338,294	(8,654,258)	167,684,036
Effect on adoption of MFRS 9	-	-	-	-	(237,791)	(237,791)	-	(237,791)
At 1 January 2018, as restated	244,239,167	18,345,933	1,168,306	3,625,800	(91,278,703)	176,100,503	(8,654,258)	167,446,245
Exchange translation differences on foreign operations	-	(118,845)	-	-	-	(118,845)	(563,406)	(682,251)
Net change in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	(4,109,240)	-	(4,109,240)	-	(4,109,240)
Other comprehensive loss for the financial year	-	(118,845)	-	(4,109,240)	-	(4,228,085)	(563,406)	(4,791,491)
Profit for the financial year	-	-	-	-	4,294,449	4,294,449	(1,036,957)	3,257,492
Total comprehensive (loss)/income for the financial year	-	(118,845)	-	(4,109,240)	4,294,449	66,364	(1,600,363)	(1,533,999)
At 31 December 2018	244,239,167	18,227,088	1,168,306	(483,440)	(86,984,254)	176,166,867	(10,254,621)	165,912,246

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(CONT'D)

	Share Capital RM	Fair Value Reserves RM	Accumulated Losses RM	Total Equity RM
Company				
At 1 January 2019	244,239,167	(483,440)	(106,870,517)	136,885,210
Net change in fair value of equity investments designated at fair value through other comprehensive income	-	773,504	-	773,504
Other comprehensive income for the financial year	-	773,504	-	773,504
Loss for the financial year	-	-	(2,324,763)	(2,324,763)
Total comprehensive income/(loss) for the financial year	-	773,504	(2,324,763)	(1,551,259)
At 31 December 2019	244,239,167	290,064	(109,195,280)	135,333,951
At 1 January 2018	244,239,167	3,625,800	(101,921,844)	145,943,123
Net change in fair value of equity investments designated at fair value through other comprehensive income	-	(4,109,240)	-	(4,109,240)
Other comprehensive loss for the financial year	-	(4,109,240)	-	(4,109,240)
Loss for the financial year	-	-	(4,948,673)	(4,948,673)
Total comprehensive loss for the financial year	-	(4,109,240)	(4,948,673)	(9,057,913)
At 31 December 2018	244,239,167	(483,440)	(106,870,517)	136,885,210

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash Flows From Operating Activities				
(Loss)/Profit before tax	(7,926,366)	4,101,380	(2,326,485)	(4,851,311)
Adjustments for:				
Amortisation of prepaid lease payments	158,244	159,027	-	-
Depreciation of:				
- Property, plant and equipment	1,804,865	2,213,793	96,655	127,068
- Right-of-use assets	521,477	-	54,313	-
Inventories written down	124,849	122,546	-	-
Net impairment losses recognised/ (reversed) on:				
- Amount due from an associate	13,176	-	-	-
- Amount due from subsidiary companies	-	-	27,448	2,100,000
- Investment in subsidiary companies	-	-	547,401	-
- Investment properties	2,417,184	1,007,837	-	-
- Receivables	(76,131)	9,310	-	-
Net unrealised loss on foreign exchange	4,179	74,048	-	-
Property, plant and equipment written off	1,637	33,859	-	24,622
(Gain)/Loss on disposal of:				
- Financial assets at fair value through profit or loss	(3,177)	(9,557)	-	-
- Property, plant and equipment	98,515	31,412	(60)	-
Fair value adjustment of investment properties	-	(931,000)	-	-
Gain on fair value of financial assets at fair value through profit or loss	(3,901)	(4,345)	-	-
Gain on government acquisition	-	(10,179,787)	-	-
Reversal of over-accrued expenses	-	(8,098)	-	(8,098)
Write-back of liquidated ascertained damages	(3,314)	(39,969)	-	-
Gross dividend income from:				
- Subsidiary companies	-	-	(1,719,500)	-
- Others	(44,758)	(19,269)	(20,000)	(15,000)
Finance costs	1,244,138	1,377,316	673,130	695,208
Finance income on receivables	-	(170,000)	-	(170,000)
Interest income	(881,655)	(713,677)	(228,350)	(158,360)
	5,375,328	(7,046,554)	(568,963)	2,595,440
Operating loss before working capital changes carried down	(2,551,038)	(2,945,174)	(2,895,448)	(2,255,871)

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

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash Flows From Operating Activities (cont'd)				
Operating loss before working capital changes brought down	(2,551,038)	(2,945,174)	(2,895,448)	(2,255,871)
Changes in working capital:				
Property development costs	(836,887)	2,075,333	-	-
Inventories	1,729,593	2,137,194	-	-
Trade and other receivables	11,524,205	(4,540,536)	(1,548,782)	(5,658,914)
Trade and other payables	(2,309,373)	(2,430,612)	4,077,328	6,827,041
	10,107,538	(2,758,621)	2,528,546	1,168,127
Cash generated from/(used in) operations	7,556,500	(5,703,795)	(366,902)	(1,087,744)
Interest paid	(1,265,214)	(1,376,305)	(673,130)	(695,208)
Tax refund	376,340	-	105,612	-
Tax paid	(499,574)	(686,529)	-	-
Net cash from/(used in) operating activities	6,168,052	(7,766,629)	(934,420)	(1,782,952)
Cash Flows From Investing Activities				
Acquisition of land held for development	(720,786)	-	-	-
Addition of investment properties	(1,080,660)	(50,000)	-	-
Decrease in deposits with licensed banks with maturity more than 3 months	7,317,231	2,862,013	-	-
Expenditure on land held for property development	(242,169)	(447,143)	-	-
Interest received	906,398	743,710	228,350	158,612
Net dividend received	44,758	19,269	1,739,500	15,000
Proceeds from disposal of financial assets at fair value through profit or loss	4,394,980	5,898,732	-	-
Proceeds from disposal of property, plant and equipment	56,110	114,500	60	-
Purchase of financial assets at fair value through profit or loss	(8,391,625)	(5,469,269)	-	-
Purchase of property, plant and equipment	(1,746,454)	(757,741)	(220,518)	(55,212)
Purchase of right-of-use assets	(5,100)	-	-	-
Net cash from investing activities	532,683	2,914,071	1,747,392	118,400

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash Flows From Financing Activities				
Decrease/(Increase) in deposits and bank balances pledged with licensed banks	857,468	468,316	(8,372)	(7,630)
Drawdown of loans and borrowings	1,754,897	-	1,754,897	-
Payment of lease liabilities	(135,664)	-	(82,275)	-
Repayment of loans and borrowings	(3,686,858)	(1,613,224)	(1,080,000)	(990,000)
Repayment of finance lease liabilities	-	(282,456)	-	(79,460)
Net cash (used in)/from financing activities	(1,210,157)	(1,427,364)	584,250	(1,077,090)
Net (decrease)/increase in cash and cash equivalents	5,490,578	(6,279,922)	1,397,222	(2,741,642)
Effect of foreign translation differences on cash and cash equivalents	(54,858)	(40,242)	-	-
Cash and cash equivalents at the beginning of the financial year	3,758,984	10,079,148	(880,413)	1,861,229
Cash and cash equivalents at the end of the financial year	9,194,704	3,758,984	516,809	(880,413)
Cash and cash equivalents at the end of the financial year comprises:				
Fixed deposits with licensed banks	2,640,152	9,688,651	258,252	-
Cash and bank balances	11,716,098	8,997,989	519,820	369,375
Bank overdrafts	(208,970)	(1,800,381)	(11)	(996,908)
	14,147,280	16,886,259	778,061	(627,533)
Less: Deposits with licensed banks with maturity more than 3 months	(2,013,321)	(9,330,552)	-	-
Less: Deposits and bank balances pledged with licensed banks	(2,939,255)	(3,796,723)	(261,252)	(252,880)
Cash and cash equivalents	9,194,704	3,758,984	516,809	(880,413)

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

1. CORPORATE INFORMATION

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

The principal place of business of the Company is located at 15th Floor, Menara SMI, No. 6, Lorong P. Ramlee, 50250 Kuala Lumpur.

The registered office of the Company is located at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim.

The principal activities of the Company are those of property and investment holding, trading, property development and provision of management services. The principal activities of the subsidiary companies and associate are disclosed in Notes 9 and 10 respectively. There have been no significant changes in the nature of these activities of the Company, its subsidiary companies and associate during the financial year.

2. BASIS OF PREPARATION

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 and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following new standards and amendments to standards issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRSs 2015 - 2017 Cycle:	
• Amendments to MFRS 3	
• Amendments to MFRS 11	
• Amendments to MFRS 112	
• Amendments to MFRS 123	

2. BASIS OF PREPARATION (CONT'D)

2.1 Statement of compliance (cont'd)

Adoption of new and amended standards (cont'd)

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company, except for:

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede 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*.

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 *Leases* are no longer required. MFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use ("ROU") asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the ROU asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statements of cash flows.

The ROU asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

The Group has also applied the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- Applied a single discount rate to portfolio of leases with reasonably similar characteristics.
- The Group does not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- No adjustments are made on transition for leases for which the underlying assets are of low value.
- Excluded initial direct costs from measuring the ROU assets at the date of initial application.
- The Group uses hindsight in determining lease terms for contracts that contain options for extension or termination.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.1 Statement of compliance (cont'd)

Adoption of new and amended standards (cont'd)

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company, except for: (cont'd)

MFRS 16 *Leases* (cont'd)

As a result, the leasehold land and building and leased motor vehicles under property, plant and equipment classification have been reclassified to ROU assets on 1 January 2019 for the Group and for the Company respectively.

Impact arising from the adoption of MFRS 16 on the financial statements of the Group and of the Company are as follows:

Statements of Financial Position

	As at 31.12.2018 RM	Effect on adoption of MFRS 16 RM	As at 1.1.2019 RM
Group			
Non-Current Assets			
Property, plant and equipment	14,809,569	(5,578,558)	9,231,011
Right-of-use assets	-	5,578,558	5,578,558
Non-Current Liabilities			
Loans and borrowings:			
- Finance lease liabilities	172,936	(172,936)	-
- Lease liabilities	-	172,936	172,936
Current Liabilities			
Loans and borrowings:			
- Finance lease liabilities	135,664	(135,664)	-
- Lease liabilities	-	135,664	135,664

2. BASIS OF PREPARATION (CONT'D)

2.1 Statement of compliance (cont'd)

Adoption of new and amended standards (cont'd)

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company, except for: (cont'd)

MFRS 16 *Leases* (cont'd)

Impact arising from the adoption of MFRS 16 on the financial statements of the Group and of the Company are as follows: (cont'd)

Statements of Financial Position (cont'd)

	As at 31.12.2018 RM	Effect on adoption of MFRS 16 RM	As at 1.1.2019 RM
Company			
Non-Current Assets			
Property, plant and equipment	543,347	(368,123)	175,224
Right-of-use assets	-	368,123	368,123
Non-Current Liabilities			
Loans and borrowings:			
- Finance lease liabilities	136,024	(136,024)	-
- Lease liabilities	-	136,024	136,024
Current Liabilities			
Loans and borrowings:			
- Finance lease liabilities	82,276	(82,276)	-
- Lease liabilities	-	82,276	82,276

The following table explains the differences between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statements of financial position at 1 January 2019.

	Group RM	Company RM
Operating lease commitment as at 31 December 2018	436,730	-
Add: Transfer from finance lease obligation upon initial application of MFRS 16	308,600	218,300
Less: Short-term leases recognised on a straight-line as expenses	(436,730)	-
Lease liabilities recognised as at 1 January 2019	308,600	218,300

The weighted average incremental borrowing rate applied to lease liabilities for the Group and the Company on 1 January 2019 were 3.84% and 3.46% respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.1 Statement of compliance (cont'd)

Standards issued but not yet effective

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
Amendments to MFRS 16	Covid-19 - Related Rent Concessions	1 June 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendements to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRSs Standards 2018 - 2020: • Amendments to MFRS 1 • Amendements to MFRS 9 • Amendments to MFRS 16 • Amendments to MFRS 141		1 January 2022
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new standards and amendments to standards, if applicable, when they become effective.

The initial application of the above-mentioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Group and of the Company.

2.2 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

<u>Determining the lease term of contracts with renewal options - the Group as lessee</u>

The Group determines the lease term with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether to exercise the option to renew the lease. It considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group includes the renewal period as part of the lease term for such leases. The Group typically exercises its option to renew for those leases with renewal option.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

(i) Useful lives of property, plant and equipment and right-of-use ("ROU") assets

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amounts at the reporting date for property, plant and equipment and ROU assets are disclosed in Notes 4 and 5 respectively.

(ii) Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialist to assess fair value for investment properties. Valuation was based on the comparison approach where the comparison approach entails critical analysis of recent evidence of value of comparable properties in the neighborhood and making adjustments for differences.

The key assumptions used to determine the fair value of the investment properties are disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.3 Significant accounting judgements, estimates and assumptions (cont'd)

Key sources of estimation uncertainty (cont'd)

(iii) Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8.

(iv) Impairment of investment in subsidiary companies

The Company reviews its investment in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investment in subsidiary companies is disclosed in Note 9.

(v) Provision for expected credit loss of financial assets at amortised cost

The Group uses a provision matrix to calculate expected credit loss for trade receivables. The provision rates are based on number of days past due.

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. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. Information about the expected credit loss is disclosed in Note 13.

(vi) Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement, the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods and rendering of services are based on invoiced values. Discounts are not considered as they are only given in rare circumstances.

2. BASIS OF PREPARATION (CONT'D)

2.3 Significant accounting judgements, estimates and assumptions (cont'd)

Key sources of estimation uncertainty (cont'd)

(vii) Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

(viii) Revenue from property development activities

Revenue is recognised when the control of the asset is transferred to the customers and, depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, the Group recognises property development revenue and costs over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measure based on the proportion of property development costs incurred for work performed up to end of the reporting period as a percentage of the estimated total property development costs of the contract.

Significant judgement is used to estimate these total property development costs to complete the contracts. In making these estimates, management relies on past experience, the work of specialists and a continuous monitoring mechanism.

The carrying amount of assets and liabilities of the Group arising from property development activities are disclosed in Notes 8 and 20(e) respectively.

(ix) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other 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. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 19.

(x) Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.3 Significant accounting judgements, estimates and assumptions (cont'd)

Key sources of estimation uncertainty (cont'd)

(xi) Income taxes

Judgement is involved in determining the 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 recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 December 2019, the Group has tax recoverable of RM271,592 (2018: RM925,699) and tax payable of RM186,612 (2018: RM25,019) respectively. As at 31 December 2019, the Company has tax recoverable of RMNil (2018: RM103,890).

(xii) Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 31(c) regarding financial assets and liabilities. In applying the valuation techniques, 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 pricing the instrument. Where applicable data is not observable, 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 period.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 *Financial Instruments* either in profit or loss or other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investment in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3.14(i) on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions i.e. transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3.14(i) on impairment of non-financial assets.

