SOUTH MALAYSIA INDUSTRIES BERHAD
196901000152 (8482-D)

ANNUAL REPORT 2020

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CORPORATE INFORMATION

Dato' Dr Abdullah Bin Sepien
Chairman/Independent Non-Executive Director

Mr Leow Thang Fong
Executive Director

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

Dato' Zainuddin Bin Yahya
Independent Non-Executive Director

Ms Tan Siew Poh
Non-Independent Non-Executive Director

Puan Latifah Binti Abdul Latiff
Independent Non-Executive Director

BOARD OF DIRECTORS

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Dato' Dr Abdullah Bin Sepien
(Chairman)
Tan Sri Datuk Seri Ismail Bin Yusof
Dato' Zainuddin Bin Yahya

REMUNERATION COMMITTEE

Dato' Dr Abdullah Bin Sepien
(Chairman)
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

UHY

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SHARE REGISTRAR

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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

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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,
Wilayah Persekutuan
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

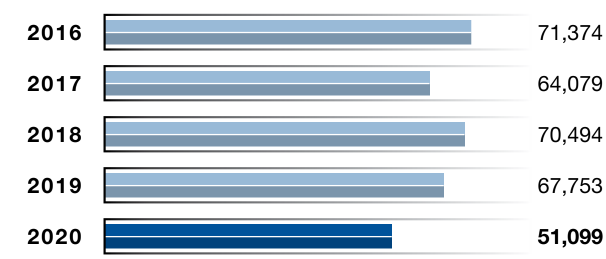
WEBSITE

www.smib.com.my

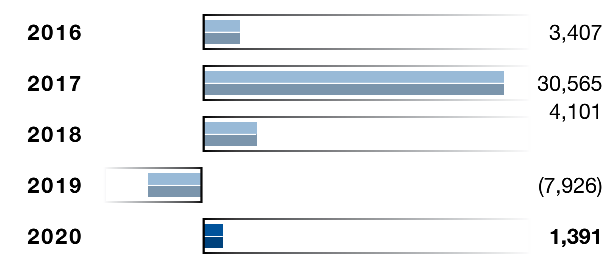
GROUP FINANCIAL HIGHLIGHTS

Year	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Results					
Revenue	**51,099**	67,753	70,494	64,079	71,374
EBITDA	**2,520**	(5,079)	7,138	33,712	6,703
Profit/(Loss) before interest and tax	**2,396**	(6,682)	5,479	31,933	5,043
Finance costs	**(1,005)**	(1,244)	(1,377)	(1,368)	(1,635)
Profit/(Loss) before tax	**1,391**	(7,926)	4,101	30,565	3,407
Profit/(Loss) after tax	**909**	(8,750)	3,257	29,202	1,617
Net (loss)/profit attributable to owners of the parent	**(3,738)**	(7,680)	4,294	28,124	2,973
Financial Position					
Total assets	**191,111**	203,536	217,591	220,797	190,962
Total liabilities	**39,169**	45,662	51,679	53,113	56,558
Borrowings	**26,905**	22,860	26,519	26,614	20,948
Shareholders' equity	**151,942**	169,321	176,167	176,338	145,753
Share Information					
Basic (loss)/earnings per share (sen)	**(1.78)**	(3.66)	2.05	13.40	1.42
Net assets per share (sen)	**72.37**	80.65	83.91	83.99	69.43
Year high (sen)	**30.00**	21.50	25.00	30.50	17.50
Year low (sen)	**7.00**	13.00	13.50	14.00	13.00
Year close (sen)	**17.00**	15.00	14.00	20.00	15.00
Trading volume ('000)	**553,589**	56,003	44,790	148,427	54,070
Market capitalisation (RM'000)	**35,690**	31,491	29,392	41,988	31,491
Financial Ratio					
Return on equity (%)	**-2.5**	-4.5	2.4	15.9	2.0
Return on total assets (%)	**-2.0**	-3.8	2.0	12.7	1.6
Gearing ratio (times)	**0.18**	0.14	0.16	0.16	0.16

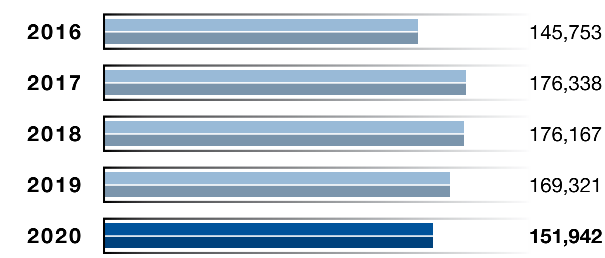
Revenue
(RM'000)



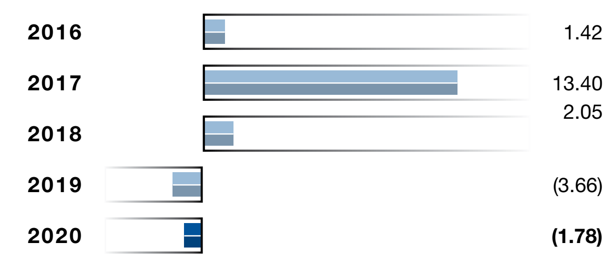
Profit/(Loss) Before Tax
(RM'000)



Shareholders Equity
(RM'000)



Basic (Loss)/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 of the Company for the financial year ended 31 December 2020.

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 2021-2023 approved by the Board on 25 November 2020 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.

Currently facing an uncertain economic outlook which is likely to persist for at least another year, exacerbated by weak property sentiments and conservative lending policies of the Financial Institutions, the Management has adopted a cautious approach in considering potential land investments.

Identifying New Business

Besides identifying suitable lands for development, the Group is also on the look out to venture into new business that would help spur grow but again the slowdown in global and domestic demand has also increased business risks. As such, the Group is adopting a more prudent and conservative approach with emphasise on detailed risk analysis.

THE GROUP's BUSINESS AND PERFORMANCE

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

Revenue

The Group's revenue of RM51.10 million in FYE 2020 represents a 25% or RM16.65 million decrease from RM67.75 million in FYE 2019. The decrease in revenue was mainly due to lower contribution from the property division, car park operation, manufacturing and trading and property and investment holding divisions.

MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)

The manufacturing and trading division's revenue decreased by RM8.05 million mainly due to lower sales quantities (decreased by 2,086MT or 14.94% - no sales during Movement Control Order ("MCO") implemented from 18 March 2020 to 3 May 2020) and lower sales in Q4 2020) and a RM66/MT or 1.9% decrease in selling prices. Raw materials cost decreased by RM138/MT or 5.88% while average production cost increased by RM80/MT or 7.9%.

The property division recorded an 53% (RM6.76 million) decrease in revenue from RM12.72 million in FYE 2019 to RM5.96 million in FYE 2020 mainly due to lower contribution from Ipoh's Taman Saikat projects Phase 5A1~2 (completed in 2019) and the absence of contribution from Taman Ipoh Jaya as the Phase 4S - shop were completed in 2018. This however, was offset by higher contributions from Taman Saikat Phase 1B2 and Taman Klebang Phase 1A1-5. There was also an absence of contribution from Pinnacle project as final landowner entitlement of RM2.8 million was recognised in FYE 2019.

Car park operation recorded a 6% (RM0.22 million) decrease in revenue from RM3.81 million in FYE 2019 to RM3.58 million in FYE 2020 mainly due to free parking during MCO period from 21 March 2020 to 3 May 2020 for both season and casual parking for both Kelana Square and Zenith sites.

There was no revenue contribution from the Group's China operation in FYE 2020 as compared to RM1.34 million in FYE 2019 as Hubei had ceased operation on 30 December 2019. Lower revenue of RM0.29 million was registered by the investment holding division in FYE 2020 as compared to FYE 2019 mainly due to vacancy after a major tenant moved out from the Company's office building in June 2019.

Gross Profit Margin

GP margin decreased from 18.4% in FYE 2019 to 9.9% in FYE 2020 was the result of:

(a) Lower GP margin of Ipoh Project (FYE 2020: 45%; FYE 2019: 64%) 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 and no contribution in FYE 2020 from the Pinnacle project upon full profit recognition in FYE 2019; and

(b) A 0.12% decrease in GP margin of the manufacturing division in FYE 2020 as a result of lower sales prices and quantities and increase in other fixed production costs.

Profit or Loss before Tax

The Group recorded a profit before tax of RM1.39 million FYE 2020, a lower loss of RM9.32 million as compared to a loss of RM7.93 million in FYE 2019 mainly due to lower loss from manufacturing and trading division (RM0.53 million), investment holding (RM0.56 million), China operation (RM0.95 million), gain on the liquidation of subsidiary companies in China (RM16.30 million), dividend income from a New Zealand investment (RM2.37 million), a gain on disposal of quoted warrants (RM0.36 million) and a fair value gain adjustment in respect of the Zenith and Kelana Square carparks (RM1.16 million) offset by higher loss from the property division (RM2.0 million) and carpark operation (RM0.05 million), net impairment loss on trade and other receivables (RM2.46 million), impairment loss on other investment (RM1.43 million) and higher operating expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)

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

Manufacturing and Trading
(RM0.86 million loss in FYE 2020 vs. RM1.39 million loss in FYE 2019: lower loss of 38% or RM0.53 million)

The manufacturing and trading division recorded a 16.5% decrease in revenue in FYE 2020 as a result of lower sales quantities of 2,086MT (14.9%) due to the COVID-19 pandemic and the lower selling prices [average selling price decreased by 1.9% [RM66/MT] due to lower wire rod cost [RM138/MT or 5.9%]. The lower raw materials cost was offset by higher other production overhead of RM80/MT (fixed cost such as depreciation, staff costs, electricity and upkeep costs) resulting in a lower gross profit of RM0.36 million in FYE 2020. Gross profit margin decreased by 0.16% from 3.6% in FYE 2019 to 3.44% in FYE 2020. The lower gross profit is offset by the lower operating expenses (administrative expenses, staff cost, carriage outwards, freight & forwarding, finance cost and the government subsidy).

The lower sales quantities in FYE 2020 were mainly due to the MCO implemented from 18 March 2020 to 3 May 2020. Sales were lower by 2,157MT from March 2020 to May 2020 as compared to the corresponding months in FYE 2019. The sales quantities in Q4 2020 were also affected by the CMCO effective from 14 October 2020.

Due to the imposition of safeguard duties by the Malaysia Government (13.9% from 15 April 2017 to 14 April 2018, 12.9% from 15 April 2018 to 14 April 2019, 11.9% from 15 April 2019 to 14 April 2020) on wire rod imports, the Group stopped wire rods imports from China effective from February 2017.

Property development
(RM0.13 million profit in FYE 2020 vs. RM2.14 million profit in FYE 2019: lower profit of 94% or RM2.0 million)

Pinnacle project:

RM3.35 million decrease in profit:
- FYE 2020: RM Nil- No sale of completed stocks
- FYE 2019: RM3.35 million final landowner entitlement for unsold units

Taman Saikat:

RM1.19 million decrease in profit recognition:
- FYE 2020: RM2.17 million profit
- FYE 2019: RM3.36 million profit

Phase 5A1~ 2 (34 units of 2-storey terrace house launched in April 2017 and completed in June 2019) contributed profit of RM1.32 million in FYE 2020 vs RM3.15 million in FYE 2019.

Phase 1B2 (8 units of 2-storey semi-D) launched in January 2019 contributed RM0.85 million profit in FYE 2020 vs RM0.21 million FYE 2019.

Taman Ipoh Jaya project ("TIJ"):

Phase 4S (16 units of shop-office) - RM1.81 million decrease in profit (profit from the sale of 5 completed units was fully recognised in FYE 2019)

Taman Klebang project:

- FYE 2020: RM0.54 million vs. FYE 2019: RMNil

Phase 1A1-5 (38 units of double-storey terraced house launched in June 2019) - sale of 10 units in FYE 2020 and the project was 55% completed)

Other Income / Operating Expenses:

Other income was higher in FYE 2020 mainly due to RM2.3 million interest charged on amount owing in respect of the Pinnacle joint development.

Operating expenses was lower by RM1.8 million in FYE 2020 mainly due to lower staff costs as a result of 5% to 25% pay cut for management staffs with effect from June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)

Property and Investment holding
(RM5.87 million loss in FYE 2020 vs. RM7.32 million loss in FYE 2019: lower loss of 20% or RM1.45 million)

Car park Operation
(RM0.36 million profit in FYE 2020 vs. RM0.41 million profit in FYE 2019: lower profit of 13% or RM0.05 million)

The car parks registered lower profit in FYE 2020 mainly due to lower parking collection (RM0.22 million) as a result of the MCO (free parking from 21 March 2020 to 3 May 2020) offset by higher parking rates as a result of parking rates adjustments and lower car park direct costs (lower staff costs due to government wages subsidy, lower utilities expenses, maintenance and repair costs and office administrative expenses).

China Operation
(RM1.68 million loss in FYE 2020 vs. RM2.62 million loss in FYE 2019: Lower loss of 36% or RM0.94 million)

SMI Leisure and Entertainment Limited ('SMILE") group recorded a lower loss in FYE 2020 mainly due to the cessation of operation in Hubei on 30 December 2019. The operating expenses in FYE 2020 was mainly liquidation expenses and compensation and ex-gratia payments to staffs and director upon cessation of the operation of the SMILE head office in Shanghai on 31 May 2020.

The Holding Companies
(RM4.54 million loss in FYE 2020 vs. RM5.10 million loss in FYE 2019: lower loss of RM0.56 million)

The lower loss registered by the holding companies in FYE 2020 was mainly due to lower administrative expenses and staff cost (5% to 25% pay cut for management staffs with effect from June 2020 and no bonus paid), lower building maintenance cost incurred offset by lower rental income of RM0.29 million as a result of a major tenant vacating out of 4 floors of office space in June 2019.

FNANCIAL POSITION AS AT 31 DECEMBER 2020

Assets

The Group's non-current assets of RM144.5 million as at 31 December 2020 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 2020 was RM96.9 million, which represented an increase of RM11.7 million from RM85.2 million in the preceding year ended 31 December 2019 mainly due to the transfer of certain completed property units from inventories to investment properties and RM1.2 million increase in fair value of the Kelana Jaya car parks.

The Group's long-term other investments increased from RM24.5 million in the FYE 2019 to RM25.9 million in FYE 2020.The Company's quoted investments in Malaysia registered fair value gain of RM0.63 million in the financial year ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)

Liquidity

The Group's financial position as at 31 December 2020 was healthy with relatively low level of borrowings at RM26.9 million and deposits, cash and bank balances of RM5.9 million.

As at 31 December 2020, the Group's gearing ratio remain low at 0.18 times as a result of minimal drawdown of bank facilities net of loan and borrowings repayment of RM2.4 million. The cash flows generated from the Group's car park operations, the Group's developments in Ipoh and the manufacturing division was 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 2020, there was no major capital expenditure other than the RM0.8 million spent on office renovation costs and the purchase of factory plant and machinery of RM0.3 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 2020, the operating conditions of the local wire industry were impacted by the COVID-19 pandemic and the implementation of the MCO. The shutdown of the wire factory from 18 March 2020 to 3 May 2020 had resulted in loss of sales and as a result, the average fixed production overhead increased due to lack of economies of scale. The market demand was also low due to apprehension amid prolonged movement control. The price of wire rods was however lower in 2020 as a result of low market demand. This had somewhat offset the impact of lower sales quantities on the manufacturing division's average production cost and the gross profit margin reduced slightly by 0.16% to 3.44% in 2020.

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 in the first quarter of 2021 was also impacted by MCO 2.0 implemented from 13 January 2021 to 4 March 2021with the division's revenue impacted by the low market demand. The wire industry is not expected to pick up in 2021 as it continues to be stifled by low market demand, rising costs and measures undertaken by the Government to contain the COVID-19 pandemic. To date, the global steel prices spiked to frenzied heights (up threefold) with iron ore prices soaring even higher due to higher demand and global steel supply shortages especially with the curbing of steel exports by China via implementation of measures such as cancellation of export tax rebates and decarbonisation. Other production cost inputs viz. gas and electricity and labour costs have also increased substantially and the division is unable to increase selling prices due to the prevailing adverse market conditions. Faced with shrinking demand and record high raw materials costs, the manufacturing division's objective is to minimise losses from 2021 to 2023 and return to profitability thereafter. Various measures are in place to drive sales, improve production efficiency and reduce production costs.

On 22 January 2021, SMIW had reported that one of its factory worker had COVID-19 symptoms which were subsequently confirmed by a screening test. SMIW had on 24 January 2021 and 2 February 2021 voluntarily undertaken COVID-19 full screening exercise for all its worker, both foreign and local, at its factory located in Jalan Tampoi, Johor Bahru. Out of the 90 workers screened, 50 were COVID-19 positive. Affected workers were placed under quarantine and isolation. Sanitisation was also carried out at the factory premises and workers' accommodation. SMIW had also temporary suspended the operation of the factory from 6 February 2021 to 15 February 2021. As at the date of this report, all workers have recovered and resumed work.

Property Development

Pinnacle Kelana Jaya ("Pinnacle")

This project was developed vide a joint development agreement between a wholly owned subsidiary Company, 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 2021.

Taman Saikat ("TS")

TS is another residential development undertaken by Anastroria Sdn Bhd ("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. Sales achieved was 74% and the project was completed in May 2019 with 9 unsold units. In 2020, 6 stock units were sold leaving 3 units to be sold in 2021.

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 2020, sales achieved were 36% and the project was completed in December 2020. The GDV of this project is RM5.9 million and the balance 5 unsold bumiputera units are expected to be sold 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 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 RM14 million was launched in June 2019. As at 31 December 2020, 15 units or 41% were sold and project completion was 59%.

The weak performance of the property sector amidst market glut and depressed prices which continued into the first quarter of 2021 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 rebound fully.

With the prevailing weak and cautious market, the banks' stringent loan approvals policies, increase in steel prices and shortage of workers in the construction industry as foreign workers have returned to their country due to the COVID-19 pandemic, the Group foresees that the current and next 2 financial years will be more challenging as properties are priced out of buyers' purchase capabilities. 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. The current low interest rates and incentives under the Home Ownership Campaign ("HOC" 2020) up to June 2021 have managed to generate positive demand for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)

Property and 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 Company 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 was completed in November 2020. SMI Leisure And Entertainment Limited had also ceased its operations in Shanghai in May 2020 and is currently in the process of deregistration. Thereafter, the Group had exited China in 2020.

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

The Group's car park collection in 2021 is dependent on how fast the health crisis is brought under control and the recovery of businesses post MCO. Rental income from investment properties is anticipated to drop in 2021as higher vacancies and inability to re-let space due to the downside in business community confidence and the change in the structure of how businesses operate (incorporating "work from home" practices) in the aftermath of COVID-19 pandemic.

Car park operations

The Group owns and operates 2,102 car park bays in Kelana Square and 1,227 car park bays in Zenith Corporate Park in Kelana Jaya. In the financial year ended 31 December 2020, the car park operation generated steady revenue of approximately RM2.1 million (2019: RM2.4 million) and operating profit before tax of RM0.05 million (2019: RM0.11 million). With the reimplementation of MCO and the tightening of SOPs requiring substantial number of employees in both the public and private sectors to work from home to curb the fast spreading COVID-19 virus in May 2021, the parking revenue is expected to decrease in the current financial year, the quantum will depend on the time taken before the easing of movement control in Selangor. The Group has continuously undertaken 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 coupled with the timely increase in car park rates (after more than 15 years) in the third quarter of 2020.

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.

As the COVID-19 pandemic is likely to be around in the current and next financial years, mitigation of the persisting health risks would depend on the speed of the implementation of the National COVID-19 Immunisation programme.

CORPORATE DEVELOPMENTS

The Group did not undertake any corporate exercise or issue any debt or equity securities in the financial year ended 31 December 2020.

The completion of the conditional Share Sale Agreement 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 was delayed as the fulfillment of certain conditions including, inter alia, the execution of the relevant agreement with government authorities and third parties did not take place as scheduled.

MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)

The situation was exacerbated by the onslaught of COVID-19 which lead to the MCO coupled with the changes in the ruling state government had caused further delays to the finalisation of the agreement. As the deadline of 25 July 2020 for all the outstanding obligations was not met, due to the prevailing circumstances, the Group decided to reduce its investment to a mere 19% at a consideration of RM1.43 million. The mutual settlement agreement was executed with the vendors on 27 January 2021.

GROUP OUTLOOK/PROSPECTS

Impact of COVID-19 Pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. The COVID-19 outbreak has resulted in travel restrictions, quarantines, lockdowns and other precautionary measures imposed by various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates.

On 16 March 2020, the Malaysian Government imposed MCO from 18 March 2020 and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

Due to implementation of the MCO, the Group has temporary shut down its premises from 18 March 2020 till 3 May 2020 in alignment with the MCO policy. Subsequently, on 4 May 2020, the Group resumes its operations with proper standard operating procedures put in place. The disruption of its operations during the financial year due to MCO and the relevant financial impact has been taken into account in the financial results of the Group.

As the COVID-19 pandemic situation is still evolving as at the date of authorisation of the financial statements, the ultimate impact of the COVID-19 is highly uncertain and subject to change. The Group will continuously monitor the impact of COVID-19 on its operations and its financial performance. The Group will also be taking appropriate and timely measures to minimise the potential impact of the outbreak on the Group's operation.

Albeit the challenging situation, the Group has been proactive in identifying areas where costs can be minimised as revenue is impacted by the Movement Control.

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 2020 as there were accumulated losses in the statements of financial position as at 31 December 2020.

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 the Paragraph 29, Part A of Appendix 9C of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa") 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 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 98% 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 cognizance of the economic, social and environmental ("EES") implications it is exposed to.

SUSTAINABILITY GOVERNANCE STRUCTURE

Whilst the Board is primarily responsible for the sustainability performance of the Group, a committee, namely 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 discussion points at all its meetings. The RMC is entrusted with responsibilities that include the establishment of a sustainability framework; review 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 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 2020, to identify any significant changes in the Group's materiality sustainability matters.

The materiality assessment review has taking into consideration any development or significant changes to the industries, business 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 material 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 customer base through the quality and reliability of its products and delivery. The Group's factory located in Johor Bahru currently runs at full capacity, producing about 1,000MT of wires per month to fulfil customers' orders and 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 Managers for the Wire Manufacturing Division maintains a 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.

Due to the impact of COVID-19, a series of Movement Control Orders (MCOs) have negatively affected the Group's manufacturing capabilities. This has caused revenue to decrease by RM5.27m representing 11.5% decrease when compared to the annual budget. Despite the decrease in revenue, the Group has been able to cap losses from the wire manufacturing division by up to 38% for the financial year under review.

The Group has not received any major complaint on quality or timeliness of delivery of its products 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 to ensure 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 CIDB's QLASSIC standard in their future projects as part of its commitment towards ensuring quality workmanship.

The Group's Taman Saikat (TS) residential development comprising of eight (8) semi-detached houses which commenced in 2018 was originally slated for completion in year 2021 but has since completed ahead of schedule in the fourth quarter of year 2020.

The Group's venture into Taman Klebang Emas (TKE) has yielded positive results for the financial year under review. Despite challenging conditions posed by the COVID-19 pandemic and a series of MCOs, the sales of the residential development remain promising despite the challenging market conditions posed by the pandemic. The COVID-19 pandemic has had no impact on the delivery of the residential development. The residential development is slated for completion in the first quarter of 2022 ahead of the original due date of September 2022.