3.2 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

On acquisition of an investment in an associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate. Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

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

The requirements of MFRS 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Investment in associates (cont'd)

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

In the Company's separate financial statements, investment in associates are stated at cost less accumulated impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3.14(i) on impairment of non-financial assets.

3.3 Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2018 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Foreign currency translation (cont'd)

(ii) Foreign operations (cont'd)

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3.14(i) on impairment of non-financial assets.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing 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.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing 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.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

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.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold building	2%
Office furniture and equipment	8% - 20%
Renovations	15% - 50%
Plant and machinery	6% - 50%
Computer hardware and software	10% - 25%
Tools and implements	10% - 15%
Motor vehicles	10% - 20%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period 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 property, plant and equipment.

Leasehold land and building

The above accounting policies for property, plant and equipment applies to leasehold land and building until 31 December 2018. The leasehold land and building was depreciated over the remaining lease period.

Following the adoption of MFRS 16 *Leases* on 1 January 2019, the Group has reclassified the carrying amount of the leasehold land and building to ROU assets. The policy of recognition and measurement of the ROU assets is in accordance with Note 3.5.

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases

Policy applicable from 1 January 2019

(a) As lessee

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

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3.14(i) on impairment of non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold land and building	Over the remaining lease period
Motor vehicles	10% - 20% or over the lease term, if shorter

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

Policy applicable from 1 January 2019 (cont'd)

(b) As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts* with Customers to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statements of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". 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.

Policy applicable before 1 January 2019

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 assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

<u>As lessee</u>

(i) Finance lease

Leases in terms of which the Group or the Company 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. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

Policy applicable before 1 January 2019 (cont'd)

As lessee (cont'd)

(ii) 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 and measured using fair value model.

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 which in substance is an operating lease is classified as prepaid lease payments.

As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.6 Investment properties

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

Investment properties are measured initially at cost including transaction costs. Subsequently, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise. 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.

Cost includes expenditure that is 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 expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Investment properties (cont'd)

Investment properties are valued by independent professionally qualified valuers, having appropriate recognised professional qualifications and recent experience in the locations and segments of the investment properties valued. The management team reviewed and discussed the valuations, including valuation processes, performed by the independent valuers for financial reporting purposes.

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 reporting period 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 change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.7 Financial assets

Recognition and initial measurement

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial asset categories and subsequent measurement

The Group and the Company determine the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company change its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

(a) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial assets (cont'd)

Financial asset categories and subsequent measurement (cont'd)

(a) Financial assets at amortised cost (cont'd)

Financial assets at amortised cost are subsequently measured using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain and loss on derecognition is recognised in profit or loss.

The Group's and the Company's financial assets at amortised cost comprise trade and other receivables and deposits, bank and cash balances.

(b) Financial assets at fair value through other comprehensive income ("FVTOCI")

(i) Debt investments

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The debt investment is not designated as at FVTPL. Interest income calculated using effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income.

On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(ii) Equity investments

This category comprises investment in equity investment that is not held for trading. The Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represent a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income.

On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

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

All financial assets not classified as measured at amortised cost or FVTOCI, as described above are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial assets (cont'd)

(c) Financial assets at fair value through profit or loss ("FVTPL") (cont'd)

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income are recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment as disclosed in Note 3.14(ii) in impairment of financial assets.

Regular way purchase or sale of financial assets

Regular way purchase or sale is purchase or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchase or sale of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to receive cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial assets and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

3.8 Financial liabilities

Recognition and initial measurement

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

At initial recognition, the Group and the Company measure a financial liability at its fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments.

Financial liability categories and subsequent measurement

The subsequent measurement of financial liabilities depends on their classification are as follows:

(a) Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

The Group and the Company have not designated any financial liabilities at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial liabilities (cont'd)

Financial liability categories and subsequent measurement (cont'd)

(b) Financial liabilities at amortised cost

Other financial liabilities not categorised as FVTPL are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

The Group's and the Company's financial liabilities designated as amortised cost comprise trade and other payables and loans and borrowings.

Derecognition

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.9 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is 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.

3.10 Intangible assets

(i) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(ii) Derecognition of intangible assets

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

See accounting policy Note 3.14(i) on impairment of non-financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Inventories

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

(i) Land held for property development

Land held for property development consists of purchase price of land, professional fees, stamp duties, commissions, conversion fees, other relevant levies and direct development cost incurred in preparing the land for development.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale. If net realisable value cannot be determined reliably, these inventories will be stated at the lower of cost or fair value less costs of disposal. Fair value is the amount the inventory can be sold in an arm's length transaction.

Land held for property development for which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle, is classified as non-current asset.

Land held for property development is transferred to property development costs under current assets when development activities have commenced and are expected to be completed within the normal operating cycle.

(ii) Property under development and completed properties

Property under development consists of the cost of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities, including common costs such as the cost of constructing mandatory infrastructure, amenities and affordable houses (net of estimated approved selling prices) and other related costs. The asset is subsequently recognised as an expense in profit or loss when and as the control of the asset is transferred to the customer.

Property development costs attributable to unsold properties, upon completion, are transferred to completed properties held for sale.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable selling expenses. Cost is determined on a specific identification basis.

(iii) Other inventories

Raw materials, work-in-progress, finished goods and completed properties are stated at the lower of cost and net realisable value.

Cost of raw materials comprises cost of purchase and other costs incurred in bringing it to their present location and conditions are determined on a first-in-first- out basis. Cost of work-in-progress and finished goods consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity) are stated on a first-in-first-out basis.

The cost of completed properties includes costs of land and related development cost or its purchase costs and incidental cost of acquisition.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Inventories (cont'd)

(iii) Other inventories (cont'd)

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.12 Contract assets and contract liabilities

Contract assets represent the Group's right to consideration in exchange for goods or services that the Group has transferred to the customers. Contract assets are subjected to impairment in accordance with MFRS 9 *Financial Instruments*. The contract assets of the Group is the excess of cumulative revenue earned over the billings to-date. Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

Contract liabilities represent the Group's obligation to transfer goods or services to customers for which the Group has received the consideration or has billed to the customer. The contract liabilities of the Group is the excess of billings to-date over the cumulative revenue earned. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3.14 Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Impairment of assets (cont'd)

(i) Non-financial assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the 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 or amortisation, had no impairment loss been recognised for 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.

(ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade and other receivables and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience to the debtors and the economic environment.

3.15 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period 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. Short-term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

3.17 Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from the following major sources:

(a) Revenue from property development

The Group recognises revenue from property development over time when control over the property has been transferred to the customers. The properties have no alternative use to the Group due to contractual restriction and the Group has an enforceable right to payment for performance completed to date. Revenue from property development is measured at the fixed transaction price agreed under the sales and purchase agreement.

Revenue is recognised over the period of the contract using input method (or cost-to-cost method) to measure the progress towards complete satisfaction of the performance obligations under the sale and purchase agreement, i.e. based on the proportion of property development costs incurred for work performed up to the end of the reporting period as a percentage of the estimated total costs of development of the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Revenue recognition (cont'd)

(i) Revenue from contracts with customers (cont'd)

The Group recognises revenue from the following major sources: (cont'd)

(a) Revenue from property development (cont'd)

The Group becomes entitled to invoice customers for construction of promised properties based on achieving a series of performance-related milestones (i.e. progress billing). The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress billing exceeds the revenue recognised to date, the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in contracts with customers as the period between the recognition of revenue and the progress billing is always less than one year.

Revenue from sales of completed properties is recognised at a point in time, being when the control of the properties has been passed to the purchasers. And, it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the properties sold.

(b) Sales of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(c) Rendering of services

Revenue from rendering of services and management fee are recognised in the reporting period in which the services are rendered, which simultaneously received and consumes the benefits provided by the Group, and the Group has a present right to payment for the services.

(ii) Rental income

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

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(iv) Interest Income

Interest income is recognised on accruals basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss 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.

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.

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

3.19 Income taxes

Tax expense in profit or loss comprises current and deferred tax. 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.

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

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. For investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts 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 not discounted.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Income taxes (cont'd)

Unutilised reinvestment 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.

3.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment makes strategic decisions based on operating segments' results. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

3.21 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised, when appropriate, the cumulative amount of the income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

3.22 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or 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 assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Buildings on freehold land RM	Leasehold land and building RM	Office furniture and equipment RM	Renovations RM	Plant and machinery RM	Computer hardware and software RM	Tools and implements RM	Motor vehicles RM	Total RM
Group										
31.12.2019										
Cost										
At 1 January 2019, as previous reported	790,000	130,000	8,542,011	1,804,286	2,741,599	32,703,686	821,850	535,364	4,234,964	52,303,760
Effect on adoption of MFRS 16 (Note 2.1)	-	-	(8,542,011)	-	-	-	-	-	(855,026)	(9,397,037)
At 1 January 2019, as restated	790,000	130,000	-	1,804,286	2,741,599	32,703,686	821,850	535,364	3,379,938	42,906,723
Additions	-	-	-	52,627	363,697	1,282,471	9,129	38,530	-	1,746,454
Written off	-	-	-	(116,499)	(486)	(41,143)	(41,824)	(15,040)	-	(214,992)
Disposals	-	-	-	(2,000)	-	(121,000)	-	-	(452,982)	(575,982)
Foreign currency translation differences	-	-	-	(1,354)	(1,157)	(64)	(315)	-	(3,657)	(6,547)
At 31 December 2019	790,000	130,000	-	1,737,060	3,103,653	33,823,950	788,840	558,854	2,923,299	43,855,656

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

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

	Freehold land RM	Buildings on freehold land RM	Leasehold land and building RM	Office furniture and equipment RM	Renovations RM	Plant and machinery RM	Computer hardware and software RM	Tools and implements RM	Motor vehicles RM	Total RM
Group										
31.12.2019										
Accumulated depreciation										
At 1 January 2019, as previous reported	-	5,200	3,505,771	1,638,277	2,541,392	25,350,960	760,202	523,538	3,168,851	37,494,191
Effect on adoption of MFRS 16 (Note 2.1)	-	-	(3,505,771)	-	-	-	-	-	(312,708)	(3,818,479)
At 1 January 2019, as restated	-	5,200	-	1,638,277	2,541,392	25,350,960	760,202	523,538	2,856,143	33,675,712
Charge for the financial year	-	2,600	-	64,638	168,653	1,399,057	27,697	9,944	132,276	1,804,865
Written off	-	-	-	(114,864)	(486)	(41,143)	(41,822)	(15,040)	-	(213,355)
Disposals	-	-	-	(2,000)	-	(104,363)	-	-	(314,994)	(421,357)
Foreign currency translation differences	-	-	-	(1,351)	(1,156)	(63)	(315)	-	(3,693)	(6,578)
At 31 December 2019	-	7,800	-	1,584,700	2,708,403	26,604,448	745,762	518,442	2,669,732	34,839,287
Carrying amount										
At 31 December 2019	790,000	122,200	-	152,360	395,250	7,219,502	43,078	40,412	253,567	9,016,369

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

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

	Freehold land RM	Buildings on freehold land RM	Leasehold land and building RM	Office furniture and equipment RM	Renovations RM	Plant and machinery RM	Computer hardware and software RM	Tools and implements RM	Motor vehicles RM	Total RM
Group										
31.12.2018										
Cost										
At 1 January 2018	790,000	130,000	8,535,211	1,781,770	2,817,217	32,954,520	777,784	598,614	4,945,760	53,330,876
Additions	-	-	6,800	37,846	-	655,763	57,332	-	-	757,741
Written off	-	-	-	(18,896)	(79,944)	(805,679)	(13,581)	(63,250)	-	(981,350)
Disposals	-	-	-	-	-	(100,850)	-	-	(724,477)	(825,327)
Foreign currency translation differences	-	-	-	3,566	4,326	(68)	315	-	13,681	21,820
At 31 December 2018	790,000	130,000	8,542,011	1,804,286	2,741,599	32,703,686	821,850	535,364	4,234,964	52,303,760
Accumulated depreciation										
At 1 January 2018	-	2,600	3,061,546	1,580,853	2,479,561	25,068,665	717,162	578,770	3,398,394	36,887,551
Charge for the financial year	-	2,600	444,225	67,071	116,997	1,171,131	56,352	8,018	347,399	2,213,793
Written off	-	-	-	(13,194)	(59,492)	(797,974)	(13,581)	(63,250)	-	(947,491)
Disposals	-	-	-	-	-	(90,796)	-	-	(588,619)	(679,415)
Foreign currency translation differences	-	-	-	3,547	4,326	(66)	269	-	11,677	19,753
At 31 December 2018	-	5,200	3,505,771	1,638,277	2,541,392	25,350,960	760,202	523,538	3,168,851	37,494,191
Carrying amount										
At 31 December 2018	790,000	124,800	5,036,240	166,009	200,207	7,352,726	61,648	11,826	1,066,113	14,809,569

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

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

	Office furniture and equipment RM	Renovations RM	Plant and machinery RM	Computer hardware and software RM	Motor vehicles RM	Total RM
Company						
2019						
Cost						
At 1 January 2019, as previously reported	675,982	1,830,158	9,300	176,654	870,513	3,562,607
Effect on adoption of MFRS 16 (Note 2.1)	-	-	-	-	(603,480)	(603,480)
At 1 January 2019, as restated	675,982	1,830,158	9,300	176,654	267,033	2,959,127
Additions	11,698	208,820	-	-	-	220,518
Written off	(4,855)	(486)	-	(27,492)	-	(32,833)
Disposal	(550)	-	-	-	-	(550)
At 31 December 2019	682,275	2,038,492	9,300	149,162	267,033	3,146,262
Accumulated depreciation						
At 1 January 2019, as previously reported	639,029	1,800,713	9,300	142,597	427,621	3,019,260
Effect on adoption of MFRS 16 (Note 2.1)	-	-	-	-	(235,357)	(235,357)
At 1 January 2019, as restated	639,029	1,800,713	9,300	142,597	192,264	2,783,903
Charge for the financial year	14,996	43,653	-	13,973	24,033	96,655
Written off	(4,855)	(486)	-	(27,492)	-	(32,833)
Disposal	(550)	-	-	-	-	(550)
At 31 December 2019	648,620	1,843,880	9,300	129,078	216,297	2,847,175
Carrying amount						
At 31 December 2019	33,655	194,612	-	20,084	50,736	299,087

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

	Office furniture and equipment RM	Renovations RM	Plant and machinery RM	Computer hardware and software RM	Motor vehicles RM	Total RM
Company						
2018						
Cost						
At 1 January 2018	664,270	1,910,102	9,300	139,766	870,513	3,593,951
Additions	18,324	-	-	36,888	-	55,212
Written off	(6,612)	(79,944)	-	-	-	(86,556)
At 31 December 2018	675,982	1,830,158	9,300	176,654	870,513	3,562,607
Accumulated depreciation						
At 1 January 2018	623,596	1,844,977	9,300	126,978	349,275	2,954,126
Charge for the financial year	17,875	15,228	-	15,619	78,346	127,068
Written off	(2,442)	(59,492)	-	-	-	(61,934)
At 31 December 2018	639,029	1,800,713	9,300	142,597	427,621	3,019,260
Carrying amount						
At 31 December 2018	36,953	29,445	-	34,057	442,892	543,347

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

(a) Leasehold land and building of a subsidiary company was revalued by the Directors based on an independent professional valuation revised by the government valuer in year 1983 based on an open market value basis.