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. The car park rates were revised upwards in the financial year under review and this revision has compensated for the impact of the COVID-19 pandemic. Additionally, the Group recognizes the importance for its car park facilities to remain in conducive conditions and, as such, periodic maintenance and upkeep works are performed.

The Group recognizes 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. Alongside the replacement of lighting with LED lightings, visibility and security of both car parks have currently been improved significantly and creates a much safer and more comfortable feeling to users.

There were no major incidents recorded on crime at the car park facilities for the financial year ended 31 December 2020.

SUSTAINABILITY STATEMENT

(Cont'd)

MATERIAL SUSTAINABILITY MATTERS AND HOW THEY ARE MANAGED (CONT'D)

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 form wire cooling and acid rinse water, which is a scheduled waste and is treated in-house and collected by a 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 minimize 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 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 2020 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 to 2020	12,876
Air compressor system operation re-shuffle-reduction from 89kW to 74kW	100%	2019	39,157
	Total Estimated Savings per Annum		**72,818**

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 minimized 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 has achieved greater energy efficiency by converting all conventional lighting to LED lighting. The LED lighting in the car park sites has provided a more comfortable and secure environment for users, as well as to minimise electricity consumption cost.

MATERIAL SUSTAINABILITY MATTERS AND HOW THEY ARE MANAGED (CONT'D)

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.

As the Group's key subsidiary, ie. 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 Group 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 2020, 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*
FY 2019	1	3	3
FY 2020	0	0	0

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

There were no fatalities for the financial year ended 31 December 2020.

The Group will continue to monitor and review its internal control systems 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.

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

SUSTAINABILITY STATEMENT

(Cont'd)

MATERIAL SUSTAINABILITY MATTERS AND HOW THEY ARE MANAGED (CONT'D)

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

- COVID-19: Impact on MFRS 16 - Leases
- The implications of digital tax in Malaysia with latest update
- Malaysia's Covid-19 Act 2020
- Section 17A, MACC Act 2009 (Amendment 2018) - Structured Anti-Corruption Compliance Programme
- Minimum wage & payroll issues

The Group recognizes 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 8 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 2020 the Group concentrated on employee well-being due to the occurrence of the COVID-19 pandemic. Two (2) swab tests were organized group-wide at the office premises of Menara SMI for the financial year under review. Additional measures were taken to curb the spread of the virus within the premises by installing hand sanitizers at all common areas, organizing additional cleaning works and providing all employees with an adequate supply of surgical masks.

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. For the financial year under review, two (2) staff's children were rewarded from the staff welfare fund for achieving outstanding grades.

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' DR ABDULLAH BIN SEPIEN

Independent Non-Executive Chairman • Member of the Audit Committee • Chairman of the Nomination Committee • Chairman of the Remuneration Committee

Malaysian Citizen, age 74 • 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.

MR LEOW THANG FONG

Executive Director

Malaysian, age 69 • 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.

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 Citizen, age 77 • 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.

DIRECTOR'S PROFILE

(Cont'd)

DATO' ZAINUDDIN BIN YAHYA

Independent, Non-Executive Director • Chairman of the Audit Committee • Member of the Nomination Committee
Malaysian Citizen, age 62 • 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 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 People's Republic of China and concurrently accredited to Mongolia.

MS TAN SIEW POH

Non Independent, Non-Executive Director • Member of the Audit Committee • Member of the Remuneration Committee
Malaysian Citizen, age 57 • 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 59 • 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 over 30 years experience in the areas of commercial & investment banking, development finance and insurance. Throughout much of her career, she was involved in business development and lending activities with key focus on origination, negotiating and structuring loan transactions, business development, loan portfolio management and credit supervision. Based on the strength of her professional experience, she was hired in 2009 to be part of the pioneer team to set up Danajamin Nasional Berhad, Malaysia's first financial guarantee insurer, where she spearheaded the only business division of the company. As a member of the senior management team, she served on various management committees responsible for reviewing and deliberating business proposals, risk management initiatives and processes, audit and compliance as well as overall management of the organization. Her last position was Senior Vice President of Business Banking II in Bank Pembangunan Malaysia Berhad.

Currently, Puan Latifah sits on the Board of Gabungan AQRS Berhad.

SENIOR MANAGEMENT PROFILE

MR HAM SAI KIT

General Manager
Malaysian Citizen • Male, age 65

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 Citizen, Female, Age 55

Ms Yau Sek Fun joined SMI in July 2000 as Group Accountant and she is a member of the Malaysian Institute of Certified Public 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 Citizen, Male, age 67

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.

DATIN ZUBAIDAH BTE BUNYAMIN

General Manager
Malaysian Citizen, Female, age 65

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 Directors and the 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

The Audit Committee ("AC") oversees the financial reporting, internal control system, external auditing, governance control and regulatory compliance of the Group.

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2020 ("FY2020").

COMPOSITION AND MEETINGS

The Audit Committee ("AC") comprises the following members and details of their attendance at meetings held during the FY2020 are as follows:

Names	Attendance of Meeting
Dato' Zainuddin Bin Yahya Chairman/ Independent Non-Executive Director	4/4
Dato' Dr Abdullah Bin Sepien Member/ Senior Independent Non-Executive Director	4/4
Tan Sri Datuk Seri Ismail Bin Yusof Member/ Independent Non-Executive Director	4/4
Ms Tan Siew Poh Member/ Non-Independent Non-Executive Director	4/4
Puan Latifah Binti Abdul Latiff Member/ Independent Non-Executive Director	4/4

Four (4) meetings were held during the financial year. These meetings were also attended by the Group Accountant, Internal Auditors 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 Director ("ED"). 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 Board has recently reviewed and updated the Terms of Reference of the AC in line with the provisions of the Listing Requirements and MCCG. The Terms of Reference is set out in the Appendix I of the Board Charter and is available on the Company's website at www.smib.com.my.

ACTIVITIES DURING THE FINANCIAL YEAR

During the FY2020, the AC has carried out the following work in accordance with its terms of reference to meet its responsibilities:

Financial Reporting

- Reviewed the unaudited quarterly financial reports and audited financial statements before they were presented to the Board for approval.
- In its review of the quarterly financial reports and audited financial statements, the AC took note of the changes of accounting standards and impact on the financial performance or position of the Group with the adoption of the new accounting standards.
- The following were the primary areas of financial reporting judgement and disclosure considered by the AC in relation to FY2020:
  - The impact on the Group's operation of the Covid-19 outbreak and the MCO imposed by the Government and the actions taken by the Management to mitigate the same.

Matters relating to External Audit

- Reviewed the audit plan of the External Auditors in terms of their scope of audit, methodology and timetable, areas of focus prior to the commencement of their audit;
- Reviewed and discussed with the External Auditors annual audited financial statements and areas of concern highlighted in the audit review memorandum 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 Corporate Governance Overview Statement 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 Management and the disclosure thereof in the Auditors' Report for the financial year ended 31 December 2020, which is in line with the requirements of the International Standards on Auditing;
- Noted that upon an enquiry by the External Auditors, Management, the Internal Auditors and all AC members verbally confirmed that they were not aware of any actual, suspected or alleged fraud affecting the Group or contravention of any laws or statutory regulations by the Group; and
- The AC met with the External Auditors without the presence of Management during the financial year under review. The AC had enquired about the assistance and cooperation given by employees to the External Auditors and were satisfied with the Management cooperation given to them.
- The AC is also satisfied that the External Auditors have and will be able to carry out their responsibilities in an unbiased and professional manner and thus recommended their re-appointment for the financial year ending 31 December 2021.

AUDIT COMMITTEE REPORT

(Cont'd)

ACTIVITIES DURING THE FINANCIAL YEAR (CONT'D)

Annual Reporting

- Reviewed and recommended the Corporate Governance Overview Statement, Statement on Risk Management and Internal Control and Audit Committee Report for the FY2020 to the Board for approval for inclusion in the Annual Report.

Matter Relating to Internal Audit

- Reviewed and approved the annual Internal Audit Plan prepared by Internal Audit Department ("IAD") for activities to be undertaken for the financial year 2021. The annual Internal Audit Plan was developed based on the risk based approach, outlining the areas of coverage, audit scope and adequacy of resources of IAD.
- Reviewed the internal audit reports (including follow-up review reports) prepared by IAD on the audit findings and recommendations, management's response and/ or action taken thereto, and ensure that material findings were satisfactorily addressed by Management. Enquiries were made to both IAD and Management over details of issues raised, root causes and the proposed corrective actions. The AC also provide additional advisory on issues raised through the discussion with the IAD and Management.
- Monitored and deliberated the implementation of audit recommendations arising from the audit activities as well as the follow-up audits conducted by IAD to ensure that all key risks and controls have been addressed. The AC also considered the timelines of completion of the proposed actions and whether such actions effectively resolved the issues raised.
- The Chairman of the AC had given briefings to the Board on the Internal Audit Report presented by IAD at the Board meetings following each of the AC meetings.

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 they were not detrimental to the interests of the minority shareholders.

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 then presented to the AC and thereafter to the Board.
- The AC deliberated on the impact of the COVID-19 virus pandemic on the Group's operations and discussed on the necessary measures to be taken by the Group to mitigate the health risks including monitoring of employees' health condition and creating awareness on preventive measures, restriction of non-essential travel overseas and implementation of working from home in addition to complying with the Standard Operating Procedures and other regulations and directives as issued and enforced by the respective governmental and regulatory bodies.
- The AC reviewed and deliberated on the impact of the COVID-19 virus pandemic on the Group's business and financial performance as well as its sustainability. As part of the Group's cost cutting initiatives, the Group had undertaken austerity measures and a salary cut of up to 25% across the Group's up to the level of ED.

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 Internal Auditor 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 work 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 2021 to 2023 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 out audit reports to the appropriate operating units and management for corrective actions to be taken;
- Reviewed the risk management reports on significant key risks, discussions with Management and remedial actions to be taken to address or mitigate such risks;
- Follow up with 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 on an annual basis to the AC the achievement 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 FY2020 was RM164,115.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

The Board of Directors of South Malaysia Industries Berhad ("**the Board**") acknowledges 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 ("**MCCG or "CG 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 2020 ("FY2020"), under the stewardship of the Board:

(a) Board Leadership and Effectiveness;
(b) Effective Audit and Risk Management; and
(c) Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

Presently, the Board is of the view that the Company has in all material aspects satisfactorily complied with the principles and practices set out in the CG Code. Details of the application are summarized as below:

	Total	Adopted	Departure	Not Applicable	Not Adopted
Recommended Practices	32	28	4	0	0
Step-up practices	4	0	0	0	4

The following are the 4 recommended practices which the Company has departed from:

- Practice 4.6 – Sourcing of candidates for directorships using independent source.
- Practice 7.2 – Disclosure of the top five senior management's remuneration on a named basis.
- Practice 11.2 – Adoption of integrated reporting based on a globally recognized framework.
- Practice 12.3 – Use of technology to facilitate remote shareholders' participation at general meetings.

The Board is pleased to present this statement supported by the Corporate Governance Report ("CG Report") which is available on the Company's website at www.smib.com.my. The CG Report provides the details on how the Group has applied the three (3) abovesaid principles outlined in the MCCG during FY2020 as well as explanations for the departures from the abovementioned practices.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Part I – Board Responsibilities

Board's Roles and Responsibilities

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;

- The Management devises action plans in accordance with business plans and work towards achieving the targets. Management meetings are carried out to track progress and identify risks;

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

Part I – Board Responsibilities (Cont'd)

Board's Roles and Responsibilities (Cont'd)

- 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;

- 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 recognises the need to keep shareholders informed on key or material development. Majority 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 Director 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, 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 set in the Appendices I, II, III and IV of the Board Charter.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

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

Part I – Board Responsibilities (Cont'd)

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 Director 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 Company Secretaries are competent, qualified and capable of providing the needful support to the Board in discharging its fiduciary duties. The Constitution of the Company provides that removal of the Company Secretary is a matter for the Board as a whole.

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

The Company Secretary also acts as the Company Secretary for all the Board Committees. The Company Secretary attends all Board Committees meetings to record deliberations, issues discussed and conclusions in discharging her duties and responsibilities and also provide advice in relation to relevant guides and legislation.

Other roles of the Company Secretary includes coordinating the preparation of Board papers with Management, ensure Board procedures and applicable rules are observed and maintaining records of the Board as well as provide timely dissemination of information relevant to the Directors' roles and functions and keeping them updated in evolving regulatory 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

The Board has unhindered access to the advice and services of the Company Secretary who is responsible for ensuring that all Board procedures are followed and that applicable rules and regulations are complied with.

All the Directors also have the access to all information within the Group and may seek the advice of Management on matters under discussion or request further information on the Group's business activities. Minutes are prepared for all Board and Board Committees' proceedings, circulated to the Board and/ or Board Committee Members and will be confirmed and signed by the respective Chairman. The minutes will then be tabled at the subsequent meetings for notation.

The Board, whether as full Board or in their personal capacity, may upon approval from the Board, seek independent professional advice, if so required in furtherance of their duty, at the Group's expense.

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

Part I – Board Responsibilities (Cont'd)

Access to information and advice (Cont'd)

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.

Board Charter

The Board Charter outlines the duties and responsibilities of the Board, Board Committees and matters reserved for the Board. The role of Chairman, Executive Director and Independent Directors are also clearly defined in the Board Charter.

The Board Charter is reviewed periodically to ensure it reflects the Board's roles and responsibilities and compliance with the prevailing regulations. The Board Charter was last reviewed by the Board on 23 March 2021 to enhance governance practices on the Board in line with recommendations from the CG Code and Bursa Securities Listing Requirements.

The Board Charter is available on the Company website at www.smib.com.my.

Code of Conduct and Ethics

The Group has in place a code of ethics for Directors and employees to govern their standard of ethics and good conduct. The Code of Ethics for Directors described the standards of business conduct and ethical behavior for Directors in discharging and exercising their duties and responsibilities as Directors of the Company. The Code of Ethics for Directors is available on the Company's website at www.smib.com.my.

For employees, the Code of Conduct which governs the standards for Labor, Health and Safety, Environment, Business Ethnics and Management Systems to manage conformity to the Code of Conduct. The policies, practices and procedures of the Code of Conduct for employees are clearly outlined in the Office Policy Manual of respective subsidiary under the Group. The Code of Conduct for employees is integrated into the Group management practices and reviewed periodically. These codes provide guidance to all so that right choices can be made in response to any ethical dilemma in daily work.

Whistleblowing Policy

The Board had also established a Whistleblowing Policy, to provide employees/stakeholders a proper channel and guidance to raise genuine concerns, disclose any wrongdoing or misconduct, unethical behavior, malpractices, any violation of Code of Ethics, unlawful, illegal acts or failure to comply with regulatory requirements. The Board and the Management assure that the whistleblowers are kept confidential and are protected from any possible reprisals or retaliations if the disclosure is genuine. The Whistleblowing Policy is available on the Company's website at www.smib.com.my.

Anti-Bribery and Corruption Policy

In line with the new provision, Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018), the Board has adopted an Anti-Bribery and Corruption Policy in November 2019. The policy sets out the Group's overall position to prevent bribery and corruption practices in relation to its business activities. A copy of the Anti-Bribery and Corruption Policy 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

Composition of the Board

The Board presently consists of six (6) members; comprising one (1) Executive Director ("ED"), four (4) Independent Non-Executive Directors ("NEDs") and one (1) Non-Independent Non-Executive Director. The Board fulfills the prescribed requirements for one-third (1/3) of the membership of the Board to be Independent Directors as regulated by Bursa Securities; and also fulfil the Practice 4.1 of the CG Code, at least half of the Board comprises Independent Directors. Of the six (6) Directors on the Board, two (2) are women.

The composition of the Board reveals their varied background as outlined on pages 17 to 18 of this Annual Report. The Board members are equipped with the relevant skills, knowledge and expertise required for the proper running of the Company's affairs. The effectiveness of the individual Directors and the Board as a whole are assessed annually by the NC.

Generally, the ED along with the senior management are responsible for making and implementing operational decisions. Non-Executive Directors play a key supporting role, contributing their skills, expertise and knowledge towards the formulation of the Group's strategic and corporate goals and objectives, policies and decisions. The Board collectively made decisions in the best interest of the Company.

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

The tenure of Independent Directors of the Company is as follows:

		Years	
As at 31 December 2020	≥ 1-5	≥ 5-10	> 10
Independent Non-Executive Directors	2	–	2

Practice 4.2 of the CG Code states that the tenure of an independent director shall not exceed a cumulative term limit of nine (9) years. Upon completion of nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a non-independent director.

The Company does not have tenure limits for Independent Directors and the Board is of the view that the ability of an Independent Non-Executive Director to exercise his/her independence and objective judgement in Board deliberations shall not be determined solely or arbitrary by their tenure of service.

Dato' Dr Abdullah Bin Sepien and Tan Sri Datuk Seri Ismail Bin Yusof had served the Board for more than twelve (12) years. The Board, after considering the recommendation of the Nomination Committee, resolved to retain Dato' Dr Abdullah Bin Sepien and Tan Sri Datuk Seri Ismail Bin Yusof as Independent Directors as they provide check and balances in Board proceedings and have retained independence of character and judgement and are able to express their view without any constraints in Board deliberations and Board Committee meetings.

In accordance to the CG Code, resolutions will be tabled in the forthcoming Annual General Meeting ("**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 had served the Company more than 12 years. A brief profile of Dato' Dr Abdullah Bin Sepien and Tan Sri Datuk Seri Ismail Bin Yusof are presented in the Profile of Directors' section of this Annual Report.

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

Part II - Board Composition (Cont'd)

Gender Diversity

The Board acknowledges the importance of boardroom diversity, including gender, ethnicity and age. The Group practices the selection of suitable candidates as new Board members based on the candidates' competency, knowledge, skills, experience, character, time commitment and other qualities in meeting the needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates could bring to 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 appropriate blend of gender, experience and age upon recent assessment caried out by the NC.

The Board also acknowledges the merits of gender diversity at management level for better decision making and competitive advantages. Currently, 79% of the executive and managerial positions of the Group are held by female employees.

Nomination Committee

The Nomination Committee ("NC"), comprises solely of NEDs with its present composition as follows:

Chairman	Dato' Dr Abdullah Bin Sepien
Members	Tan Sri Datuk Seri Ismail Bin Yusof Dato' Zainuddin Bin Yahya

The NC would meet at least once (1) annually with additional meetings convened on as and when needed basis. The NC chose to meet post financial year to evaluate the performance of Directors for the immediate past financial year.

On 1 August 2020, Dato' Dr Abdullah Bin Sepien was re-designated as Chairman of the Board to fill the vacancy after Dato' Seri Hamzah Bin Zainudin resigned as Chairman of the Board on 12 March 2020 following his appointment as Minister of Home Affairs on 10 March 2020.

Dato' Zainuddin Bin Yahya was appointed as Chairman of the AC in replacement of Dato' Dr Abdullah Bin Sepien who relinquished as the Chairman of the AC subsequent to his appointment as Chairman of the Board. This is in line with the Practice 8.1 of MCCG whereby the Chairman of the Board is not the Chairman of Audit Committee.

Pursuant to Article 86 of the Constitution of the Company, one-third (1/3) of the Directors for the time being shall retire from office every year and all directors shall retire at least once in every three (3) years. In addition, the retiring Directors shall be eligible for re-election at the AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

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

Part II - Board Composition (Cont'd)

Nomination Committee (Cont'd)

During the year under review, key activities undertaken by the NC are summarized as follows:

(i) assessed the effectiveness of the Board, the Board Committees and the contribution of each individual Director;
(ii) reviewed the mix of skills and experience and other qualities, including core competence of the members of the Board;
(iii) reviewed the level of independence of Independent Directors as well as its tenure;
(iv) recommended the retiring directors for re-election at the forthcoming AGM as below:

- ➢ Dato' Dr Abdullah Bin Sepien and Mr Leow Thang Fong – pursuant to Article 86 of the Company's Constitution

The aforesaid directors had expressed their intention to seek for re-election at the 50th AGM.

Self-evaluation had been conducted by each individual Director of the Company including the Independent Directors and a summary of evaluation was furnished to the NC prior to the NC Meeting. The same would be shared with the Board to allow enhancement to be undertaken.

Based on the assessment carried out during the FY2020, the Board is satisfied with the level of independence demonstrated by all Independent Directors and their ability to act in the best interests of the Company. All assessments and evaluations carried out by the NC in discharging their duties are documented in the minutes of meetings.

Meetings and Time Commitment

The Board is mindful of the importance of devoting sufficient time and effort to carry out their responsibilities and enhance their professional skills. Thus, each Director is expected to commit sufficient time as and when required to carry out their responsibilities, besides attending meetings of the Board and Board Committees.

The Directors are required to update on their other directorships and shareholdings in public listed companies to the Company Secretaries so as to monitor the number of directorships held by the Directors as regulated by Bursa Securities' Listing Requirements where a director must not hold more than five (5) directorships in public listed companies. This is to ensure the directors' commitments in devoting sufficient time to the Company and they are able to focus and discharge their duties effectively.

Currently, all the Directors of the Company do not hold more than five (5) directorships in public listed companies including the Company.

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 commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. All the Directors had attended more than 50% of the attendance as required by Bursa Securities Listing Requirements. During the FY2020, the Board met on four (4) occasions as follows:

i 27 February 2020;
ii 25 June 2020;
iii 27 August 2020; and
iv 25 November 2020.

The details of meeting attendance for each Director for the FY2020 are contained in the table below:

Name of Directors	No. Board Meetings Attended/Held
Mr Leow Thang Fong	4/4
Dato' Seri Hamzah Bin Zainudin (Resigned on 12 March 2020)	0/1
Dato' Dr Abdullah Bin Sepien	4/4
Tan Sri Datuk Seri Ismail Bin Yusof	4/4
Ms Tan Siew Poh	4/4
Dato' Zainuddin Bin Yahya	4/4
Puan Latifah Binti Abdul Latiff	4/4

In between Board Meetings, approval on matters requiring the sanction of the Board is sought by way of circular resolutions where sufficient information is attached to the resolution to facilitate the Board in making informed decisions. All circular resolutions approved by the Board were tabled for affirmation at the subsequent Board meeting.

Directors' Training

The NC oversees the training needs of its Directors and acknowledges the importance of continuous education and training in order to broaden one's perspective and to keep abreast with the current and future developments in the industry and global markets, regulatory updates as well as management strategies to enhance the Board's skills and knowledge in discharging their duties.

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

Part II - Board Composition (Cont'd)

Directors' Training (Cont'd)

During the financial year under review, most of the Directors did not attend any structured training programmes but they have continuously kept themselves abreast of the relevant developments in the marketplace through the updates by the Company Secretary. In addition, the External Auditors also briefed the Board on latest regulatory updates and new standard to the Malaysia Financial Reporting Standards. Below are the programmes attended by the Directors:

Name of Director	Title	Organizer	Date
Dato' Dr Abdullah Bin Sepien	Fraud Risk Management Workshop	Bursa Malaysia	1/12/2020
Puan Latifah Binti Abdul Latiff	What are the Temporary Relief Measures for Listed Issuers during Covid-19 Pandemic	Tricor Hive Sdn Bhd	15/05/2020
	Fraud Risk Management Workshop	Bursa Malaysia	18/11/2020

Part III – Remuneration

Remuneration Committee ("RC")

Composition of RC

Currently, the RC consists entirely of three (3) Non-Executive Directors, majority of whom are Independent Directors.