As allowed by the transitional provisions of the MASB Approved Accounting Standard IAS 16 (Revised): *Property, Plant and Equipment*, this asset continue to be stated at its 1983 valuation less accumulated depreciation and impairment loss.

Had the leasehold land and building been carried at historical cost less accumulated depreciation, the carrying amounts of the revalued asset that would have been included in the financial statements at the end of the reporting period was RM764 (2018: RM834).

As at 31 December 2018, the remaining period of the leasehold land and building are 12 years.

Following the adoption of MFRS 16 on 1 January 2019, the Group has reclassified the carrying amount of leasehold land and building to ROU assets as disclosed in Note 5.

(b) Asset pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group pledged as securities for bank borrowings as disclosed in Note 18(a)(i) are:

	Group	
	2019	2018
	RM	RM
Freehold land and building	912,200	914,800
Leasehold land and building	-	5,036,240
Plant and machinery	6,421,011	7,352,678
Office furniture and equipment, computer hardware and software	58,754	67,452
Tools and implements	40,412	11,827
Motor vehicles	94,373	120,507
	7,526,750	13,503,504

(c) Assets held under finance leases

As at 31 December 2018, the carrying amount of leased motor vehicles of the Group and of the Company was RM542,318 and RM368,123 respectively. Leased assets are pledged as security for the related finance lease liabilities.

Following the adoption of MFRS 16 on 1 January 2019, the Group has reclassified the carrying amount of leased assets to ROU assets as disclosed in Note 5.

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5. RIGHT-OF-USE ASSETS

	Leasehold land and building RM	Motor vehicles RM	Total RM
Group			
Cost			
At 1 January 2019, as previously reported	-	-	-
Effect on adoption of MFRS 16 (Note 2.1)	8,542,011	855,026	9,397,037
At 1 January 2019, as restated	8,542,011	855,026	9,397,037
Additions	5,100	-	5,100
At 31 December 2019	8,547,111	855,026	9,402,137
Accumulated depreciation			
At 1 January 2019, as previously reported	-	-	-
Effect on adoption of MFRS 16 (Note 2.1)	3,505,771	312,708	3,818,479
At 1 January 2019, as restated	3,505,771	312,708	3,818,479
Charge for the financial year	444,525	76,952	521,477
At 31 December 2019	3,950,296	389,660	4,339,956
Carrying amount			
At 31 December 2019	4,596,815	465,366	5,062,181

	Motor vehicles RM
Company	
Cost	
At 1 January 2019, as previously reported	-
Effect on adoption of MFRS 16 (Note 2.1)	603,480
At 1 January 2019, as restated/31 December 2019	603,480
Accumulated depreciation	
At 1 January 2019, as previously reported	-
Effect on adoption of MFRS 16 (Note 2.1)	235,357
At 1 January 2019, as restated	235,357
Charge for the financial year	54,313
At 31 December 2019	289,670
Carrying amount	
At 31 December 2019	313,810

5. RIGHT-OF-USE ASSETS (CONT'D)

Leasehold land and building of the Group with carrying amount of RM4,596,815 are pledged as securities for bank borrowings as disclosed in Note 18 (a)(ii). The remaining period of the leasehold land and building are 11 years.

Motor vehicles of the Group and of the Company with carrying amount of RM465,366 and RM313,810 respectively are pledged as securities for the related lease liabilities.

6. PREPAID LEASE PAYMENTS

	Group	
	2019	**2018**
	RM	**RM**
Cost		
At 1 January	3,498,588	3,599,167
Foreign currency translation differences	(93,536)	(100,579)
Written off	(3,405,052)	-
At 31 December	-	3,498,588
Accumulated amortisation		
At 1 January	3,339,561	3,271,970
Amortisation for the financial year	158,244	159,027
Foreign currency translation differences	(92,753)	(91,436)
Written off	(3,405,052)	-
At 31 December	-	3,339,561
Carrying amount		
At 31 December	-	159,027

Amortisation profile of the prepaid lease payments is as follows:

	Group	
	2019	**2018**
	RM	**RM**
Within one year	-	159,027

Prepaid lease payments represent up-front payments made by the Group for leasehold land with remaining period of Nil (2018: 1 year).

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7. INVESTMENT PROPERTIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At fair value				
Freehold property				
At 1 January/31 December	30,000,000	30,000,000	30,000,000	30,000,000
Leasehold properties				
At 1 January	56,561,088	58,191,306	235,000	235,000
Addition	1,080,660	50,000	-	-
Disposal	-	(1,519,000)	-	-
Fair value adjustment	-	931,000	-	-
Foreign currency translation differences	(6,607)	(84,381)	-	-
Impairment loss of investment properties	(2,417,184)	(1,007,837)	-	-
At 31 December	55,217,957	56,561,088	235,000	235,000
Carrying amount				
At 31 December	85,217,957	86,561,088	30,235,000	30,235,000

(a) The freehold investment property of the Group and of the Company with carrying amount of RM30,000,000 (2018: RM30,000,000) was revalued by an independent firm of professional valuers on 31 December 2019. The independent professional qualified valuers hold recognised relevant professional qualifications and have recent experience in the locations and category of the investment properties being valued. The fair value measurements of the investment properties are based on the highest and best use, which does not differ from their actual use. In the previous financial year, the fair value was determined based on the comparison approach that entails analysis of recent evidence of value of comparable properties in the neighbourhood and making adjustments for differences. The fair value is within level 2 of the fair value hierarchy. During the financial year, the Company has revised its valuation technique for the investment properties to investment approach. The revised valuation technique uses significant unobservable inputs. Accordingly, the fair value measurement was reclassified to level 3.

The following table shows the valuation techniques used in the determination of fair value within level 3, as well as the significant unobservable inputs used in the valuation model.

Property category	Valuation technique	Significant unobservable inputs	Range 31.12.2019	Inter-relationship
Office building	Investment method	Estimated rental (RM/psf/month)	3.50 - 5.50	Higher the estimated rental, higher the fair value
		Capitalisation rate (%)	5.75 - 6.00	Higher the range of inputs, lower the fair value
		Void rate (%)	5.00	Higher the range of inputs, lower the fair value

The freehold investment property is pledged to a licensed bank for credit facility granted to the Company as disclosed in Note 18(a)(iii).

7. INVESTMENT PROPERTIES (CONT'D)

(b) The fair value of certain leasehold investment properties of the Group and of the Company with carrying amount of RM1,484,157 and RM235,000 (2018: RM2,827,288 and RM235,000) respectively was estimated by the Directors based on internal appraisal of market values of comparable properties. The remaining lease period range from 62 years to 76 years (2018: 1 year to 77 years). The fair value are within level 3 of the fair value hierarchy.

The leasehold investment properties of the Group with carrying amount of RM53,733,800 (2018: RM53,733,800) was revalued by an independent firm of professional valuers on 31 December 2019. The independent professional qualified valuers hold recognised relevant professional qualifications and have recent experience in the locations and category of the investment properties being valued. The fair value is within level 2 of the fair value hierarchy. The fair value was determined based on the comparison approach that entails critical analysis of recent evidence of value of comparable properties in the neighbourhood and making adjustments for differences.

There were no transfers between levels during current and previous financial year.

Leasehold properties of the Group with carrying amount of RM32,875,500 (2018: RM32,875,500) is pledged to a licensed bank for credit facility granted to the Company as disclosed in Note 18(a)(iii).

(c) The following income and expenses are recognised in profit or loss in respect of investment properties:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Rental and car park income	6,422,484	6,820,949	1,524,928	1,900,215
Direct operating expenses	(4,202,963)	(3,556,475)	(1,106,896)	(1,010,518)
	2,219,521	3,264,474	418,032	889,697

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(CONT'D)

8. INVENTORIES

	Note	Group 2019 RM	Group 2018 RM
Non-current			
Land held for property development	(a)	8,521,444	10,060,058
Current			
Land and property development costs	(b)	5,816,105	4,302,919
Completed properties	(c)	4,272,087	3,532,783
Other inventories	(d)	7,144,419	7,912,895
		17,232,611	15,748,597

(a) Land held for property development

	Note	Group 2019 RM	Group 2018 RM
Non-current			
Leasehold land			
At 1 January		7,708,447	8,125,670
Addition during the financial year		720,786	-
Transferred to land and property development costs	8(b)	(2,261,483)	(417,223)
At 31 December		6,167,750	7,708,447
Development costs			
At 1 January		2,351,611	2,123,148
Addition during the financial year		242,169	447,143
Transferred to land and property development costs	8(b)	(240,086)	(218,680)
At 31 December		2,353,694	2,351,611
Total land held for property development		8,521,444	10,060,058

Land held for property development of the Group with an amount of RM3,366,184 (2018: RM5,572,404) are pledged to licensed banks for credit facilities granted to a subsidiary company as disclosed in Note 18(a)(iv).

The finance costs capitalised to land held for property development amounted to RM140,268 (2018: RM244,501) is incurred during the financial year.

8. INVENTORIES (CONT'D)

(b) Land and property development costs

	Note	Group 2019 RM	Group 2018 RM
Current			
Freehold land, at cost			
At 1 January		-	130,930
Reversal of completed projects		-	(130,930)
At 31 December		-	-
Long-term leasehold land, at cost			
At 1 January		2,901,510	3,134,043
Transferred from land held for property development	8(a)	2,261,483	417,223
Reversal of completed projects		(2,415,156)	(649,756)
At 31 December		2,747,837	2,901,510
Cumulative property development costs			
At 1 January		13,366,974	14,136,083
Addition during the financial year		3,795,084	4,145,539
Transferred from land held for property development	8(a)	240,086	218,680
Transferred to completed properties	8(c)	(1,825,271)	(1,085,967)
Reversal of completed projects		(12,156,203)	(4,047,361)
At 31 December		3,420,670	13,366,974
Less: Cumulative costs recognised in profit or loss			
At 1 January		11,965,565	10,572,740
Recognised during the financial year		2,958,196	6,220,872
		14,923,761	16,793,612
Less: Completed projects		(14,571,359)	(4,828,047)
At 31 December		352,402	11,965,565
Total land and property development costs		5,816,105	4,302,919

The subsidiary company, Perantara Properties Sdn. Bhd. ("PPSB") jointly develops the Pinnacle Kelana Jaya Project with Terra Mirus Kelana Sdn. Bhd. ("Developer").

PPSB is responsible for the provision of the affected parcels of land for development and has agreed to the Developer undertaking development of the said land. The Developer is responsible for the development of this project based on the terms of a joint development agreement by providing the relevant technical, commercial, financial and management expertise in accordance with the approved development plans. PPSB is entitled to an agreed sum as specified in the joint development agreement.

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8. INVENTORIES (CONT'D)

(b) Land and property development costs (cont'd)

Property development costs of the Group with an amount of RM4,365,164 (2018: RM1,803,550) are pledged to licensed banks for credit facilities granted to a subsidiary company as disclosed in Note 18(a)(v).

The finance costs capitalised to property development costs of the Group amounted to RM102,503 (2018: RMNil) is incurred during the financial year.

(c) Completed properties

	Note	Group 2019 RM	Group 2018 RM
At cost			
At 1 January		3,532,783	2,446,816
Transfer from land and and property development costs	8(b)	1,825,271	1,085,967
Disposal during the financial year		(1,085,967)	-
At 31 December		4,272,087	3,532,783

(d) Other inventories

	Note	Group 2019 RM	Group 2018 RM
At cost			
Raw materials		896,017	1,284,123
Work-in-progress		2,587,249	2,490,274
Finished goods		3,556,857	2,628,969
		7,040,123	6,403,366
At net realisable value			
Work-in-progress		26,319	63,357
Finished goods		77,977	1,446,172
		7,144,419	7,912,895
Carrying amount of inventories pledged as security for credit facilities	18(a)(viii)	7,144,419	7,910,302
Recognised in profit or loss:			
Inventories recognised as cost of sales		38,029,644	40,741,229
Inventories written down		124,849	122,546

9. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

	Company 2019 RM	Company 2018 RM
In Malaysia		
Unquoted share, at cost	134,633,405	134,633,405
Less: Accumulated impairment losses	(70,587,401)	(70,040,000)
	64,046,004	64,593,405
Outside Malaysia		
Unquoted shares, at cost	3,282	3,282
	64,049,286	64,596,687

Movements in the allowance for impairment losses of investment in subsidiary companies are as follows:

	Company 2019 RM	Company 2018 RM
At 1 January	70,040,000	70,040,000
Impairment losses recognised	547,401	-
At 31 December	70,587,401	70,040,000

The impairment losses amounting to RM547,401 was recognised during the financial year in respect of the excess in the carrying amount of the investment in subsidiary companies over its estimated recoverable amount. The impairment losses was recognised in other operating expenses in the statements of profit or loss and other comprehensive income.