Policy and Procedures

The main objective of the remuneration policy is to attract, retain and motivate Directors required to lead and control the Group effectively. The Board, as a whole, determines the remuneration of the Directors and the individual director is required to abstain from participating in the discussion of their own remuneration. The Board had also empowered the Executive Director to review the performance and remuneration packages of senior management.

The remuneration package of ED is structured to reflect his experience, performance and scope of responsibilities. Only the ED has a contract of service which is reviewed every two (2) years. The remuneration of Non-Executive Directors consists of fixed fees and meeting allowance which are subject to the approval of the shareholders at the AGM. The Chairman of the Board receives higher fees taking into account the nature of his responsibilities.

During this unprecedented Covid-19 pandemic period, the Group has undertaken an austerity measures which among others include a salary reduction imposed on upper management staff's salaries.

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

Part III – Remuneration (Cont'd)

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

Directors' Remuneration

The aggregate Directors' Remuneration paid or payable by the Company and the Group for the FY 2020 are categorised into the following components:

Company

	Fees[2] RM	Salaries RM	Bonus RM	Statutory Contribution[1] RM	Total RM
Executive Directors					
Mr Leow Thang Fong	2,000	1,281,250	–	153,750	1,437,000
Non-Executive Directors					
Dato' Dr Abdullah Bin Sepien	80,000	–	–	–	80,000
Dato' Seri Hamzah Bin Zainuddin (Resigned on 12/3/2020)	–	–	–	–	–
Tan Sri Datuk Seri Ismail Bin Yusof	64,000	–	–	–	64,000
Dato' Zainuddin Bin Yahya	75,000	–	–	–	75,000
Ms Tan Siew Poh	64,000	–	–	–	64,000
Puan Latifah Binti Abdul Latiff	64,000	–	–	–	64,000
Total	**349,000**	**1,281,250**	**–**	**153,750**	**1,784,000**

Group

	Fees[2] RM	Salaries RM	Bonus RM	Statutory Contribution[1] RM	Total RM
Executive Directors					
Mr Leow Thang Fong	2,000	1,281,250	–	153,750	1,437,000
Non-Executive Directors					
Dato' Dr Abdullah Bin Sepien	128,000	–	–	–	128,000
Dato' Seri Hamzah Bin Zainuddin (Resigned on 12/3/2020)	35,323	–	–	–	35,323
Tan Sri Datuk Seri Ismail Bin Yusof	64,000	–	–	–	64,000
Dato' Zainuddin Bin Yahya	75,000	–	–	–	75,000
Ms Tan Siew Poh	64,000	–	–	–	64,000
Puan Latifah Binti Abdul Latiff	64,000	–	–	–	64,000
Total	**432,323**	**1,281,250**	**–**	**153,750**	**1,867,323**

Notes:

(1) *Statutory Contribution comprised contribution to Employees' Provident Fund.*
(2) *Fees comprised directors' fees and meeting allowance.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

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

Part III – Remuneration (Cont'd)

The number of Directors' Remuneration falls into the following band:

Range of Remuneration	Executive Director	Non-Executive Directors
Below RM50,000	–	1
RM50,001 - RM100,000	–	4
RM100,001 - RM150,000	–	1
RM1,000,00 – RM1,500,000	1	–

Top 5 Senior Management's Remuneration

The remuneration of the top 5 Senior Management (including salary, bonus and allowances) in each successive band of RM50,000 during the FY2020, are as follows:

Range of Remuneration	Top 5 Senior Management
RM800,001 – RM850,000	1
RM500,001 – RM550,000	1
RM400,001 – RM450,000	1
RM350,001 – RM400,000	1
RM300,001 – RM350,000	1

The Board has chosen to disclose the remuneration of the top 5 Key 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 comprises five (5) members, all of whom are Non-Executive Directors, of which four (4) are Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Company is in line with the Practice 8.1 of MCCG whereby the Chairman of the Board is not the Chairman of AC.

The AC's Terms of Reference sets out its rights, duties, responsibilities and criteria on the composition of AC which includes a former key audit partner of the Group to observe cooling-off period of at least 2 years before being able to be appointed as member of AC.

The AC has established formal and transparent arrangements to maintain an appropriate relationship with the Company's External Auditors. These include policies and procedures to review the suitability and independence of the External Auditors. During the year under review, the AC has received written assurance from External Auditors confirming that it is and has been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

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

Part I – Audit Committee ('AC") (Cont'd)

During the financial year under review, a separate meeting was held with the External Auditors in the absence of the executive board member and management representatives during which the External Auditors informed that they had received full co-operation from the Management as well as unrestricted access to all information required for purpose of their audit and there were no special audit concerns to be highlighted to the AC.

Part II -Risk Management and Internal Control Framework

Sound Risk Management Framework

The Board is responsible for establishing and maintaining a sound system and framework of risk management and internal control.

The Board is assisted by the Risk Management Committee ("RMC") in identifying and reviewing the framework and process for managing risk within the Group. The Group's risk management and internal control framework covers not only financial controls but also operational, environmental and compliance controls as well as corporate liability as set out under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018). The role and responsibilities of the RMC are guided by its Terms of Reference.

The Board through the AC, continued to provide independent assessment of the adequacy of risk management process and internal control system. With the support of the AC, RMC and Internal Audit Department, the Board is of the view that the system of internal control and risk management are in place during 2020, is sound and sufficient to safeguard the Group's assets and shareholders' interest.

During the financial year under review, there were four (4) RMC Meetings held. A summary of material risks that could affect the Group (including any material exposure to economic, environmental and social sustainability risks) are monitored for changes and are reported to the AC and the Board during the course of the year, along with related controls and action plans.

Internal Audit Function

The Group's internal audit function is carried out by the Internal Audit Department, which the Head of Internal Audit reports directly to the AC on its activities based on the approved 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.

All internal audits carried out are guided by the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors, a globally recognized professional body for internal auditors.

The Board is of the view that the system of internal control and risk management in place during the year, is sound and sufficient to safeguard the Group's assets, as well as shareholders' investments and the interests of customers, regulators, employees and other stakeholders. The details of the Company's internal control system and framework are set out in the Statement on Risk Management and Internal Control on pages 39 to 41 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

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

Part I - Communication with Stakeholders

Investor Relations and Shareholders Communication

The Company recognises the value of transparent and effective communication with the investment community and aims to build long-term relationship with shareholders and investors through appropriate channels for the disclosure of information.

The Board is committed to ensure that the shareholders and other stakeholders are well informed of major developments within the Group. Clear, relevant, comprehensive business, operational and financial information is disseminated to them on a timely basis and is readily accessible by all stakeholders.

The Company communicates with shareholders, other stakeholders and the public through various channels including annual report, press releases, timely announcements and disclosures made to Bursa Securities and on the Company's website at www.smib.com.my.

Part II - Conduct of General Meetings

AGM

The AGM is the principal forum for dialogue with shareholders which provides opportunity for the shareholders to enquire and seek clarification on the operational and financial performance as well as the latest development of the Company.

The Annual Report containing Audited Financial Statements including Notice of AGM accompanying proxy form are sent to the shareholders at least 28 days before the AGM, which is in line with CG practice. The Notice is also advertised in the press and released via Bursa Link.

All the directors together with the senior management as well as the External Auditors were present at the last AGM, which provided an opportunity for the shareholders to question directors in person. It has always been the practice for the Chairman to provide ample time for the Q&A sessions in the AGMs and for suggestions and comments by the shareholders to be noted by the management for consideration.

In line with the Paragraph 8.29A of the Main Market Listing Requirements, the Company has implemented and continues to implement poll voting for all proposed resolutions set out in the notice of general meetings. An independent scrutineer was appointed to verify the results of the poll respectively at the last AGM of the Company.

The poll results were announced to Bursa Securities via Bursa LINK on the same day for benefit of all the shareholders. The key matters discussed/ minutes of the AGM was also published on the Company's website, www.smib.com.my as soon as practicable after the conclusion of the AGM.

Directors' Responsibility Statement in respect of the preparation of annual audited financial statements

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and the results of the operations, changes in equity and cash flows of the Group and of the Company for the financial year. Where there are new accounting standards or policies that become effective during the year, the impact of these new treatments would be stated in the notes to the financial statements accordingly.

The Directors are also responsible for ensuring that proper accounting records are kept and disclosed with reasonable accuracy at any time on the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors have also taken necessary steps to ensure appropriate systems are in place to safeguard the assets of the Group, to prevent and detect fraud as well as other irregularities.

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

Part II - Conduct of General Meetings (Cont'd)

Directors' Responsibility Statement in respect of the preparation of annual audited financial statements (Cont'd)

In respect of the financial statements for the financial year ended 31 December 2020, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- ensure that all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

This statement has been reviewed and approved by the Board on 28 April 2021.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS

The Company did not raise funds through any corporate proposals during the financial year ended 31 December 2020.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' INTEREST

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

AUDIT AND NON-AUDIT FEES

Details 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 Fees		
- UHY	163,000	80,000
- Other auditors	39,815	–
Non-Audit Fees	5,500	5,000

This non-audit fees charged was for the reviews of Statement on Risk Management and Internal Control and a subsidiary's Housing Development Account.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
– Financial Year Ended 31 December 2020

INTRODUCTION

The Board is cognizant of the fact that it is responsible for the adequacy and effectiveness of the Group's System of Risk Management and Internal Control. The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of internal controls and risk management. The Board is pleased to provide the following statement, which outlines the nature and scope of risk management and internal controls of the Group during the financial year under review pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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 maintain adequate risk management and system of internal control for the business of the Group in achieving the Group's corporate objective. To achieve this, the Board has in place a sound framework of the ongoing 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 review 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.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
– Financial Year Ended 31 December 2020

(Cont'd)

RISK MANAGEMENT (CONT'D)

In line with the new provision, Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018), the Board has adopted an Anti-Bribery and Corruption Policy in November 2019. The policy sets out the Group's overall position to prevent bribery and corruption practices in relation to its business activities.

The RMC has embedded bribery and corruption risk in the risk register and in the risk assessment of the Group and reviews the areas of anti-corruption and corporate liability for corruption and in ensuring that adequate and appropriate policies and procedures on anti-corruption are in place.

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 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 behavior expected from all employees in its business dealings;
- The whistle-blowing policy published on the Company's website at www.smib.com.my is the commitment of the Board regarding the 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 favor;
- 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.

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 2020 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 consider whether this Statement of Risk Management and Internal Control covers all risks and controls, or 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 of Risk Management and Internal Control is not prepared in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is 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 28 April 2021.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

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

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
Pofit/(Loss) for the financial year	908,981	(4,038,970)
Attributable to:		
Owners of the parent	(3,738,462)	(4,038,970)
Non-controlling interests	4,647,443	–
	908,981	(4,038,970)

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:

Dato' Dr Abdullah Bin Sepien *
Tan Sri Datuk Seri Ismail Bin Yusof
Leow Thang Fong *
Tan Siew Poh *
Latifah Binti Abdul Latiff
Dato' Zainuddin Bin Yahya
Dato' Seri Hamzah Bin Zainudin* (resigned on 12 March 2020)

* *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 1.1.2020	**Bought**	**Sold**	**At 31.12.2020**
Interests in 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' 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 27(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 the Directors and certain officers of the Company were RM1,000,000 and RM4,462 respectively. No indemnity was given to or insurance effected for auditors of the Group and 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 all known bad debts had been written off and that adequate allowance had been made for doubtful debts; 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 the amount written off for 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.

DIRECTORS' REPORT

(Cont'd)

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 EVENTS

The significant events are disclosed in Note 31 to the financial statements.

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 32 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 22 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 28 April 2021.

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

KUALA LUMPUR

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 145 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 2020 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 28 April 2021.