(b) Details of subsidiary companies are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
Direct holding:				
Anastoria Sdn. Bhd.*	Malaysia	100	100	Property development
Kam Kok Development Sdn. Bhd.*	Malaysia	100	100	Property development
Perantara Properties Sdn. Bhd.	Malaysia	100	100	Property development
SMI Cityhome Sdn. Bhd.	Malaysia	100	100	Property development
SMI Wire Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading of assorted wires
SMI Multi Zone Sdn. Bhd.	Malaysia	100	100	Car park management and operations
SMI Project Management Sdn. Bhd.	Malaysia	100	100	Dormant
South Malaysia Industries (Hong Kong) Ltd*	Hong Kong	100	100	Investment holding

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9. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Details of subsidiary companies are as follows: (cont'd)

Name of company	Place of business/ Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
Indirect holding:				
Held by Anastoria Sdn. Bhd.				
Limpah Murni Sdn. Bhd. *	Malaysia	100	100	Dormant
Held by SMI Cityhome Sdn. Bhd.				
Sejagat Tenaga Sdn. Bhd.*	Malaysia	100	100	Dormant
Held by South Malaysia Industries (Hong Kong) Ltd				
SMI Leisure and Entertainment Ltd ("SMILE")*	Hong Kong	60	60	Investment holding
Golden Fame Enterprises Ltd ("GFEL")*	Hong Kong	60	60	Dormant
Pacific Asia Development Inc.	British Virgin Island	100	100	Investment holding
Held by SMILE				
Hubei Smile Insun Entertainment Co., Ltd*	China	42	42	Leasing of premises
Shanghai Yonglian International Entertainment Co., Ltd*	China	60	60	Dormant
Shanghai Yinxin Film Entertainment Ltd*	China	39.6	39.6	Dormant

* *Subsidiary companies not audited by UHY*

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

9. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) The summarised financial information of subsidiary companies that have material non-controlling interests ("NCI") (amount before inter-companies elimination) are as follows:

	2019 SMILE Group	 GFEL Group	 Total
NCI percentage of ownership and voting interest	40%	40%	
	RM	**RM**	**RM**
Accumulated NCI	(11,597,313)	150,337	(11,446,976)
Loss allocated to NCI	(1,063,990)	(5,988)	(1,069,978)
Summarised Statement of Financial Position			
Total assets	2,129,538	58	2,129,596
Total liabilities	(78,524,006)	(4,940,681)	(83,464,687)
Net liabilities	(76,394,468)	(4,940,623)	(81,335,091)
Equity attributable to:			
Owner of the parent	(73,318,958)	(4,940,622)	(78,259,580)
Non-controlling interests	(3,075,510)	-	(3,075,510)
Summarised Statement of Profit or Loss and other comprehensive income			
Revenue	1,336,033	-	
Loss before tax	(2,608,818)	(14,971)	
Taxation	(51,157)	-	
Loss for the financial year	(2,659,975)	(14,971)	
Other comprehensive loss for the financial year	(122,377)	-	
Total comprehensive loss for the financial year	(2,782,352)	(14,971)	
Summarised Statement of Cash Flows			
Net cash used in operating activities	(549,582)	(867)	
Net cash from investing activities	42,557	-	
Net decrease in cash and cash equivalents	(507,025)	(867)	

NOTES TO THE FINANCIAL STATEMENTS
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9. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) The summarised financial information of subsidiary companies that have material non-controlling interests ("NCI") (amount before inter-companies elimination) are as follows: (cont'd)

	2018		
	SMILE Group	GFEL Group	Total
NCI percentage of ownership and voting interest	40%	40%	
	RM	**RM**	**RM**
Accumulated NCI	(10,411,686)	157,065	(10,254,621)
Loss allocated to NCI	(1,030,816)	(6,141)	(1,036,957)
Summarised Statement of Financial Position			
Total assets	4,611,189	929	4,612,118
Total liabilities	(78,733,207)	(4,951,254)	(83,684,461)
Net liabilities	(74,122,018)	(4,950,325)	(79,072,343)
Equity attributable to:			
Owner of the parent	(71,031,165)	(4,950,325)	(75,981,490)
Non-controlling interests	(3,090,853)	-	(3,090,853)
Summarised Statement of Profit or Loss and other comprehensive income			
Revenue	1,342,635	-	
Loss before tax	(2,521,542)	(15,352)	
Taxation	(55,498)	-	
Loss for the financial year	(2,577,040)	(15,352)	
Other comprehensive loss for the financial year	(563,406)	-	
Total comprehensive loss for the financial year	(3,140,446)	(15,352)	
Summarised Statement of Cash Flows			
Net cash from operating activities	449,722	501	
Net cash from investing activities	12,609	-	
Net increase in cash and cash equivalents	462,331	501	

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of repayment of loans and advances.

10. INVESTMENT IN AN ASSOCIATE

(a) Investment in an associate

	Group 2019 RM	Group 2018 RM
Unquoted shares, at cost		
Outside Malaysia	18,843	18,843
Less: Accumulated impairment losses	(18,843)	(18,843)
	-	-

(b) The associate and shareholding therein are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activity
Indirect holding:				
Held through South Malaysia Industries (Hong Kong) Ltd				
Priory Investments (Mauritius) Ltd *	Mauritius	50	50	Investment holding

** Associate not audited by UHY*

(c) The summarised financial information of the associate, not adjusted for the percentage held by the Company is as follows:

	Group 2019 RM	Group 2018 RM
Assets and liabilities		
Non-current assets	131,426	117,567
Non-current liabilities	50,293,303	50,800,406
Current liabilities	-	2,707
Total liabilities	50,293,303	50,803,113
Results		
Revenue	-	-
Profit for the financial year	10,145	41
Other comprehensive (loss)/income for the financial year	(15,062)	6,150
Total comprehensive (loss)/income for the financial year	(4,917)	6,191

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10. INVESTMENT IN AN ASSOCIATE (CONT'D)

(d) The unrecognised share of losses of the associate is as follows:

	Group	
	2019 RM	2018 RM
At 1 January	22,254,481	22,254,460
Share of loss during the financial year	5,072	21
At 31 December	22,259,553	22,254,481

11. OTHER INVESTMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-current				
At FVTOCI				
Quoted in Malaysia				
- Shares	6,284,720	5,559,560	6,284,720	5,559,560
- Loan stocks	3,045,672	2,900,640	3,045,672	2,900,640
- Warrants	386,752	483,440	386,752	483,440
Unquoted outside Malaysia				
- Shares	14,805,565	14,879,622	-	-
	24,522,709	23,823,262	9,717,144	8,943,640
At FVTPL				
Unquoted in Malaysia				
- Instruments	-	-	34,390,000	34,390,000
	24,522,709	23,823,262	44,107,144	43,333,640
Current				
At FVTPL				
Quoted in Malaysia				
- Unit trust	4,003,722	-	-	-

The Group, via its Hong Kong subsidiary company, has an investment in unquoted securities outside Malaysia, representing 14.7% equity interest in a company, whose activities among others include a mixed development project in Queenstown, New Zealand.

During the financial year, the Directors have reviewed the information received from the investee company concerned, including the latest financial information and updated information on property valuation by the investee company in the previous year and the latest progress of the development activities and are of the opinion that no further impairment is required as at 31 December 2019.

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12. INTANGIBLE ASSETS

	Group	
	2019 RM	2018 RM
Cost		
At 1 January/31 December	21,051,666	21,051,666
Less: Accumulated amortisation		
At 1 January/31 December	(21,051,666)	(21,051,666)
Carrying amount		
31 December	-	-

Intangible assets represent goodwill on consolidation, which has been fully amortised in the previous financial year.

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-current				
Other receivables (Note a)	728,297	1,318,767	728,297	1,318,767
Current				
Trade receivables (Note b)	28,703,308	27,380,716	229,407	984,114
Less: Accumulated impairment losses	(257,776)	(275,538)	-	-
	28,445,532	27,105,178	229,407	984,114
Other receivables (Note a)	2,662,861	16,763,627	9,759,560	9,167,544
Less: Accumulated impairment losses	(384,200)	(489,741)	(15,942)	(15,942)
	2,278,661	16,273,886	9,743,618	9,151,602
Deposits (Note c)	2,531,925	396,589	2,154,209	52,441
Prepayments	1,339,852	1,645,042	454,917	140,691
GST receivables	6,788	77,586	1,741	1,741
	6,157,226	18,393,103	12,354,485	9,346,475
Amount due from an associate (Note d)	21,106,629	21,093,453	-	-
Less: Accumulated impairment losses	(21,106,629)	(21,093,453)	-	-
	-	-	-	-

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13. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Amount due from subsidiary companies (Note e)	-	-	123,280,728	123,394,779
Less: Accumulated impairment losses	-	-	(114,401,659)	(114,374,211)
	-	-	8,879,069	9,020,568
Total trade and other receivables - current	34,602,758	45,498,281	21,462,961	19,351,157
Carrying amount of trade and other receivables pledged as security for credit facilities [Note 18(a)(viii)]	11,621,328	11,701,287	-	-

(a) Other receivables

Included in the other receivables of the Group amounting to RM2,528,297 (2018: RM3,118,767) are secured over the unquoted shares of third parties.

Movements in the allowance for impairment losses of other receivables are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January	489,741	489,741	15,942	15,942
Impairment losses reversed	(60,522)	-	-	-
Amount written off	(45,019)	-	-	-
At 31 December	384,200	489,741	15,942	15,942

Other 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.

(b) Trade receivables

Trade receivables are unsecured, non-interest bearing and are on 7 to 90 days (2018: 7 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in the trade receivables of the Group are amount due from stakeholders under Housing Development (Control and Licensing) Act, 1966 of RM489,026 (2018: RM134,440).

13. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Trade receivables (cont'd)

Movements in the allowance for impairment losses of trade receivables are as follows:

	Lifetime allowance RM	Credit impaired RM	Loss allowance RM
Group			
At 1 January 2019	247,101	28,437	275,538
Impairment losses reversed	(15,609)	-	(15,609)
Amount written off	(2,153)	-	(2,153)
At 31 December 2019	229,339	28,437	257,776
At 1 January 2018	-	31,814	31,814
Effect on adoption of MFRS 9	237,791	-	237,791
Impairment losses recognised	9,310	-	9,310
Amount written off	-	(3,377)	(3,377)
At 31 December 2018	247,101	28,437	275,538

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The ageing analysis of trade receivables as at the end of the reporting period are as follows:

	Gross amount RM	Loss allowance RM	Net amount RM
Group			
2019			
Not past due	6,236,183	(59,077)	6,177,106
Past due			
Less than 30 days	3,797,772	(82,121)	3,715,651
31 to 60 days	1,244,149	(40,779)	1,203,370
61 to 90 days	3,501,072	(30,275)	3,470,797
More than 90 days	13,895,695	(17,087)	13,878,608
	22,438,688	(170,262)	22,268,426
Credit impaired			
Individually impaired	28,437	(28,437)	-
	28,703,308	(257,776)	28,445,532

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13. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Trade receivables (cont'd)

The ageing analysis of trade receivables as at the end of the reporting period are as follows: (cont'd)

	Gross amount RM	Loss allowance RM	Net amount RM
Group			
2018			
Not past due	7,588,699	(69,184)	7,519,515
Past due			
Less than 30 days	3,720,902	(59,964)	3,660,938
31 to 60 days	1,784,422	(30,383)	1,754,039
61 to 90 days	671,185	(8,280)	662,905
More than 90 days	13,587,071	(79,290)	13,507,781
	19,763,580	(177,917)	19,585,663
Credit impaired			
Individually impaired	28,437	(28,437)	-
	27,380,716	(275,538)	27,105,178

	2019 RM	2018 RM
Company		
Neither past due nor impaired	48,760	563,432
Past due but not impaired		
Less than 30 days	83,013	402,483
31 to 60 days	85,673	18,199
61 to 90 days	11,961	-
	180,647	420,682
	229,407	984,114

Trade receivables that are neither past due nor individually impaired are creditworthy receivables with good payment records with the Group and the Company.

As at 31 December 2019, the trade receivables of the Group and of the Company amounting to RM22,268,426 (2018: RM19,585,663) and RM180,647 (2018: RM420,682) respectively were past due but not individually impaired. These relate to a number of customers for whom there is no recent history of default but slower repayment records.

13. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Trade receivables (cont'd)

The trade receivables of the Group that are individually assessed to be impaired amounting to RM28,437 (2018: RM28,437), related to customers that are in financial difficulties and have defaulted on payments. These balances are expected to be recovered through the debts recovery process.

(c) Deposits

As at 31 December 2019, included in the deposits of the Group and of the Company are deposits of RM2,100,000 and RM2,100,000 respectively paid to the vendors for the acquisition of equity shares as disclosed in Note 33.

(d) Amount due from an associate

This represents unsecured, non-interest bearing advances and repayable on demand.

Movements in the allowance for impairment losses of amount due from an associate are as follows:

	Group	
	2019 RM	2018 RM
At 1 January	21,093,453	21,093,453
Impairment losses recognised	13,176	-
At 31 December	21,106,629	21,093,453

(e) Amount due from subsidiary companies

This represents unsecured, non-interest bearing advances and repayable on demand.

Movements in the allowance for impairment losses of amount due from subsidiary companies are as follows:

	Company	
	2019 RM	2018 RM
At 1 January	114,374,211	112,274,211
Impairment losses recognised	27,448	2,100,000
At 31 December	114,401,659	114,374,211

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14. DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed deposits with licensed banks	2,640,152	9,688,651	258,252	-
Cash and bank balances	11,716,098	8,997,989	519,820	369,375
	14,356,250	18,686,640	778,072	369,375

Included in the cash and bank balances of the Group are cash held under Housing Development Accounts amounting to RM4,700,875 (2018: RM3,452,621) pursuant to Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

Deposits of the Group and of the Company have an average maturity period of 348 and 365 days (2018: 360 days and Nil) respectively.

Deposits and bank balances of the Group and of the Company amounting to RM2,939,255 (2018: RM3,796,723) and RM261,252 (2018: RM252,880) respectively are placed as collateral for bank borrowings granted to the Company and its subsidiary companies as disclosed in Note 18(a)(vi).

The weighted average effective interest rates are as follows:

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Deposits with licensed banks	3.70	3.69	3.10	-

15. Share Capital

	Group/Company			
	Number of shares		Amount	
	2019 Units	2018 Units	2019 RM	2018 RM
Issued and fully paid ordinary shares				
At 1 January/31 December	209,940,112	209,940,112	244,239,167	244,239,167

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

Included in the share capital of the Group and of the Company is share premium amounting to RM34,299,055 and RM34,299,055 respectively that was not utilised on or before its expiry date of 30 January 2019.

16. RESERVES

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Group					
Foreign currency translation reserves	(a)	18,287,080	18,227,088	-	-
Revaluation reserves	(b)	1,168,306	1,168,306	-	-
Fair value reserves	(c)	290,064	(483,440)	290,064	(483,440)
		19,745,450	18,911,954	290,064	(483,440)

The nature of reserves of the Group and of the Company are as follows:

(a) Foreign currency translation reserves

The foreign currency translation reserves represent exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company's presentation currency.

(b) Revaluation reserves

The revaluation reserves represent increases in the fair value of land and buildings, and decrease to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

(c) Fair value reserves

Fair value reserves represent the cumulative net change in the fair value of investment in securities measured at FVTOCI until they are derecognised or impaired.

17. NON-CONTROLLING INTERESTS

Earnings and losses of the subsidiary companies are attributed to the parent and the non-controlling interests, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attributable to non-controlling interests for prior years is not restated.

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18. LOANS AND BORROWINGS

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Secured					
Term loans	(a)	14,152,034	13,510,000	10,684,897	10,010,000
Bankers' acceptance	(a)	8,325,797	10,899,792	-	-
Bank overdrafts	(a)	208,970	1,800,381	11	996,908
Finance lease liabilities	(b)	-	308,600	-	218,300
Lease liabilities	(c)	172,936	-	136,025	-
		22,859,737	26,518,773	10,820,933	11,225,208
Non-current					
Secured:					
- Term loans	(a)	11,176,764	12,430,000	8,114,897	8,930,000
- Finance lease liabilities	(b)	-	172,936	-	136,024
- Lease liabilities	(c)	50,933	-	50,933	-
		11,227,697	12,602,936	8,165,830	9,066,024
Current					
Secured:					
- Term loans	(a)	2,975,270	1,080,000	2,570,000	1,080,000
- Bankers' acceptance	(a)	8,325,797	10,899,792	-	-
- Bank overdrafts	(a)	208,970	1,800,381	11	996,908
- Finance lease liabilities	(b)	-	135,664	-	82,276
- Lease liabilities	(c)	122,003	-	85,092	-
		11,632,040	13,915,837	2,655,103	2,159,184
		22,859,737	26,518,773	10,820,933	11,225,208

(a) Loans and borrowings

Loans and borrowings of the Group and of the Company are secured by the followings:

(i) legal charges over certain property, plant and equipment as disclosed in Note 4(b);
(ii) legal charges over certain right-of-use assets as disclosed in Note 5;
(iii) legal charges over certain investment properties as disclosed in Note 7(a) and 7(b);
(iv) legal charges over certain land held for property development as disclosed in Note 8(a);
(v) legal charges over certain property development costs as disclosed in Note 8(b);
(vi) certain deposits and bank balances as disclosed in Note 14;
(vii) certain rental proceeds;
(viii) a debenture over the entire assets of a subsidiary company; and
(ix) corporate guarantee by the Company.

18. LOANS AND BORROWINGS (CONT'D)

(a) Loans and borrowings (cont'd)

Summary of the carrying amount of the assets of the Group which are secured under the debenture over the assets of a subsidiary company is as follows:

	Group	
	2019	2018
	RM	RM
Property, plant and equipment	6,614,550	12,588,703
Right-of-use assets	4,596,815	-
Inventories	7,144,419	7,910,302
Trade and other receivables	11,621,328	11,701,287
Deposits, bank and cash balances	2,731,211	4,204,247
	32,708,323	36,404,539

Maturity profile of the term loans are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Within one year	2,975,270	1,080,000	2,570,000	1,080,000
Later than one year but not later than two years	3,159,489	1,967,778	2,724,897	1,740,000
Later than two years but not later than five years	6,886,635	6,913,944	5,390,000	5,584,000
Later than five years	1,130,640	3,548,278	-	1,606,000
	14,152,034	13,510,000	10,684,897	10,010,000

The weighted average effective interest rates per annum are as follows:

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Term loans	5.98	6.22	5.70	5.95
Bankers' acceptance	5.73	6.11	-	-
Bank overdrafts	8.08	8.19	7.75	7.85

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18. LOANS AND BORROWINGS (CONT'D)

(b) Finance lease liabilities

	Group 2018 RM	Company 2018 RM
Minimum lease payments		
Within one year	144,636	88,260
Later than one year but not later than two years	125,789	88,260
Later than two years but not later than five years	51,480	51,480
	321,905	228,000
Less: Future finance charges	(13,305)	(9,700)
Present value of minimum lease payments	308,600	218,300
Present value of minimum lease payments		
Within one year	135,664	82,276
Later than one year but not later than two years	122,003	85,092
Later than two years but not later than five years	50,933	50,932
	308,600	218,300
Analysed as:		
Repayable within twelve months	135,664	82,276
Repayable after twelve months	172,936	136,024
	308,600	218,300

In the previous financial year, the Group and the Company leases motor vehicles under finance lease as disclosed in Note 4(c). There are no restrictive covenants imposed by the lease agreement and no agreements have been entered into for contingent rental payments.

In the previous financial year, the weighted average effective interest rate per annum of the Group and of the Company is 3.84% and 3.46% respectively.

18. LOANS AND BORROWINGS (CONT'D)

(c) Lease liabilities

	Group 2019 RM	Company 2019 RM
At 1 January 2019, as previous reported	-	-
Effect on adoption of MFRS 16 (Note 2.1)	308,600	218,300
At 1 January 2019, as restated	308,600	218,300
Accretion of interest	8,972	5,985
Payment	(144,636)	(88,260)
At 31 December 2019	172,936	136,025
Presented as:		
Non-current	122,003	85,092
Current	50,933	50,933
	172,936	136,025

The maturity analysis of lease liabilities of the Group and of the Company at the end of the reporting period:

	Group 2019 RM	Company 2019 RM
Within one year	125,789	88,260
Later than one year but not later than two years	51,480	51,480
	177,269	139,740
Less: Future finance charges	(4,333)	(3,715)
Present value of lease liabilities	172,936	136,025

The Group leases land and building and motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

19. DEFERRED TAX LIABILITIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January	1,058,636	627,256	97,362	-
Recognised in profit or loss (Note 24)	(115,519)	431,380	-	97,362
At 31 December	943,117	1,058,636	97,362	97,362

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19. DEFERRED TAX LIABILITIES (CONT'D)

The net deferred tax liabilities and assets shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax liabilities	8,437,655	7,402,470	107,970	102,412
Deferred tax assets	(7,494,538)	(6,343,834)	(10,608)	(5,050)
	943,117	1,058,636	97,362	97,362

The components and movements of deferred tax liabilities and assets of the Group and of the Company are as follows:

Deferred tax liabilities

	Accelerated capital allowances RM	Property development costs RM	Fair value adjustment on investment properties RM	Total RM
Group				
At 1 January 2019	7,296,703	105,767	-	7,402,470
Recognised in profit or loss	1,164,101	(41,246)	-	1,122,855
Over provision in prior year	(87,670)	-	-	(87,670)
Reclassification	(320,802)	-	320,802	-
At 31 December 2019	8,052,332	64,521	320,802	8,437,655
At 1 January 2018	6,003,771	170,892	-	6,174,663
Recognised in profit or loss	1,292,932	(65,125)	-	1,227,807
At 31 December 2018	7,296,703	105,767	-	7,402,470

19. DEFERRED TAX LIABILITIES (CONT'D)

The components and movements of deferred tax liabilities and assets of the Group and of the Company are as follows: (cont'd)

Deferred tax assets

	Unutilised capital allowances RM	Unutilised reinvestment allowances RM	Others RM	Total RM
Group				
At 1 January 2019	(5,877,901)	(361,700)	(104,233)	(6,343,834)
Recognised in profit or loss	(1,454,661)	277,600	8,745	(1,168,316)
(Under)/Over provision in prior year	(2,989)	20,600	1	17,612
At 31 December 2019	(7,335,551)	(63,500)	(95,487)	(7,494,538)
At 1 January 2018	(4,758,594)	(742,000)	(46,813)	(5,547,407)
Recognised in profit or loss	(1,119,307)	380,300	(57,420)	(796,427)
At 31 December 2018	(5,877,901)	(361,700)	(104,233)	(6,343,834)

Deferred tax liabilities

	Accelerated capital allowances RM	Fair value adjustment on investment properties RM	Total RM
Company			
At 1 January 2019	5,050	97,362	102,412
Recognised in profit or loss	(2,423)	-	(2,423)
Under provision in prior year	7,981	-	7,981
At 31 December 2019	10,608	97,362	107,970
At 1 January 2018	12,827	-	12,827
Recognised in profit or loss	(7,777)	97,362	89,585
At 31 December 2018	5,050	97,362	102,412

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19. DEFERRED TAX LIABILITIES (CONT'D)

The components and movements of deferred tax liabilities and assets of the Group and of the Company are as follows: (cont'd)

Deferred tax asset

	Unutilised capital allowances RM
Company	
At 1 January 2019	(5,050)
Recognised in profit or loss	2,423
Under provision in prior year	(7,981)
At 31 December 2019	(10,608)
At 1 January 2018	(12,827)
Recognised in profit or loss	7,777
At 31 December 2018	(5,050)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unutilised capital allowances	1,171,759	1,080,075	1,124,417	1,080,075
Unutilised reinvestment allowances	3,733,300	2,576,700	-	-
Unused tax losses	28,039,065	26,717,014	20,524,618	20,097,649
	32,944,124	30,373,789	21,649,035	21,177,724

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

With effect from year of assessment 2019, the unused tax losses and unutilised reinvestment allowances are allowed to be carried forward up to a maximum of seven consecutive years of assessment under the current tax legislation. The other temporary differences do not expire under current tax legislation.

20. TRADE AND OTHER PAYABLES

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Trade and bill payables	(a)	2,895,869	3,377,102	32,718	37,731
Trade accruals		4,259,348	4,085,785	72,664	85,139
		7,155,217	7,462,887	105,382	122,870
Other payables					
- Amounts due to non-controlling interests of subsidiary companies	(b)	8,818,686	8,129,820	-	-
- Payroll liabilities	(c)	956,499	1,388,162	15,539	356,540
- Others	(d)	2,589,652	4,954,973	215,559	168,675
		12,364,837	14,472,955	231,098	525,215
Accruals		1,578,833	1,092,553	180,063	190,830
Contract liabilities	(e)	179,496	557,919	-	-
Deposit received		394,456	490,000	299,733	419,874
		14,517,622	16,613,427	710,894	1,135,919
Amount due to subsidiary companies	(f)	-	-	14,905,135	10,385,294
		21,672,839	24,076,314	15,721,411	11,644,083

(a) Credit terms of trade payables granted to the Group and to the Company range from 14 to 90 days (2018: 14 to 90 days) and 14 to 60 days (2018: 14 to 60 days) respectively, depending on the terms of the contracts.

(b) The amounts due to non-controlling interests of subsidiary companies are unsecured, non-interest bearing and repayable on demand.

(c) Included in the Group's payroll liabilities are contributions payable to the defined contribution plans of RM107,758 (2018: RM282,351).

(d) Included in the Group's other payables are provision for liquidated ascertained damages in respect of property development projects undertaken by the Group. The provision is recognised for expected liquidated damages claims based on the terms of the applicable sales and purchase agreements.

The movements of the provision for liquidated ascertained damages of the Group are as follows:

	Group	
	2019	2018
	RM	RM
At 1 January	374,956	500,383
Payment made	(65,095)	(85,458)
Amount write-back	(3,314)	(39,969)
At 31 December	306,547	374,956

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20. TRADE AND OTHER PAYABLES (CONT'D)

(e) Contract liabilities consist of billings in excess of revenue recognised. This amount is expected to be recognised as revenue over a period of 30 to 60 days.

(f) The amounts due to subsidiary companies are unsecured, non-interest bearing and repayable on demand.

21. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers				
Sale of development properties	12,723,027	15,258,640	-	-
Car park income	3,806,204	3,812,957	-	-
Sale of goods	48,628,478	48,418,166	693,782	3,661,849
Management fee	-	-	1,320,000	1,320,000
	65,157,709	67,489,763	2,013,782	4,981,849
Revenue from other sources				
Dividend income from subsidiary companies	-	-	1,719,500	-
Rental income from investment properties	2,595,640	3,003,792	1,524,927	1,900,215
	2,595,640	3,003,792	3,244,427	1,900,215
	67,753,349	70,493,555	5,258,209	6,882,064
Timing of revenue recognition				
At a point in time	55,533,682	52,231,123	2,013,782	4,981,849
Over time	9,624,027	15,258,640	-	-
Total revenue from contracts with customers	65,157,709	67,489,763	2,013,782	4,981,849

21. REVENUE (CONT'D)

Disaggregation of the Group's revenue from contracts with customers:

	Property development RM	Property & Investment holding RM	Manufacturing and trading RM	Total RM
Group				
2019				
Revenue from contracts with customers				
Sale of development properties	12,723,027	-	-	12,723,027
Car park income	-	3,806,204	-	3,806,204
Sale of goods	-	-	48,628,478	48,628,478
	12,723,027	3,806,204	48,628,478	65,157,709
Timing of revenue recognition				
At a point in time	3,099,000	3,806,204	48,628,478	55,533,682
Over time	9,624,027	-	-	9,624,027
Total revenue from contracts with customers	12,723,027	3,806,204	48,628,478	65,157,709
Geographical market				
Malaysia	12,723,027	2,470,171	48,628,478	63,821,676
China	-	1,336,033	-	1,336,033
	12,723,027	3,806,204	48,628,478	65,157,709
2018				
Revenue from contracts with customers				
Sale of development properties	15,258,640	-	-	15,258,640
Car park income	-	3,812,957	-	3,812,957
Sale of goods	-	-	48,418,166	48,418,166
	15,258,640	3,812,957	48,418,166	67,489,763
Timing of revenue recognition				
At a point in time	-	3,812,957	48,418,166	52,231,123
Over time	15,258,640	-	-	15,258,640
Total revenue from contracts with customers	15,258,640	3,812,957	48,418,166	67,489,763
Geographical market				
Malaysia	15,258,640	5,474,114	48,418,166	69,150,920
China	-	1,342,635	-	1,342,635
	15,258,640	3,812,957	48,418,166	67,489,763

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22. FINANCE COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest expenses on:				
Term loans	853,417	871,368	610,645	626,867
Bankers' acceptance	537,049	640,076	-	-
Bank overdraft	86,068	85,592	56,043	59,084
Finance lease liabilities	-	17,670	-	8,800
Lease liabilities	8,972	-	5,985	-
Others	1,403	7,111	457	457
	1,486,909	1,621,817	673,130	695,208
Less: Finance costs capitalised in:				
- Land held for property development [Note 8(a)]	(140,268)	(244,501)	-	-
- Land and property development cost [Note 8(b)]	(102,503)	-	-	-
	1,244,138	1,377,316	673,130	695,208

23. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax is arrived at after charging/(crediting):

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration:				
- Statutory audit	224,279	230,823	80,000	80,000
- Non-statutory audit	5,000	5,000	5,000	5,000
Amortisation of prepaid lease payments	158,244	159,027	-	-
Depreciation of:				
- Property, plant and equipment	1,804,865	2,213,793	96,655	127,068
- Right-of-use assets	521,477	-	54,313	-
Inventories written down	124,849	122,546	-	-
Lease expenses relating to short-term leases	439,362	-	-	-
Net loss/(gain) on foreign exchange:				
- Realised	37,006	(35,753)	12,227	-
- Unrealised	4,179	74,048	-	-

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23. (LOSS)/PROFIT BEFORE TAX (CONT'D)

(Loss)/Profit before tax is arrived at after charging/(crediting): (cont'd)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net impairment losses recognised/ (reversed) on:				
- Amount due from an associate	13,176	-	-	-
- Amount due from subsidiary companies	-	-	27,448	2,100,000
- Investment in subsidiary companies	-	-	547,401	-
- Investment properties	2,417,184	1,007,837	-	-
- Receivables	(76,131)	9,310	-	-
Property, plant and equipment:				
- Loss/(Gain) on disposal	98,515	31,412	(60)	-
- Written off	1,637	33,859	-	24,622
Rental of premises	-	453,869	-	-
Dividend income	(44,758)	(19,269)	(20,000)	(15,000)
Fair value adjustment of investment properties	-	(931,000)	-	-
Finance income:				
- Receivables	-	(170,000)	-	(170,000)
- Others	(881,655)	(713,677)	(228,350)	(158,360)
Gain on disposal of financial assets at FVTPL	(3,177)	(9,557)	-	-
Gain on fair value of financial assets at FVTPL	(3,901)	(4,345)	-	-
Gain on government acquisition	-	(10,179,787)	-	-
Rental income	(800,637)	(220,644)	-	-
Reversal of over-accrued expenses	-	(8,098)	-	(8,098)
Write-back of liquidated ascertained damages	(3,314)	(39,969)	-	-
Staff costs *				
- Fees	123,500	76,500	3,500	4,500
- Wages, salaries and bonus	12,018,127	11,966,823	2,898,623	2,940,391
- Defined contribution plans	1,290,778	1,344,599	343,455	348,780
- Other employee benefits	711,589	563,096	150,817	146,667

* Included in staff costs of the Group and of the Company is the aggregate amount of remuneration received and receivable by the Directors of the Company and of the subsidiary companies amounting to RM4,099,577 (2018: RM4,018,764) and RM1,751,700 (2018: RM1,752,700) respectively.