DATO' DR ABDULLAH BIN SEPIEN

LEOW THANG FONG

KUALA LUMPUR

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 145 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 28 April 2021)

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 2020 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 145.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key audit matters	How we addressed the key audit matters
(a) Valuation of investment properties	
As at 31 December 2020, the Group's and the Company's investment properties amounting to RM96,876,366 and RM40,893,746 respectively, representing approximately 67% and 25% of the Group's and the Company's total non-current assets as at 31 December 2020. 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 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.

INDEPENDENT
AUDITORS' 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 (Cont'd) We have identified the valuation of investment properties as at 31 December 2020 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 reviewed and assessed the appropriateness and adequacy of the disclosures in the financial statements.
(b) Impairment of trade and other receivables The Group's and the Company's trade and other receivables amounting to RM20,634,594 and RM7,469,314 respectively, representing approximately 44% and 95% of the Group's and of the Company's total current assets as at 31 December 2020. The assessment of recoverability of receivables involved judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness and customer payment terms.	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 have reviewed the appropriateness of the disclosures made in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

INDEPENDENT AUDITORS' REPORT

To the members of South Malaysia Industries Berhad
[Registration No.: 196901000152 (8482-D)] (Incorporated in Malaysia)

(Cont'd)

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.

- 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.

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)

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

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

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

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

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

Report on 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.

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: 02239/07/2022 J
Chartered Accountant

KUALA LUMPUR
28 April 2021

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	8,363,454	9,016,369	866,135	299,087
Right-of-use assets	5	4,546,748	5,062,181	259,497	313,810
Prepaid lease payments	6	–	–	–	–
Investment properties	7	96,876,366	85,217,957	40,893,746	30,235,000
Inventories	8	8,840,932	8,521,444	–	–
Investment in subsidiary companies	9	–	–	58,107,286	64,049,286
Investment in an associate	10	–	–	–	–
Other investments	11	25,876,137	24,522,709	60,266,137	44,107,144
Trade and other receivables	12	–	728,297	–	728,297
		144,503,637	133,068,957	160,392,801	139,732,624
Current Assets					
Inventories	8	17,021,778	17,232,611	–	–
Trade and other receivables	12	20,634,594	34,602,758	7,469,314	21,462,961
Tax recoverable		99,546	271,592	–	–
Other investments	11	2,974,574	4,003,722	–	–
Deposits, bank and cash balances	13	5,876,632	14,356,250	403,522	778,072
		46,607,124	70,466,933	7,872,836	22,241,033
Total Assets		191,110,761	203,535,890	168,265,637	161,973,657

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2020

(Cont'd)

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
EQUITY AND LIABILITIES					
Equity					
Share capital	14	244,239,167	244,239,167	244,239,167	244,239,167
Reserves	15	6,105,383	19,745,450	1,766,801	290,064
Accumulated losses		(98,402,518)	(94,664,056)	(113,234,250)	(109,195,280)
Equity attributable to owners of the parent		151,942,032	169,320,561	132,771,718	135,333,951
Non-controlling interests	16	–	(11,446,976)	–	–
Total Equity		151,942,032	157,873,585	132,771,718	135,333,951
Non-Current Liabilities					
Loans and borrowings	17	10,688,416	11,227,697	7,645,500	8,165,830
Deferred tax liabilities	18	995,283	943,117	97,362	97,362
		11,683,699	12,170,814	7,742,862	8,263,192
Current Liabilities					
Trade and other payables	19	11,264,429	21,672,839	19,487,693	15,721,411
Loans and borrowings	17	16,216,207	11,632,040	8,263,364	2,655,103
Tax payable		4,394	186,612	–	–
		27,485,030	33,491,491	27,751,057	18,376,514
Total Liabilities		39,168,729	45,662,305	35,493,919	26,639,706
Total Equity and Liabilities		191,110,761	203,535,890	168,265,637	161,973,657

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 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Revenue	20	51,099,476	67,753,349	4,866,048	5,258,209
Cost of sales					
- property development costs		(1,876,174)	(2,958,196)	–	–
- others		(44,147,537)	(52,358,338)	(2,438,231)	(1,797,301)
Gross profit		5,075,765	12,436,815	2,427,817	3,460,908
Other income		24,095,094	2,048,457	622,038	248,452
Administrative expenses		(21,752,133)	(16,556,099)	(3,989,722)	(4,779,858)
Selling and distribution costs		(1,007,144)	(1,330,587)	(25,558)	(500)
Other operating expenses		(313,763)	(3,347,670)	(5,947,048)	(554,909)
Net (loss)/gain on impairment of financial instruments		(3,701,474)	66,856	3,525,777	(27,448)
Profit/(Loss) from operations		2,396,345	(6,682,228)	(3,386,696)	(1,653,355)
Finance costs	21	(1,005,039)	(1,244,138)	(652,274)	(673,130)
Profit/(Loss) before tax	22	1,391,306	(7,926,366)	(4,038,970)	(2,326,485)
Taxation	23	(482,325)	(823,414)	–	1,722
Profit/(Loss) for the financial year		908,981	(8,749,780)	(4,038,970)	(2,324,763)
Other comprehensive (loss)/income					
Items that are or may be reclassified subsequently to profit or loss					
- Exchange translation differences on foreign operations		(16,017,797)	(62,385)	–	–
- Net change in fair value of equity investments designated at fair value through other comprehensive income		1,476,737	773,504	1,476,737	773,504
Other comprehensive (loss)/income for the financial year		(14,541,060)	711,119	1,476,737	773,504
Total comprehensive loss for the financial year		(13,632,079)	(8,038,661)	(2,562,233)	(1,551,259)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2020

(Cont'd)

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Profit/(Loss) for the financial year attributable to:					
Owners of the parent		(3,738,462)	(7,679,802)	(4,038,970)	(2,324,763)
Non-controlling interests		4,647,443	(1,069,978)	–	–
		908,981	(8,749,780)	(4,038,970)	(2,324,763)
Total comprehensive (loss)/income for the financial year attributable to:					
Owners of the parent		(17,378,529)	(6,846,306)	(2,562,233)	(1,551,259)
Non-controlling interests		3,746,450	(1,192,355)	–	–
		(13,632,079)	(8,038,661)	(2,562,233)	(1,551,259)
Loss per share	24				
Basic loss per share (sen)		(1.78)	(3.66)		
Diluted loss per share (sen)		(1.78)	(3.66)		

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2020

	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 2020	244,239,167	18,287,080	1,168,306	290,064	(94,664,056)	169,320,561	(11,446,976)	157,873,585
(Loss)/Profit for the financial year	–	–	–	–	(3,738,462)	(3,738,462)	4,647,443	908,981
Exchange translation differences on foreign operations	–	(15,116,804)	–	–	–	(15,116,804)	(900,993)	(16,017,797)
Net change in fair value of equity investments designated at fair value through other comprehensive income	–	–	–	1,476,737	–	1,476,737	–	1,476,737
Other comprehensive (loss)/income for the financial year	–	(15,116,804)	–	1,476,737	–	(13,640,067)	(900,993)	(14,541,060)
Total comprehensive (loss)/income for the financial year	–	(15,116,804)	–	1,476,737	(3,738,462)	(17,378,529)	3,746,450	(13,632,079)
Transaction with owners:								
Liquidation of subsidiary companies [Note 9(d)]	–	–	–	–	–	–	7,700,526	7,700,526
At 31 December 2020	244,239,167	3,170,276	1,168,306	1,766,801	(98,402,518)	151,942,032	–	151,942,032

STATEMENTS OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2020

(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 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
Loss for the financial year	–	–	–	–	(7,679,802)	(7,679,802)	(1,069,978)	(8,749,780)
Exchange translation differences on foreign operations	–	59,992	–	–	–	59,992	(122,377)	(62,385)
Net change in fair value of equity investments 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
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 2020

(Cont'd)

	Share Capital RM	Fair Value Reserves RM	Accumulated Losses RM	Total Equity RM
Company				
At 1 January 2020	244,239,167	290,064	(109,195,280)	135,333,951
Loss for the financial year	–	–	(4,038,970)	(4,038,970)
Net change in fair value of equity investments designated at fair value through other comprehensive income	–	1,476,737	–	1,476,737
Other comprehensive income for the financial year	–	1,476,737	–	1,476,737
Total comprehensive income/(loss) for the financial year	–	1,476,737	(4,038,970)	(2,562,233)
At 31 December 2020	244,239,167	1,766,801	(113,234,250)	132,771,718
At 1 January 2019	244,239,167	(483,440)	(106,870,517)	136,885,210
Loss for the financial year	–	–	(2,324,763)	(2,324,763)
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
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

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash Flows From Operating Activities				
Profit/(Loss) before tax	1,391,306	(7,926,366)	(4,038,970)	(2,326,485)
Adjustments for:				
Amortisation of prepaid lease payments	–	158,244	–	–
Bad debt written off	7,084	–	–	–
Depreciation of:				
- Property, plant and equipment	2,039,179	1,804,865	202,468	96,655
- Right-of-use assets	522,083	521,477	54,313	54,313
Finance costs	1,005,039	1,244,138	652,274	673,130
Inventories written down	87,174	124,849	–	–
Net impairment losses recognised/(reversed) on:				
- Amount due from an associate	6,105	13,176	–	–
- Amount due from subsidiary companies	–	–	(7,384,374)	27,448
- Investment in subsidiary companies	–	–	5,942,000	547,401
- Investment properties	(1,159,280)	2,417,184	–	–
- Other investment	1,427,850	–	1,427,850	–
- Receivables	2,457,729	(76,131)	2,512,747	–
Net unrealised (gain)/loss on foreign exchange	(8,167)	4,179	(5,213)	–
Property, plant and equipment written off	5,734	1,637	5,048	–
Dividend income received from:				
- Subsidiary companies	–	–	(859,750)	(1,719,500)
- Others	(2,466,329)	(44,758)	(25,000)	(20,000)
Gain on liquidation of subsidiary companies	(16,301,800)	–	–	–
(Gain)/Loss on disposal of:				
- Financial assets at fair value through other comprehensive income	(360,715)	–	(360,715)	–
- Financial assets at fair value through profit or loss	(22,622)	(3,177)	–	–
- Investment properties	(41,000)	–	(41,000)	–
- Property, plant and equipment	(11,871)	98,515	–	(60)
Gain on fair value of:				
- Financial assets at fair value through profit or loss	(108,210)	(3,901)	–	–
- Receivables	(82,000)	–	(82,000)	–
Interest income	(2,437,473)	(881,655)	(168,937)	(228,350)
Reversal of over-accrued expenses	(18,637)	–	–	–
Write-back of liquidated ascertained damages	–	(3,314)	–	–
	(15,460,127)	5,375,328	1,869,711	(568,963)
Operating loss before working capital changes carried down	(14,068,821)	(2,551,038)	(2,169,259)	(2,895,448)

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

(Cont'd)