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24. TAXATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Tax expense recognised in profit or loss:				
Malaysian income tax:				
- Current tax provision	729,191	430,484	-	-
- Under/(Over) provision in prior years	158,586	(73,474)	(1,722)	-
	887,777	357,010	(1,722)	-
Foreign tax:				
- Current tax provision	51,156	55,498	-	-
Deferred tax (Note 19):				
- Relating to origination and reversal of temporary differences	(45,461)	431,380	-	97,362
- Over provision in prior year	(70,058)	-	-	-
	(115,519)	431,380	-	97,362
	823,414	843,888	(1,722)	97,362

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to (loss)/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:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(Loss)/Profit before tax	(7,926,366)	4,101,380	(2,326,485)	(4,851,311)
At Malaysian statutory tax rate of 24% (2018: 24%)	(1,902,328)	984,331	(558,356)	(1,164,315)
Expenses not deductible for tax purposes	2,021,255	1,089,785	450,052	866,419
Income not subject to tax	(267,744)	(2,238,674)	(4,810)	(43,793)
Deferred tax assets not recognised	616,880	1,130,994	113,114	439,051
Effect of different tax rate in other countries	266,823	(49,074)	-	-
Under/(Over) provision of income tax in prior years	158,586	(73,474)	(1,722)	-
Over provision of deferred tax in prior year	(70,058)	-	-	-
Tax expense for the financial year	823,414	843,888	(1,722)	97,362

24. TAXATION (CONT'D)

The Group and the Company have the following estimated unutilised capital allowances, unutilised reinvestment allowances and unused tax losses available for carry forward to offset against future taxable profits. The said amounts are subject to approval by the tax authorities.

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unutilised capital allowances	31,736,631	25,583,690	1,168,617	1,134,372
Unutilised reinvestment allowances	3,997,875	3,997,875	-	-
Unused tax losses	28,039,103	26,717,108	20,524,618	20,097,649
	63,773,609	56,298,673	21,693,235	21,232,021

25. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The basic (loss)/earnings per share are calculated based on the consolidated (loss)/profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2019	2018
(Loss)/Profit for the financial year attributable to owners of the parent (RM)	(7,679,802)	4,294,449
Weighted average number of ordinary shares in issue (Unit)	209,940,112	209,940,112
Basic (loss)/earnings per share (sen)	(3.66)	2.05

(b) Diluted (loss)/earnings per share

The Group has no dilution in their (loss)/earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

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26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below show the details changes in the liabilities of the Group arising from financing activities, both cash and non-cash changes:

	Term loans [Note 18(a)] RM	Bankers' acceptance [Note 18(a)] RM	Finance lease liabilities [Note 18(b)] RM	Lease liabilities [Note 18(c)] RM	Total RM
Group					
At 1 January 2019	13,510,000	10,899,792	308,600	-	24,718,392
Effect on adoption of MFRS 16 (Note 2.1)	-	-	(308,600)	308,600	-
Financing cash flows*	642,034	(2,573,995)	-	(135,664)	(2,067,625)
At 31 December 2019	14,152,034	8,325,797	-	172,936	22,650,767
At 1 January 2018	14,500,000	11,523,016	591,056	-	26,614,072
Financing cash flows*	(990,000)	(623,224)	(282,456)	-	(1,895,680)
At 31 December 2018	13,510,000	10,899,792	308,600	-	24,718,392
Company					
At 1 January 2019	10,010,000	-	218,300	-	10,228,300
Effect on adoption of MFRS 16 (Note 2.1)	-	-	(218,300)	218,300	-
Financing cash flows*	674,897	-	-	(82,275)	592,622
At 31 December 2019	10,684,897	-	-	136,025	10,820,922
At 1 January 2018	11,000,000	-	297,760	-	11,297,760
Financing cash flows*	(990,000)	-	(79,460)	-	(1,069,460)
At 31 December 2018	10,010,000	-	218,300	-	10,228,300

* *The financing cash flows from term loans, bankers' acceptance, finance lease liabilities and lease liabilities make up the net amount of proceeds from or repayments of borrowings in the statements of cash flows.*

27. SEGMENT INFORMATION

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different expertise and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports on at least a quarterly basis. The following describes the operations in each of the Group's reportable segments:

Property development	Development and sale of residential and commercial properties
Property & Investment holding	Investment in properties, carpark management and operations and holding company
Manufacturing and trading	Manufacture and trading of assorted wires

Other operations of the Group mainly comprise dormant companies which are not of sufficient size to be reported separately.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

Segments assets measured based on all assets (including intangible assets) of a segment, are included in the internal managements reports that are reviewed by the Group's Chief Executive Officer for the measurement of the return of assets and financial position of each segment.

Segment liabilities

Segments liabilities measured based on all liabilities of a segment, are included in the internal managements reports that are reviewed by the Group's Chief Executive Officer for the measurement of the return of financial position of each segment.

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27. SEGMENT INFORMATION (CONT'D)

Geographical information

Although the Group's business segments are managed on a worldwide basis, they operate in two main geographical areas:

Malaysia* - Mainly property investment and development, and manufacturing and trading

China - Investment holding

** Company's home country*

	Revenue		Non-Current Assets		Capital Expenditure	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Malaysia	66,417,556	69,150,920	107,817,069	110,064,566	1,751,554	757,741
China	1,336,033	1,342,635	882	1,525,176	-	-
	67,753,349	70,493,555	107,817,951	111,589,742	1,751,554	757,741

In determining the geographical segments of the Group, revenue are based on the countries in which the customers are located. There are no revenue between the segments. Non-current assets for this purpose consist of property, plant and equipment, ROU assets, prepaid lease payments, investment properties and land held for property development. Capital expenditure consists of addition of property, plant and equipment and ROU assets. Non-current assets and capital expenditure are determined based on where the assets are located.

All the inter-segment transactions were carried out on normal commercial basis and in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

27. SEGMENT INFORMATION (CONT'D)

	Property development RM	Property & Investment holding RM	Manufacturing and trading RM	Others RM	Elimination RM	Total RM
2019						
Revenue						
External revenue	12,723,027	6,401,844	48,628,478	-	-	67,753,349
Inter-segment revenue	-	3,304,581	-	-	(3,304,581)	-
	12,723,027	9,706,425	48,628,478	-	(3,304,581)	67,753,349
Results						
Profit/(Loss) from operations	1,467,823	(7,382,131)	843,901	(8,890)	-	(5,079,297)
Interest income	602,347	271,752	7,556	-	-	881,655
Finance costs	(1,046)	(673,131)	(569,961)	-	-	(1,244,138)
Depreciation and amortisation	(201,185)	(611,916)	(1,671,485)	-	-	(2,484,586)
Profit/(Loss) before tax	1,867,939	(8,395,426)	(1,389,989)	(8,890)	-	(7,926,366)
Taxation	(742,365)	(94,441)	13,392	-	-	(823,414)
Profit/(Loss) from ordinary activities after tax	1,125,574	(8,489,867)	(1,376,597)	(8,890)	-	(8,749,780)
Non-controlling interests	-	1,069,978	-	-	-	1,069,978
Profit/(Loss) attributable to owner of the Parent	1,125,574	(7,419,889)	(1,376,597)	(8,890)	-	(7,679,802)
Assets and liabilities						
Segment assets	42,661,041	126,691,248	33,310,925	872,676	-	203,535,890
Segment liabilities	11,252,610	22,352,903	12,051,142	5,650	-	45,662,305
Capital expenditure	23,339	1,440,070	288,145	-	-	1,751,554
Other material non-cash items						
Impairment loss of investment properties	-	2,417,184	-	-	-	2,417,184

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27. SEGMENT INFORMATION (CONT'D)

	Property development RM	Property & Investment holding RM	Manufacturing and trading RM	Others RM	Elimination RM	Total RM
2018						
Revenue						
External revenue	15,258,640	6,816,749	48,418,166	-	-	70,493,555
Inter-segment revenue	-	1,559,058	-	-	(1,559,058)	-
	15,258,640	8,375,807	48,418,166	-	(1,559,058)	70,493,555
Results						
Profit/(Loss) from operations	3,295,202	5,401,084	(1,514,922)	(43,525)	-	7,137,839
Interest income	535,694	171,398	6,585	-	-	713,677
Finance costs	(5,095)	(695,208)	(677,013)	-	-	(1,377,316)
Depreciation and amortisation	(292,984)	(379,427)	(1,700,409)	-	-	(2,372,820)
Profit/(Loss) before tax	3,532,817	4,497,847	(3,885,759)	(43,525)	-	4,101,380
Taxation	(475,006)	(385,774)	16,892	-	-	(843,888)
Profit/(Loss) from ordinary activities after tax	3,057,811	4,112,073	(3,868,867)	(43,525)	-	3,257,492
Non-controlling interests	-	1,036,957	-	-	-	1,036,957
Profit/(Loss) attributable to owner of the Parent	3,057,811	5,149,030	(3,868,867)	(43,525)	-	4,294,449
Assets and liabilities						
Segment assets	40,830,998	138,010,001	37,879,226	870,763	-	217,590,988
Segment liabilities	12,129,985	24,432,869	15,109,987	5,901	-	51,678,742
Capital expenditure	15,912	61,912	679,917	-	-	757,741
Other material non-cash items						
Finance income on receivables	-	(170,000)	-	-	-	(170,000)
Impairment loss of investment properties	-	1,007,837	-	-	-	1,007,837
Fair value adjustment of investment properties	-	(931,000)	-	-	-	(931,000)
Gain on government acquisition	-	(10,179,787)	-	-	-	(10,179,787)

28. RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transaction of the Group and of the Company are as follows:

	2019 RM	2018 RM
Group		
Transactions with a substantial shareholder of the Company		
- Rental income received/receivable	770,232	765,702
- Advisory fee paid to a related party	520,000	520,000
- Management fee paid/payable	286,746	-
Transaction with a Director of the Company		
- Disposal of motor vehicle	15,000	-
Company		
Transactions with subsidiary companies		
- Dividend income received/receivable	1,719,500	-
- Rental income received/receivable	265,320	239,058
- Management fee received/receivable	1,320,000	1,320,000
- Purchase of goods	690,405	3,643,543
Transactions with a substantial shareholder of the Company		
- Rental income received/receivable	770,232	765,702

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28. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity.

Compensations to key management personnel are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors of the Company				
Executive Directors:				
- Salaries and bonus	1,888,700	2,451,820	1,561,000	1,561,000
- Defined contribution plans	246,910	349,515	187,200	187,200
	2,135,610	2,801,335	1,748,200	1,748,200
Directors of the subsidiary companies				
Executive Directors:				
- Salaries and bonus	1,673,300	1,044,444	-	-
- Defined contribution plans	167,167	96,485	-	-
	1,840,467	1,140,929	-	-
	3,976,077	3,942,264	1,748,200	1,748,200
Fees				
- Executive Directors of the Company	3,500	4,500	3,500	4,500
- Non-Executive Directors of the Company	479,000	466,700	280,500	252,500
- Directors of the subsidiary company	120,000	72,000	-	-
	602,500	543,200	284,000	257,000
Ex-gratia payment				
- Non-Executive Director of the Company	200,000	-	-	-
	4,778,577	4,485,464	2,032,200	2,005,200

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29. FINANCIAL GUARANTEES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unsecured				
Corporate guarantee for banking facilities granted to subsidiary companies				
- Limit	-	-	19,617,000	19,650,000
- Utilised	-	-	12,011,500	15,618,500
Corporate guarantee given to a supplier of goods for credit terms granted to a subsidiary company				
- Limit	-	-	4,000,000	4,000,000
- Utilised	-	-	1,232,770	1,387,570
Bankers' guarantee given to third parties	25,000	25,000	25,000	25,000
Secured				
Bankers' guarantee given to third parties	627,667	406,200	-	-

30. OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the end of the reporting period but not recognised as liabilities are as follows:

	Group	
	2019 RM	2018 RM
Not later than one year	-	436,730

The Group has entered into non-cancellable commercial leases with third parties for the rental of properties and operating equipment. The lease terms are between 2 to 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. None of the leases includes contingent rentals.

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31. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Financial assets at FVTOCI RM	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Group					
2019					
Financial Assets					
Other investments	24,522,709	4,003,722	-	-	28,526,431
Trade and other receivables	-	-	33,984,415	-	33,984,415
Deposits, bank and cash balances	-	-	14,356,250	-	14,356,250
	24,522,709	4,003,722	48,340,665	-	76,867,096
Financial Liabilities					
Trade and other payables	-	-	-	21,493,343	21,493,343
Loans and borrowings	-	-	-	22,859,737	22,859,737
	-	-	-	44,353,080	44,353,080

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31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (cont'd)

	Financial assets at FVTOCI RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Group				
2018				
Financial Assets				
Other investments	23,823,262	-	-	23,823,262
Trade and other receivables	-	45,094,420	-	45,094,420
Deposits, bank and cash balances	-	18,686,640	-	18,686,640
	23,823,262	63,781,060	-	87,604,322
Financial Liabilities				
Trade and other payables	-	-	23,518,395	23,518,395
Loans and borrowings	-	-	26,518,773	26,518,773
	-	-	50,037,168	50,037,168

	Financial assets at FVTOCI RM	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Company					
2019					
Financial Assets					
Other investments	9,717,144	34,390,000	-	-	44,107,144
Trade and other receivables	-	-	21,734,600	-	21,734,600
Deposits, bank and cash balances	-	-	778,072	-	778,072
	9,717,144	34,390,000	22,512,672	-	66,619,816
Financial Liabilities					
Trade and other payables	-	-	-	15,721,411	15,721,411
Loans and borrowings	-	-	-	10,820,933	10,820,933
	-	-	-	26,542,344	26,542,344

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31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (cont'd)

	Financial assets at FVTOCI RM	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Company					
2018					
Financial Assets					
Other investments	8,943,640	34,390,000	-	-	43,333,640
Trade and other receivables	-	-	20,527,492	-	20,527,492
Deposits, bank and cash balances	-	-	369,375	-	369,375
	8,943,640	34,390,000	20,896,867	-	64,230,507
Financial Liabilities					
Trade and other payables	-	-	-	11,644,083	11,644,083
Loans and borrowings	-	-	-	11,225,208	11,225,208
	-	-	-	22,869,291	22,869,291

(b) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and of the Company's operations whilst managing its credit, liquidity, foreign currency, interest rate and market price risks. The Group and the Company operates within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks. The Company's exposure to credit risk arises principally from amount due from subsidiary companies, deposits with banks and financial guarantees given to licensed banks for credit facilities granted to subsidiary companies. There are no significant changes as compared to prior years.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposits with banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(i) Credit risk (cont'd)

At each reporting date, the Group and the Company assess whether any of the receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represents the Group's and the Company's maximum exposure to credit risk.