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash Flows From Operating Activities (Cont'd)				
Operating loss before working capital changes brought down	(14,068,821)	(2,551,038)	(2,169,259)	(2,895,448)
Changes in working capital:				
Inventories	(195,829)	650,537	–	–
Trade and other receivables	14,577,412	11,524,205	3,588,632	(1,548,782)
Trade and other payables	(2,440,910)	(2,309,373)	3,766,282	4,077,328
	11,940,673	9,865,369	7,354,914	2,528,546
Cash (used in)/generated from operations	(2,128,148)	7,314,331	5,185,655	(366,902)
Interest paid	(991,922)	(1,265,214)	(652,274)	(673,130)
Tax refunded	–	376,340	–	105,612
Tax paid	(440,330)	(499,574)	–	–
Net cash (used in)/from operating activities	(3,560,400)	5,925,883	4,533,381	(934,420)
Cash Flows From Investing Activities				
Acquisition of land held for development	–	(720,786)	–	–
Addition of investment properties	(10,628,129)	(1,080,660)	(9,377,850)	–
Decrease in deposits with licensed banks with maturity more than 3 months	1,999,600	7,317,231	–	–
Interest received	167,605	906,398	168,937	228,350
Net dividend received	2,466,329	44,758	884,750	1,739,500
Proceeds from disposal of:				
- Financial assets at fair value through other comprehensive income	7,195,642	4,394,980	–	–
- Financial assets at fair value through profit or loss	360,715	–	360,715	–
- Investment property	170,000	–	170,000	–
- Property, plant and equipment	11,871	56,110	–	60
Purchase of financial assets at fair value through profit or loss	(7,463,512)	(8,391,625)	(1,427,850)	–
Purchase of property, plant and equipment	(1,391,969)	(1,746,454)	(774,564)	(220,518)
Purchase of right-of-use assets	(6,650)	(5,100)	–	–
Net cash (used in)/from investing activities	(7,118,498)	774,852	(9,995,862)	1,747,392
Cash Flows From Financing Activities				
Decrease/(Increase) in deposits and bank balances pledged with licensed banks	356,943	857,468	(7,999)	(8,372)
Drawdown of loans and borrowings	5,215,102	1,754,897	4,245,103	1,754,897
Payment of lease liabilities	(112,714)	(135,664)	(85,092)	(82,275)
Repayment of loans and borrowings	(3,073,597)	(3,686,858)	(995,300)	(1,080,000)
Net cash from/(used in) financing activities	2,385,734	(1,210,157)	3,156,712	584,250

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

(Cont'd)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Net (decrease)/increase in cash and cash equivalents	(8,293,164)	5,490,578	(2,305,769)	1,397,222
Effect of foreign translation differences on cash and cash equivalents	153,994	(54,858)	–	–
Cash and cash equivalents at the beginning 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	1,055,534	9,194,704	(1,788,960)	516,809
Cash and cash equivalents at the end of the financial year comprises:				
Fixed deposits with licensed banks	658,356	2,640,152	266,261	258,252
Cash and bank balances	5,218,276	11,716,098	137,261	519,820
Bank overdrafts	(2,225,065)	(208,970)	(1,923,231)	(11)
	3,651,567	14,147,280	(1,519,709)	778,061
Less: Deposits with licensed banks with maturity more than 3 months	(13,721)	(2,013,321)	–	–
Less: Deposits and bank balances pledged with licensed banks	(2,582,312)	(2,939,255)	(269,251)	(261,252)
Cash and cash equivalents	1,055,534	9,194,704	(1,788,960)	516,809

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

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 are disclosed in Note 9. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies 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 ("MFRS"), International Financial Reporting Standards ("IFRS") 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:

Amendments to References to the Conceptual Framework in MFRS Standards	
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material

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.

IFRIC Agenda Decision on MFRS 123 *Borrowing Costs*

On 18 December 2018, the MASB has issued for public comment six Tentative Agenda Decisions ("TAD") published by the IFRS Interpretations Committee, including the TAD on International Accounting Standards 23 *Borrowing Costs* ("IAS 23") relating to over time transfer of constructed good.

The MASB observed that non-private entities in the real estate industry might need to change their accounting policy as a result of the Agenda Decision on IAS 23. In ensuring consistent application of the MFRS, which are word for-word the IFRS on IAS 23 to financial statements of annual periods beginning on or after 1 July 2020.

The Group is in the process of assessing the impact of implementing this change in accounting policy. The implementation results would be reported during the financial year ending 31 December 2021.

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
Amendment to MFRS 16	Covid-19 - Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendment to MFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments 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 MFRS Standards 2018 - 2020: • Amendments to MFRS 1 • Amendments to MFRS 9 • Amendments to MFRS 16 • Amendments to MFRS 141		1 January 2022
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

(Cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.2 Functional and presentation currency

The 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.

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>Satisfaction of performance obligations in relation to contracts with customers</u>

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulations.

The Group recognises revenue over time in the following circumstances:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(b) the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date; and
(c) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point in time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

<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.

2. BASIS OF PREPARATION (CONT'D)

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

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 and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment and ROU assets. 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 investment approach and comparison approach. Investment approach entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income. Comparison approach entails critical analysis of recent evidence of value of comparable properties in the neighbourhood and making adjustments for differences. The key assumptions used to determine the fair value of the investment properties are disclosed in Note 7.

(iii) 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.

(iv) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unutilised 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, unutilised 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 18.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

(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)

(v) 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.

(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.

(vii) Revenue from property development activities

Revenue is recognised as and when the control of the asset is transferred to customers and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the stage of completion of the development activity at the end of the reporting period. The stage of completion is determined based on the proportion that the property development costs incurred to-date bear to the estimated total costs for the property development. Where it is probable that total property development costs of a development phase will exceed total property development revenue of the development phase, the expected loss on the development phase is recognised as an expense immediately.

Significant judgement is required in determining the completeness and accuracy of the total property development costs as estimates of future property development costs are inherently uncertain, which involve management's estimation of future cost to completion of the development. Substantial changes in cost estimates in future periods may affect the profitability of the respective property development projects. In making the estimation, the Group evaluates based on past experiences and by relying on the work of specialists. Where the actual total property development costs are different from the estimated total property development costs, such difference will impact the property development profits/(losses) recognised.

The carrying amount of liabilities of the Group arising from property development activities are disclosed in Note 19(d).

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

(viii) 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 12.

(ix) 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.

(x) 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 2020, the Group has tax recoverable of RM99,546 (2019: RM271,592) and tax payable of RM4,394 (2019: RM186,612).

(xi) 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.

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31 December 2020

(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)

(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 29(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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. Refer 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 associate is 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. Refer 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Foreign currency translation (Cont'd)

(i) Foreign currency transactions and balances (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

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.

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. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (Cont'd)

As lessor (Cont'd)

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.

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 ("FVTPL") 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.

The Group and the Company classify their financial assets as follows:

(i) 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.

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.

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

(a) 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.

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(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial assets (Cont'd)

Financial asset categories and subsequent measurement (Cont'd)

(ii) Financial assets at fair value through other comprehensive income ("FVTOCI") (Cont'd)

(a) Debt investments (Cont'd)

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.

(b) 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 represents 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.

The Group's and the Company's financial assets at FVTOCI comprise other investments.

(iii) Financial assets at fair value through profit or loss

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.

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.

The Group's and the Company's financial assets at FVTPL comprise other investments.

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) on 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 Group and the Company classify their financial liabilities as follows:

(i) 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 as FVTPL.

(ii) 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 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*.

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(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Offsetting of financial instruments

Financial asset and financial liability 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.

3.11 Inventories

(i) Land held for property development

Land held for property development consists of land held for future development where no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at the lower of cost and net realisable value.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

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

(ii) Property development costs

Property development costs are determined based on a specific identification basis. Property development costs comprising cost of land, direct materials, direct labour, other direct costs and related overheads incurred that meet the definition of inventories are recognised as an asset and are stated at the lower of cost and net realisable value. The property development costs are subsequently recognised as an expense in profit or loss when or as the control of the asset is transferred to the customer over time or at a point in time.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

Property development costs for which work has been undertaken and development activities are expected to be completed within the normal operating cycle, are classified as current asset.

(iii) Completed properties

Completed properties are stated at the lower of cost and net realisable value. The cost comprises proportionate cost of land and related development and construction expenditure.

(iv) Other inventories

Raw materials, work-in-progress and finished goods 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Contract assets and contract liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. The Group's contract asset is the excess of revenue recognised over the billings to-date and deposits or advances received from customers.

Where there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. The Group's contract liability is the excess of the billings to-date over the revenue recognised. 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 short-term 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Impairment of assets (Cont'd)

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

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.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Employee benefits (Cont'd)

(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

Revenue from property development is recognised as and when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to-date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognises revenue over time using the input method, which is based on the level the proportion that the property development costs incurred to date bear to the estimated total costs for the property development.

The Group recognises revenue at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers.

(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.

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(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Revenue recognition (Cont'd)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Income taxes (Cont'd)

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

Unutilised reinvestment allowance, 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 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.

3.22 Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer of the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Freehold 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	Work–in progress RM	Total RM
Group										
2020										
Cost										
At 1 January 2020	790,000	130,000	1,737,060	3,103,653	33,823,950	788,840	558,854	2,923,299	–	43,855,656
Additions	–	–	204,236	596,319	264,411	20,708	38,550	–	267,745	1,391,969
Written off	–	–	(393,824)	(602,732)	(28,467)	(51,167)	–	–	–	(1,076,190)
Disposals	–	–	–	–	–	(4,659)	–	(724,265)	–	(728,924)
Reclassification	–	–	–	–	18,000	(18,000)	–	–	–	–
Foreign currency translation differences	–	–	(2,540)	(2,816)	–	(331)	–	(8,907)	–	(14,594)
At 31 December 2020	790,000	130,000	1,544,932	3,094,424	34,077,894	735,391	597,404	2,190,127	267,745	43,427,917
Accumulated depreciation										
At 1 January 2020	–	7,800	1,584,700	2,708,403	26,604,448	745,762	518,442	2,669,732	–	34,839,287
Charge for the financial year	–	2,600	81,359	221,126	1,578,688	27,424	15,371	112,611	–	2,039,179
Written off	–	–	(390,380)	(600,442)	(28,467)	(51,167)	–	–	–	(1,070,456)
Disposals	–	–	–	–	–	(4,659)	–	(724,265)	–	(728,924)
Reclassification	–	–	–	–	18,000	(18,000)	–	–	–	–
Foreign currency translation differences	–	–	(2,557)	(2,816)	–	(342)	–	(8,908)	–	(14,623)
At 31 December 2020	–	10,400	1,273,122	2,326,271	28,172,669	699,018	533,813	2,049,170	–	35,064,463
Carrying amount										
At 31 December 2020	790,000	119,600	271,810	768,153	5,905,225	36,373	63,591	140,957	267,745	8,363,454

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(Cont'd)

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

	Freehold land RM	Freehold 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	Work-in progress RM	Total RM
Group 2019										
Cost										
At 1 January 2019, as previously 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	–	–	(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
Accumulated depreciation										
At 1 January 2019, as previously reported	–	5,200	3,505,711	1,638,277	2,541,392	25,350,960	760,202	523,538	3,168,851	37,494,131
Effect on adoption of MFRS 16	–	–	(3,505,711)	–	–	–	–	–	(312,708)	(3,818,419)
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

(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						
2020						
Cost						
At 1 January 2020	682,275	2,038,492	9,300	149,162	267,033	3,146,262
Additions	173,556	596,319	–	4,689	–	774,564
Written off	(114,343)	(373,722)	–	(8,519)	–	(496,584)
At 31 December 2020	741,488	2,261,089	9,300	145,332	267,033	3,424,242
Accumulated depreciation						
At 1 January 2020	648,620	1,843,880	9,300	129,078	216,297	2,847,175
Charge for the financial year	36,735	129,666	–	12,034	24,033	202,468
Written off	(111,585)	(371,432)	–	(8,519)	–	(491,536)
At 31 December 2020	573,770	1,602,114	9,300	132,593	240,330	2,558,107
Carrying amount						
At 31 December 2020	167,718	658,975	–	12,739	26,703	866,135

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(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	–	–	–	–	(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	–	–	–	–	(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)

The carrying amount of property, plant and equipment of the Group pledged as securities for bank borrowings as disclosed in Note 17(a)(i) are as follows:

	Group 2020 RM	Group 2019 RM
Freehold land and building	909,600	912,200
Plant and machinery	5,457,246	6,421,011
Office furniture and equipment, computer hardware and software	43,276	58,754
Tools and implements	63,591	40,412
Motor vehicles	68,239	94,373
	6,541,952	7,526,750

5. RIGHT-OF-USE ASSETS

	Leasehold land and building RM	Motor vehicles RM	Total RM
Group			
2020			
Cost			
At 1 January 2020	8,547,111	855,026	9,402,137
Additions	6,650	–	6,650
At 31 December 2020	8,553,761	855,026	9,408,787
Accumulated depreciation			
At 1 January 2020	3,950,296	389,660	4,339,956
Charge for the financial year	445,131	76,952	522,083
At 31 December 2020	4,395,427	466,612	4,862,039
Carrying amount			
At 31 December 2020	4,158,334	388,414	4,546,748

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

	Leasehold land and building RM	Motor vehicles RM	Total RM
Group			
2019			
Cost			
At 1 January 2019, as previously reported	–	–	–
Effect on adoption of MFRS 16	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	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	
2020	
Cost	
At 1 January 2020/31 December 2020	603,480
Accumulated depreciation	
At 1 January 2020	289,670
Charge for the financial year	54,313
At 31 December 2020	343,983
Carrying amount	
At 31 December 2020	259,497

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(Cont'd)

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

	Motor vehicles RM
Company	
2019	
Cost	
At 1 January 2019, as previously reported	–
Effect on adoption of MFRS 16	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	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

(a) Leasehold land and building of a subsidiary company was revalued by the Directros 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. 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.