<u>Credit risk concentration profile</u>

At 31 December 2019, the Group had approximately 27 (2018: 30) customers that owed to the Group more than RM100,000 each and accounted for approximately 88% (2018: 85%) of trade receivables.

The Company has no significant concentration of credits risks except for amount due from subsidiary companies where risks of default have been assessed to be low.

<u>Financial guarantees</u>

The Company provides unsecured advances to subsidiary companies. It also provides unsecured financial guarantees to licensed banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The Company's maximum exposure to credit risk amounting to RM13,244,270 (2018: RM17,006,070), representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up using the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
2019						
Non-derivative financial liabilities						
Trade and other payables	21,493,343	-	-	-	21,493,343	21,493,343
Loans and borrowings	12,410,077	3,795,957	7,732,704	1,209,693	25,148,431	22,859,737
	33,903,420	3,795,957	7,732,704	1,209,693	46,641,774	44,353,080
2018						
Non-derivative financial liabilities						
Trade and other payables	23,518,395	-	-	-	23,518,395	23,518,395
Loans and borrowings	14,735,797	2,821,970	8,325,891	3,845,481	29,729,139	26,518,773
	38,254,192	2,821,970	8,325,891	3,845,481	53,247,534	50,037,168

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up using the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay (cont'd).

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Company						
2019						
Non-derivative financial liabilities						
Trade and other payables	15,721,411	-	-	-	15,721,411	15,721,411
Loans and borrowings	3,206,975	3,165,129	5,840,220	-	12,212,324	10,820,933
Financial guarantees*	13,244,270	-	-	-	13,244,270	-
	32,172,656	3,165,129	5,840,220	-	41,178,005	26,542,344
2018						
Non-derivative financial liabilities						
Trade and other payables	11,644,083	-	-	-	11,644,083	11,644,083
Loans and borrowings	1,734,248	2,314,959	6,439,575	1,650,357	12,139,139	11,225,208
Financial guarantees*	17,006,070	-	-	-	17,006,070	-
	30,384,401	2,314,959	6,439,575	1,650,357	40,789,292	22,869,291

* *Based on the maximum amount that can be called for under the financial guarantee contract. At the end of the reporting period, there was no indication that the subsidiary companies would default on repayment.*

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks

Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily the Chinese Renminbi (RMB), United States Dollar (USD), Singapore Dollar (SGD) and Hong Kong Dollar (HKD).

The Group and the Company have not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts and the exposure profiles of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

The Group's functional currency	The Group's currency exposure profile					
	RM	RMB	USD	SGD	HKD	Total
2019						
Financial Assets						
Trade receivables						
RM	-	-	-	90,911	-	90,911
Deposits, bank and cash balances						
RM	-	-	222	-	-	222
RMB	-	-	-	-	59	59
HKD	-	48,302	3,602	-	-	51,904
	-	48,302	3,824	-	59	52,185
Total	-	48,302	3,824	90,911	59	143,096
Financial Liabilities						
Other payables						
HKD	-	8,533,379	2,757	-	-	8,536,136
Other accruals						
USD	2,115	-	-	-	-	2,115
Total	2,115	8,533,379	2,757	-	-	8,538,251

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks (cont'd)

Foreign currency risk (cont'd)

The Group's functional currency	The Group's currency exposure profile RM	RMB	USD	SGD	HKD	Total
2018						
Financial Assets						
Trade receivables						
RM	-	-	74,847	95,744	-	170,591
Deposits, bank and cash balances						
RM	-	-	5,174	-	-	5,174
RMB	-	-	-	-	63	63
HKD	-	56,920	3,620	-	-	60,540
	-	56,920	8,794	-	63	65,777
Total	-	56,920	83,641	95,744	63	236,368
Financial Liabilities						
Other payables						
RM	-	-	78,777	-	-	78,777
HKD	-	7,845,962	2,771	-	-	7,848,733
	-	7,845,962	81,548	-	-	7,927,510
Other accruals						
USD	2,120	-	-	-	-	2,120
Total	2,120	7,845,962	81,548	-	-	7,929,630

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks (cont'd)

Foreign currency sensitivity analysis

A 10% strengthening of Ringgit Malaysia against the following foreign currencies at the end of the reporting period would increase/(decrease) the (loss)/profit before tax and other comprehensive income by the amount shown below. This analysis assumes that all other variables remain unchanged.

	Increase/(Decrease) in (Loss)/Profit before Tax				
	RM	RMB	USD	SGD	HKD
Group					
Functional currency					
2019					
RM	-	-	22	9,091	-
RMB	-	-	-	-	6
HKD	-	(848,508)	85	-	-
USD	(212)	-	-	-	-
2018					
RM	-	-	124	9,574	-
RMB	-	-	-	-	6
HKD	-	(778,904)	85	-	-
USD	(212)	-	-	-	-

A 10% weakening of Ringgit Malaysia against the above foreign currencies at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain unchanged.

Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks (cont'd)

Interest rate risk (cont'd)

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

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 end of the reporting period was:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed rate instruments				
Financial assets	2,640,152	9,688,651	258,252	-
Financial liabilities	(172,936)	(308,600)	(136,025)	(218,300)
Floating rate instruments				
Financial liabilities	(22,686,801)	(26,210,173)	(10,684,908)	(11,006,908)

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increase/(decreased) the Group's and the Company's (loss)/profit before tax by RM227,000 and RM107,000 (2018: (decreased)/ increased the Group's and the Company's profit/(loss) before tax by RM262,000 and RM110,000) respectively, arising mainly as a results of higher/lower interest expenses on floating rate loans and borrowing. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Equity price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market price (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted instruments. These quoted instruments are listed on Bursa Malaysia and are classified as financial assets at FVTOCI and financial assets at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks (cont'd)

Equity price risk (cont'd)

Management of the Group monitors investments in quoted instruments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Group.

At the end of the reporting period, if the FTSE Bursa Malaysia KLCI had been 5% higher/lower, with all other variables held constant, the Group's reserve would have been RM486,000 (2018: RM447,000) higher/lower, as a result of an increase/decrease in the fair value of these investments.

The Group is also exposed to commodity price risk arising from transaction on the world commodity markets of iron ore and iron scrap. The raw materials of the Group's product are mainly derived from iron ore and iron scrap.

At the end of reporting period, if the commodity price of iron ore and iron scrap had been 5% higher/lower, with all other variable held constant, the Group's profit net of tax would have been RM28,000 (2018: RM30,000) higher/lower, as a result of an increase/decrease in the cost of sales.

(c) Fair value of financial assets and financial liabilities

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Level 3 - fair value measurements are those derived from inputs for the financial assets or liabilities that are not based on observable market data (unobservable inputs).

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value of financial assets and financial liabilities (cont'd)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years except as disclosed in Note 7(a).

Methodologies of fair values

The methodologies used in arriving at the fair value of the financial assets and financial liabilities of the Group and of the Company are as follows:

- Receivables and payables, cash and cash equivalents and short-term loans and borrowings

  The carrying amounts are considered to approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

- Other financial assets

  Marketable securities quoted in an active market are carried at market value. Securities that are not quoted in an active market, for which there is no observable market data and fair value cannot be reliably measured, are carried at acquisition cost.

- Long-term loans and borrowings

  Fair value which is determined for disclosure purpose, calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value of financial assets and financial liabilities (cont'd)

Categories of financial instruments that are carried at fair value

The following table analyses financial instruments by categories that are carried at fair value and carrying amounts shown in the statements of financial position.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Financial assets				
2019				
Group				
Other investments				
- Quoted shares	6,284,720	-	-	6,284,720
- Quoted loan stocks	3,045,672	-	-	3,045,672
- Quoted warrants	386,752	-	-	386,752
- Quoted unit trusts	4,003,722	-	-	4,003,722
	13,720,866	-	-	13,720,866
Company				
Other investments				
- Quoted shares	6,284,720	-	-	6,284,720
- Quoted loan stocks	3,045,672	-	-	3,045,672
- Quoted warrants	386,752	-	-	386,752
	9,717,144	-	-	9,717,144
2018				
Group				
Other investments				
- Quoted shares	5,559,560	-	-	5,559,560
- Quoted loan stocks	2,900,640	-	-	2,900,640
- Quoted warrants	483,440	-	-	483,440
	8,943,640	-	-	8,943,640
Company				
Other investments				
- Quoted shares	5,559,560	-	-	5,559,560
- Quoted loan stocks	2,900,640	-	-	2,900,640
- Quoted warrants	483,440	-	-	483,440
	8,943,640	-	-	8,943,640

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value of financial assets and financial liabilities (cont'd)

Categories of financial instruments that are not carried at fair value

The following table analyses financial instruments by categories that are not carried at fair value for which fair value is disclosed, together with carrying amounts shown in the statements of financial position.

	Group 2018 RM	Company 2018 RM
Non-current financial liabilities		
Financial lease liabilities		
- Carrying amount	172,936	136,024
- Fair value (Level 2)	169,494	132,719

32. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Groups ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. The Group's and the Company's gearing ratio are measured using total external borrowings over shareholders' equity.

The gearing ratios at the end of the reporting period are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Term loans	14,152,034	13,510,000	10,684,897	10,010,000
Bankers' acceptance	8,325,797	10,899,792	-	-
Bank overdrafts	208,970	1,800,381	11	996,908
Finance lease liabilities	-	308,600	-	218,300
Lease liabilities	172,936	-	136,025	-
	22,859,737	26,518,773	10,820,933	11,225,208
Total equity	157,873,585	165,912,246	135,333,951	136,885,210
Gearing ratio (times)	0.14	0.16	0.08	0.08

There were no changes in the Group's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

33. SIGNIFICANT EVENT

On 26 July 2019, the Company has entered into a conditional share sale agreement ("SSA") with third parties for the proposed acquisition of 1,800,000 ordinary shares in Forward Energy Sdn. Bhd. ("FESB"), representing 60% of the issued and paid up share capital in FESB, for a total purchase consideration of RM6 million.

As at the date of this report, the conditional precedents of the SSA have yet to be fulfilled.

34. SUBSEQUENT EVENT

Outbreak effect of Coronavirus ("COVID-19") Pandemic and Movement Control Order

The Directors of the Company have closely monitored the development of the outbreak of COVID-19 pandemic in Malaysia that may affect the business performance, financial performance and financial position of the Group and of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group and the Company business operations. As at the date of this report, the financial impact of the outbreak to the Group and to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19 pandemic, the extent of the impact depends on the on-going precautionary measures introduced by each country to address the pandemic and the durations of the pandemic. As such, the Directors of the Company will continue to closely monitor the situation and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.

35. COMPARATIVE INFORMATION

The following reclassifications were made to the financial statements of prior year to be consistent with current year presentation.

	As previously stated RM	Reclassification RM	As restated RM
Group			
Statements of Cash Flows			
Cash Flows from Investing Activities			
Decrease in deposits with licensed banks with maturity more than 3 months	-	2,862,013	2,862,013
Cash Flows from Financing Activities			
Decrease in deposits and bank balances pledged with licensed banks	-	468,316	468,316

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

35. COMPARATIVE INFORMATION (CONT'D)

The following reclassifications were made to the financial statements of prior year to be consistent with current year presentation. (cont'd)

	As previously stated RM	Reclassification RM	As restated RM
Group			
Statements of Cash Flows			
Net decrease in cash and cash equivalents	(9,610,251)	3,330,329	(6,279,922)
Cash and cash equivalents at the beginning of the financial year	26,536,752	(16,457,604)	10,079,148
Cash and cash equivalents at the end of the financial year	16,886,259	(13,127,275)	3,758,984
Company			
Statements of Cash Flows			
Cash Flows from Financing Activities			
Increase in deposits and bank balances pledged with licensed banks	-	(7,630)	(7,630)
Net decrease in cash and cash equivalents	(2,734,012)	(7,630)	(2,741,642)
Cash and cash equivalents at the beginning of the financial year	2,106,479	(245,250)	1,861,229
Cash and cash equivalents at the end of the financial year	(627,533)	(252,880)	(880,413)

36. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 25 June 2020.

ANALYSIS OF EQUITY SHAREHOLDINGS
AS AT 1 JUNE 2020

Issued Share capital	:	RM244,239,167.00 comprising 209,940,112 Ordinary Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Ordinary Share (on a poll)

ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
1 – 99	343	4.332	14,866	0.007
100 – 1,000	2,163	27.314	1,846,089	0.879
1,001 – 10,000	4,006	50.587	16,616,570	7.915
10,001 – 100,000	1,209	15.267	38,461,729	18.320
100,001 to less than 5% of issued shares	196	2.475	122,396,134	58.301
5% and above of issued shares	2	0.025	30,604,724	14.578
Total	7,919	100.000	209,940,112	100.000

SUBSTANTIAL SHAREHOLDERS
AS PER REGISTER OF SUBSTANTIAL SHAREHOLDER

	No. of Shares Held			
	Direct	%	Indirect	%
Asian Pac Holdings Berhad	4,730,900	2.253	19,548,750 [1]	9.311
Mah Sau Cheong	16,056,024	7.65	-	-
BH Builders Sdn Bhd	19,548,750	9.311	-	-

Note:
[1] *Deemed interest by virtue of its major shareholding in BH Builders Sdn Bhd.*

DIRECTORS' INTEREST

	No. of Shares Held			
	Direct	%	Indirect	%
Dato' Seri Hamzah Bin Zainudin *(Appointed on 1 July 2019 and resigned on 12 March 2020)*	-	-	-	-
Leow Thang Fong	1,791,250	0.85	622,000 [1]	0.29
Dato' Dr Abdullah Bin Sepien	-	-	-	-
Tan Sri Datuk Seri Ismail Bin Yusof	-	-	-	-
Dato' Zainuddin Bin Yahya *(Appointed on 1 October 2019)*	-	-	-	-
Tan Siew Poh	1,666	-	-	-
Latifah Binti Abdul Latiff	-	-	-	-

Note:
1 Deemed interest through the shareholding of his spouse, Choon Siew Wah and his sister, Leow Pek Fong.

ANALYSIS OF EQUITY SHAREHOLDINGS
AS AT 1 JUNE 2020
(CONT'D)

LIST OF THIRTY LARGEST SHAREHOLDERS/DEPOSITORS

	Name	No. of Shares Held	% of Issued Capital
1	BH BUILDERS SDN BHD	19,548,750	9.311
2	MAH SAU CHEONG	11,055,974	5.266
3	CONTINENTAL PREMIUM SDN BHD	10,035,000	4.779
4	PUNCAK DARUL NAIM SDN BHD	7,186,900	3.423
5	BANK PERTANIAN MALAYSIA BERHAD	6,834,375	3.255
6	KENANGA NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Mah Sau Cheong	5,000,000	2.381
7	ASIAN PAC HOLDINGS BERHAD	4,730,900	2.253
8	MAH SIEW SEONG	4,300,051	2.048
9	RHB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Ong Kok Thye	3,824,500	1.821
10	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Ong Kok Thye	3,533,300	1.683
11	SERAYA KOTA SDN BHD	2,932,000	1.396
12	SEBERANG DISTRIBUTORS SDN BHD	2,928,716	1.395
13	GV ASIA FUND LIMITED	2,658,300	1.266
14	ANG YOOK CHU @ ANG YOKE FONG	2,450,000	1.166
15	RHB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Chin Kiam Hsung	2,411,800	1.148
16	GONG CHIOK SIN	2,128,000	1.013
17	LEOW THANG FONG	1,791,250	0.853
18	LIM MEE SHIA	1,710,000	0.814
19	ASIA WIRE STEEL MESH MANUFACTURERS SDN BHD	1,500,000	0.714
20	CHANG SHAW CHUIN	1,450,000	0.690
21	CHIN KIAM HSUNG	1,443,833	0.687
22	TEO POH BOON	1,400,933	0.667
23	NG WANG @ NG CHIANG CHIN	1,200,000	0.571
24	KUA SZE HOW	1,100,000	0.523
25	SIEW YIN LENG	1,079,700	0.514
26	BANDAR SRI TUJUH SDN BHD	1,041,000	0.495
27	FONG JUAT HOON	1,000,000	0.476
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD Lighthouse Capital Sdn Bhd	1,000,000	0.476
29	SEOW GIM BENG	1,000,000	0.476
30	LIM YING YING	839,800	0.400
		109,115,082	51.974

LIST OF PROPERTIES HELD
AS AT 31 DECEMBER 2019

	Location	Description	Existing use	Area	Tenure	Age of Building	Book Value (RM'000)	Date of Purchase/ Completed
1.	Lot 1214, Section 57 City of Kuala Lumpur Wilayah Persekutuan	Office Premises	Office	1,434 sq. meter	Freehold	34	30,000	1996
2.	Lot 72686 PN 97181 Mukim Damansara Daerah Petaling Selangor	Ground & Basement Carpark	Car park operations	Approx 55,000 sq. meter	Leasehlod Expiring 2089	19	32,876	2000
3.	Lot 72702 PN 100252 Mukim Damansara Daerah Petaling Selangor	Ground & Basement Carpark	Car park operations	Approx. 37,069 sq. meter	Leasehlod Expiring 2089	9	20,858	2010
4.	Lot 6004 H.S. (D) 6010 District of Johor Bahru Johor Darul Takzim	Factory & Office	Factory & office	1.93 hectares	Leasehold Expiring 2030	48	4,597	1971
5.	Lot 358523 - 358525 Lot 358555 - 358590 Lot 358592 Lot 358594 - 358605 HSD 229440 PT265176 Mukim Hulu Kinta Daerah Kinta	Commercial /Residential Land	Land held for development	7,850 sq. meter 6,390 sq. meter	Leasehold Expiring 2103 Leasehold Expiring 2115	N/A N/A	3,963	2017 2019
6.	Lot 300380 -300405 PN 230979 - 231004 Lot 300406 PN 231007 Lot 300407-300518 PN 231009 -231121 Lot 300519 - 300523 PN 231156 - 231160 Lot 300524 - 300656 PN 231162 - 231294 Lot 300661 - 300718 PN 231299 - 231356 Mukim Tanjung Tualang Daerah Kinta	Commercial /Residential Land	Land held for development	15.1 acres	Leasehold Expiring 2098	N/A	2,911	2011
7.	H.S. (D) 85453 PT No. 13944 Mukim Sungai Terap Perak	Residential Land	Land held for development	10 acres	Leasehold Expiring 2099	N/A	649	2000

NOTICE OF 49TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 49th Annual General Meeting of SOUTH MALAYSIA INDUSTRIES BERHAD [Co. No. 196901000152 (8482-D)] will be held at Ruby 2, Level 8, Holiday Villa, No. 260, Jalan Dato' Sulaiman, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim on Wednesday, 29 July, 2020 at 11:00 a.m. for the following purposes:

A G E N D A

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 Explanatory Note (a))**

2. To approve the payment of under provision of Directors' Fees of RM228,000 to the Non-Executive Directors of the Company and subsidiaries for the period from 1 June 2019 until 29 July 2020. **Resolution 1**

3. To approve the payment of Directors' Fees of up to RM410,000 to the Non-Executive Directors of the Company and subsidiaries for the period from 30 July 2020 until the next Annual General Meeting of the Company to be held in 2021. **Resolution 2**

4. To approve the payment of Directors' Benefits (excluding Directors' Fees) not exceeding RM33,000 payable to Non-Executive Directors for the period from 30 July 2020 until the next Annual General Meeting of the Company to be held in 2021. **Resolution 3**

5. To re-elect the following Directors retiring by rotation in accordance with Articles 85.3 and 86 of the Company's Constitution:-

   i) Dato' Zainuddin Bin Yahya – Article 85.3 **Resolution 4**
   ii) Ms Tan Siew Poh – Article 86 **Resolution 5**
   iii) Tan Sri Datuk Seri Ismail Bin Yusof – Article 86 **Resolution 6**

6. To re-appoint Messrs UHY as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company, at a remuneration to be determined by the Directors. **Resolution 7**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without any modifications:

7. **Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act, 2016** **Resolution 8**

   "That pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorized to allot and to issue shares in the Company, from time to time, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are hereby also authorized to obtain approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF 49TH ANNUAL GENERAL MEETING
(CONT'D)

8. **Continuing in Office as Independent Non-Executive Directors**

   i) "THAT authority be and is hereby given to Dato' Dr Abdullah Bin Sepien who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company." **Resolution 9**

   ii) "THAT subject to the passing of Resolution 6, authority be and is hereby given to Tan Sri Datuk Seri Ismail Bin Yusof who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company." **Resolution 10**

9. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

YONG MAY LI (LS 0000295)/ SSM PC No. 202008000285
WONG CHEE YIN (MAICSA 7023530)/ SSM PC No. 202008001953
TAN SIEW CHIN (MAICSA 7007938)/ SSM PC No. 202008000798

Company Secretaries
Johor Bahru
26 June 2020

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 July 2020 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 49th AGM.

2. A member entitled to attend, speak and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.

3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

4. Where a member is an authorized 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.

5. 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. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of an officer or attorney duly authorised.

7. The Proxy Form must be deposited with the Company Secretary at the Registered Office, Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim not less than 48 hours before the time set for the Meeting.

8. Pursuant to Paragraph 8.29(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by poll.

NOTICE OF 49TH ANNUAL GENERAL MEETING
(CONT'D)

Explanatory Notes on Ordinary Business

a) Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

b) Item 2, 3 and 4 of the Agenda
Resolutions 1, 2 and 3 – Directors' Fee and benefits to Non-Executive Directors

Section 230(1) of the Companies Act 2016 provided amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board had agreed that the shareholders' approval be sought at the 49th AGM on the Directors' remuneration.

At the 48th Annual General Meeting of the Company held on 29 May 2019, the Company had obtained the shareholders' approval for the payment of Directors' Fee to Non-Executive Directors of the Company and subsidiaries of RM480,000 for the period from 1 June 2019 until 29 July 2020. On 10 July 2019, an ex-gratia payment was granted to our former Chairman, Tan Sri Dato' Mohd Ramli Bin Kushairi in appreciation of his services rendered to the Group over 36 years, whom has retired at the conclusion of the 48th AGM. In addition, due to the risks of COVID-19 pandemic, the Company has postponed the holding of Annual General Meeting which has been granted an extension of time by the Companies Commission of Malaysia. With the extension of holding of the AGM and the ex-gratia payment, there is an under provision of RM228,000, hence approval will be sought at the 49th AGM for the shortfall.

Under the Proposed Resolutions 2 and 3, the Directors' fees and benefits payable to the Non-Executive Directors have been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognized that the Directors' fees and benefits payable is in the best interest of the Company. The benefits comprises solely of meeting allowance. In determining the estimated total amount of Directors' fees and benefits the Board considered various factors including the number of scheduled meetings as well as the number of Directors involved in these meetings.

The details of the remuneration and allowance payable to the Non-Executive Directors are as follows:-

Directors Fee (per annum)

Chairman of the Board	- RM180,000
Chairman of the Audit Committee	- RM108,000
Board member	- RM60,000

Meeting Allowance (per meeting)

Chairman of Audit Committee	- RM1,000
Board	- RM500
Audit	- RM500

Payments of Directors' fees and meeting allowances will be made by the Company on a monthly basis and as and when incurred if the proposed Resolutions are passed at the 49th AGM. The Board is of the view that it is just and equitable for the Non-Executive Directors to be paid the Directors' Fees and meeting allowances on a monthly basis and as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries.

NOTICE OF 49TH ANNUAL GENERAL MEETING
(CONT'D)

c) **Item 5 of the Agenda**
Resolutions 4, 5 and 6 – Re-election of Directors

The Directors who are subject to re-election at the 49th AGM of the Company are as follows:-

(a) Article 85.3 – Retirement by casual vacancy

(i) Dato' Zainuddin Bin Yahya

Article 85.3 of the Company's Constitution provides that any newly appointed Director shall hold office only until the next AGM and shall then be eligible for re-election.

(b) Article 86 – Retirement by rotation

(i) Ms Tan Siew Poh
(ii) Tan Sri Datuk Seri Ismail Bin Yusof

Article 86 of the Company's Constitution provides that one-third (1/3) or the number nearest to one-third (1/3) of the Director for the time being shall retire from office in every subsequent AGM and shall then be eligible for re-election.

All Directors standing for re-election as Directors and being eligible, have offered themselves for re-election at the 49th AGM of the Company.

Based on the satisfactory outcome of its review, the Nomination Committee had made recommendations to the Board of Directors that these Directors be eligible to stand for re-election.

Explanatory Notes on Special Business

d) **Item 7 of the Agenda**
Resolution 8 – Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Resolution No. 8 if passed, is a renewal of General Mandate to empower the Directors to issue and allot shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for the purpose as the Directors consider would be in the interests of the Company. This authority unless revoked or varied at a general meeting will expire at the next AGM. With this authority, the Company will be able to raise capital from the equity market in a shorter period of time and the cost to be incurred will also be lower as the need to convene an Extraordinary General Meeting will be dispensed with.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the last AGM held on 29 May 2019 and which will lapse at the conclusion of the forthcoming AGM.

The General Mandate will provide flexibility to the Company for any possible fund raising activities including but not limited to further placing of shares, for the purpose of funding future investment project(s) working capital and/or acquisition.

NOTICE OF 49TH ANNUAL GENERAL MEETING
(CONT'D)

e) Item 8 of the Agenda
Resolutions 9 and 10 – Continuing in Office as Independent Non-Executive Directors

The Nomination Committee ("NC") of the Company has conducted an assessment of independence on the following directors who have served as Independent Directors for a cumulative term of more than nine years and recommended them to continue to act as Independent Directors based on the following justifications:

(i) Dato' Dr Abdullah Bin Sepien
(ii) Tan Sri Datuk Seri Ismail Bin Yusof

<u>Justifications</u>

(a) They have met the definition of independent director as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and would be able to provide check and balance thus bringing an element of objectivity to the Board;
(b) Being directors for more than nine years have enabled them to contribute positively during deliberations/discussions at meeting as they are familiar with the operations of the Company and possess an in-depth knowledge of the Company's operation;
(c) They have contributed sufficient time and exercised due care during their tenure as Independent Director of the Company;
(d) They have discharged their duties with reasonable skills and competent, bringing independent judgement into the decision making of the Board and in the best interest of the Company and shareholders; and
(e) They have vigilantly safeguarded the interests of the minority shareholders of the Company.

The Board endorsed the Nomination Committee's recommendation and recommended that Dato' Dr Abdullah Bin Sepien and Tan Sri Datuk Seri Ismail Bin Yusof to continue to act as Independent Non-Executive Directors of the Company subject to the approval from the shareholders of the Company through a two-tier voting process as described in the Guidance to the Practice 4.2 of the Malaysian Code on Corporate Governance.

GENERAL MEETING RECORD OF DEPOSITORS

To determine whether a member is entitled to attend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd in accordance with Article 65.2 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 21 July 2020. Only a depositor whose name appears on the Record of Depositors as at 21 July 2020 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his/her stead.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

There is no person seeking for election as Director of the Company at this Annual General Meeting.

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South Malaysia Industries Berhad
[Co No. 196901000152 (8482-D)]

PROXY FORM

NUMBER OF SHARES HELD	
CDS ACCOUNT NO.	

I/We ______________________________ (NRIC No./ Co. No. ______________________________)

of ____

being a member/members of SOUTH MALAYSIA INDUSTRIES BERHAD [Co. No. 196901000152 (8482-D)] do hereby appoint :-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or (delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 49th Annual General Meeting of the Company to be held at Ruby 2, Level 8, Holiday Villa, No. 260, Jalan Dato' Sulaiman, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim on Wednesday, 29 July 2020 at 11:00 a.m. and at any adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Annual General Meeting, as indicated with an "X" in the appropriate spaces.

No.	RESOLUTIONS	FOR	AGAINST
	ORDINARY BUSINESS:		
1	To approve under provision of Directors' Fees for the period from 1 June 2019 until 29 July 2020.		
2	To approve payment of Directors' Fees for period from 30 July 2020 to next Annual General Meeting to be held in 2021.		
3	To approve payment of Directors' Benefits for the for period from 30 July 2020 to next Annual General Meeting to be held in 2021		
4	To re-elect Dato' Zainuddin Bin Yahya – Article 85.3		
5	To re-elect Ms. Tan Siew Poh – Article 86		
6	To re-elect Tan Sri Datuk Seri Ismail Bin Yusof – Article 86		
7	To re-appoint UHY as Auditors.		
	SPECIAL BUSINESS:		
8	Ordinary Resolution pursuant to Sections 75 and 76 of the Companies Act, 2016		
9	Continuing in Office as Independent Non-Executive Director - Dato' Dr Abdullah Bin Sepien		
10	Continuing in Office as Independent Non-Executive Director - Tan Sri Datuk Seri Ismail Bin Yusof		

In the absence of any specific instructions, the proxy will vote or abstain from voting on the resolutions as he thinks fit.

Signed this ______________ day of ______________, 2020

____
Signature of Member(s)
Contact No. :

Notes:

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 July 2020 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 49th AGM.*
2. *A member entitled to attend, speak and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
4. *Where a member is an authorized 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.*
5. *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. *Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of an officer or attorney duly authorised.*
7. *The Proxy Form must be deposited with the Company Secretary at the Registered Office, Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim not less than 48 hours before the time set for the Meeting.*
8. *Pursuant to Paragraph 8.29(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by poll.*

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AFFIX
STAMP
HERE

The Company Secretary
SOUTH MALAYSIA INDUSTRIES BERHAD
[Co. No. 196901000152 (8482-D)]

Suite 1301, 13th Floor, City Plaza,
Jalan Tebrau,
80300 Johor Bahru.

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South Malaysia Industries Berhad
[Co. No. 196901000152 (8482-D)]

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