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 RM693 (2019: RM764).

The remaining lease term of the leasehold land and building are 10 years (2019: 11 years).

(b) Asset pledged as securities to licensed banks

The carrying amount of the leasehold land and building of the Group amounted to RM4,158,334 (2019: RM4,596,815) are pledged as securities for bank borrowings as disclosed in Note 17(a)(ii).

(c) Asset held under lease liabilities

The carrying amount of the motor vehicles of the Group and of the Company amounted to RM388,414 (2019: 465,366) and RM259,497 (2019: RM313,810) respectively are pledged as securities for the related lease liabilities.

6. PREPAID LEASE PAYMENTS

	Group	
	2020 RM	**2019 RM**
Cost		
At 1 January	–	3,498,588
Foreign currency translation differences	–	(93,536)
Written off	–	(3,405,052)
At 31 December	–	–
Accumulated amortisation		
At 1 January	–	3,339,561
Amortisation for the financial year	–	158,244
Foreign currency translation differences	–	(92,753)
Written off	–	(3,405,052)
At 31 December	–	–
Carrying amount		
At 31 December	–	–

7. INVESTMENT PROPERTIES

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 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	55,217,957	56,561,088	235,000	235,000
Additions	10,628,129	1,080,660	10,787,746	–
Disposal	(129,000)	–	(129,000)	–
Foreign currency translation differences	–	(6,607)	–	–
Impairment losses reversed/(recognised)	1,159,280	(2,417,184)	–	–
At 31 December	66,876,366	55,217,957	10,893,746	235,000
Carrying amount				
At 31 December	96,876,366	85,217,957	40,893,746	30,235,000

7. INVESTMENT PROPERTIES (CONT'D)

(a) The freehold investment property of the Group and of the Company with carrying amount of RM30,000,000 (2019: RM30,000,000) was revalued by an independent firm of professional valuers on 31 December 2020. 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. The fair value is within level 3 of the fair value hierarchy. Valuation was based on the investment approach that entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income.

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 31.12.2020	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

There were no transfer between levels during the current financial years (2019: transfer from level 2 to level 3).

The freehold investment property is pledged to a licensed bank for credit facility granted to the Company as disclosed in Note 17(a)(iii).

(b) The fair value of certain leasehold investment properties of the Group and of the Company with carrying amount of RM11,961,366 and RM10,893,746 (2019: RM1,484,157 and RM235,000) respectively was estimated by the Directors based on internal appraisal of market values of comparable properties. The remaining lease term range from 61 to 75 years (2019: 62 to 76 years). The fair value are within level 3 of the fair value hierarchy.

The leasehold investment properties of the Group with carrying amount of RM54,915,000 (2019: RM53,733,800) was revalued by an independent firm of professional valuers on 31 December 2020. 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 RM33,441,000 (2019: RM32,875,500) is pledged to a licensed bank for credit facility granted to the Company as disclosed in Note 17(a)(iii).

7. INVESTMENT PROPERTIES (CONT'D)

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Rental and car park income	4,583,747	6,422,484	1,268,720	1,524,927
Direct operating expenses	(3,744,829)	(4,202,963)	(1,075,501)	(1,106,896)
	838,918	2,219,521	193,219	418,031

8. INVENTORIES

	Note	Group 2020 RM	Group 2019 RM
Non-current			
Land held for property development	(a)	8,840,932	8,521,444
Current			
Land and property development costs	(b)	5,467,355	5,816,105
Completed properties	(c)	3,565,134	4,272,087
Other inventories	(d)	7,989,289	7,144,419
		17,021,778	17,232,611

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8. INVENTORIES (CONT'D)

(a) Land held for property development

	Note	Group 2020 RM	Group 2019 RM
Non-current			
Leasehold land			
At 1 January		6,167,750	7,708,447
Additions		–	720,786
Transferred to land and property development costs	8(b)	–	(2,261,483)
At 31 December		6,167,750	6,167,750
Property Development costs			
At 1 January		2,353,694	2,351,611
Additions		319,488	242,169
Transferred to land and property development costs	8(b)	–	(240,086)
At 31 December		2,673,182	2,353,694
Total land held for property development		8,840,932	8,521,444

Land held for property development of the Group with carrying amount of RM3,580,777 (2019: RM3,366,184) are pledged to licensed banks for banking facilities granted to a subsidiary company as disclosed in Note 17(a)(iv).

The finance costs capitalised to land held for property development amounted to RM111,359 (2019: RM140,268) is incurred during the financial year.

8. INVENTORIES (CONT'D)

(b) Land and property development costs

	Note	Group 2020 RM	Group 2019 RM
Current			
Leasehold land, at cost			
At 1 January		2,747,837	2,901,510
Transferred from land held for property development	8(a)	–	2,261,483
Reversal of completed projects		(417,222)	(2,415,156)
At 31 December		2,330,615	2,747,837
Cumulative property development costs			
At 1 January		3,420,670	13,366,974
Additions		3,281,621	3,795,084
Transferred from land held for property development	8(a)	–	240,086
Transferred to completed properties	8(c)	(1,754,197)	(1,825,271)
Reversal of completed projects		(448,701)	(12,156,203)
At 31 December		4,499,393	3,420,670
Less: Cumulative costs recognised in profit or loss			
At 1 January		352,402	11,965,565
Recognised during the financial year		1,876,174	2,958,196
		2,228,576	14,923,761
Reversal of completed projects		(865,923)	(14,571,359)
At 31 December		1,362,653	352,402
Total land and property development costs		5,467,355	5,816,105

Property development costs of the Group with carrying amount of RM5,229,136 (2019: RM4,365,164) are pledged to licensed banks for banking facilities granted to a subsidiary company as disclosed in Note 17(a)(v).

The finance costs capitalised to property development costs of the Group amounted to RM81,378 (2019: RM102,503) is incurred during the financial year.

(c) Completed properties

	Note	Group 2020 RM	Group 2019 RM
At 1 January		4,272,087	3,532,783
Transferred from land and property development costs	8(b)	1,754,197	1,825,271
Recognised during the financial year		(2,461,150)	(1,085,967)
At 31 December		3,565,134	4,272,087

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8. INVENTORIES (CONT'D)

(d) Other inventories

	Note	Group 2020 RM	Group 2019 RM
At cost			
Raw materials		1,312,052	896,017
Work-in-progress		2,680,242	2,587,249
Finished goods		3,883,514	3,556,857
		7,875,808	7,040,123
At net realisable value			
Work-in-progress		–	26,319
Finished goods		113,481	77,977
		7,989,289	7,144,419
Carrying amount of inventories pledged as security for banking facilities	17(a)(viii)	7,989,289	7,144,419
Recognised in profit or loss:			
Inventories recognised as cost of sales		31,158,248	38,029,644
Inventories written down		87,174	124,849

9. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

	Group 2020 RM	Group 2019 RM
In Malaysia		
Unquoted shares, at cost	134,633,405	134,633,405
Less: Accumulated impairment losses	(76,529,401)	(70,587,401)
	58,104,004	64,046,004
Outside Malaysia		
Unquoted shares, at cost	3,282	3,282
	58,107,286	64,049,286

9. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Investment in subsidiary companies (Cont'd)

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

	Company	
	2020 RM	2019 RM
At 1 January	70,587,401	70,040,000
Impairment losses recognised	5,942,000	547,401
At 31 December	76,529,401	70,587,401

The impairment losses amounting to RM5,942,000 (2019: 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 were recognised in other operating expenses in the statements of profit or loss and other comprehensive income.

(b) Details of the subsidiary companies are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest 2020 %	Effective interest 2019 %	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
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	Dormant

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(Cont'd)

9. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of company	Place of business/ Country of incorporation	Effective interest 2020 %	Effective interest 2019 %	Principal activities
Indirect holding:				
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	Investment holding
Held by SMILE				
Hubei Smile Insun Entertainment Co., Ltd*#	China	–	42	Leasing of premises
Shanghai Yonglian International Entertainment Co., Ltd*#	China	–	60	Dormant
Shanghai Yinxin Film Entertainment Ltd*#	China	–	39.6	Dormant

* *Subsidiary companies not audited by UHY*

\# *Liquidated/De-registered/Struck off during the financial year*

(c) There were no changes in the composition of the Group during the financial year except for:

(i) the Group liquidated its subsidiary company, Hubei Smile Insun Entertainment Co., Ltd ("Hubei"). The subsidiary company is a co-operative joint venture between SMI Leisure and Entertainment Ltd and Hubei Province Film Distribution Holding Company. The joint venture contract had expired on 30 December 2019;

(ii) the Group de-registered its two dormant subsidiary companies incorporated in China, Shanghai Yinxin film Culture Entertainment Ltd ("Yinxin") and Shanghai Yonglian International Entertainment Co., Ltd ("Yonglian");

(iii) the striking-off of a wholly-owned subsidiary company, Pacific Asia Development Inc. ("PADI"), from the register of Corporate Affairs of the British Virgin Islands pursuant of Section 208 of the BVI Business Companies Act, 2004; and

(iv) the submission of the application for voluntarily strike-off of a wholly-owned dormant subsidiary company, Sejagat Tenaga Sdn. Bhd.. This subsidiary company shall be struck off from the register of The Companies Commission of Malaysia upon publication of the Gazette pursuant to Section 551(3) of the Companies Act 2016, which is pending as at the date of the report.

9. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(d) Liquidation/De-registration/Striking-off of subsidiary companies

The effect of liquidation/de-registration/striking-off of Hubei, Yinxin, Yonglian and PADI on the financial position of the Group are as follows:

	2020 RM
Foreign exchange reserve reclassified to profit or loss	24,002,326
Non-controlling interests	(7,700,526)
Total net assets	16,301,800
Gain on liquidation of subsidiary companies	(16,301,800)
	–

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9. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

	2020		
	SMILE	**GFEL**	**Total**
NCI percentage of ownership and voting interest	40%	40%	
	RM	**RM**	**RM**
Accumulated NCI	–	–	–
Profit/(Loss) allocated to NCI	4,797,780	(150,337)	4,647,443
Summarised Statement of Financial Position			
Total assets	–	–	–
Total liabilities	–	–	–
Net liabilities	–	–	–
Equity attributable to:			
Owner of the parent	–	–	–
Non-controlling interests	–	–	–
Summarised Statement of Profit or Loss and Other Comprehensive Income			
Revenue	–	–	
Profit/(Loss) before tax	12,028,805	(375,843)	
Taxation	(34,355)	–	
Profit/(Loss) for the financial year	11,994,450	(375,843)	
Other comprehensive loss for the financial year	(900,993)	–	
Total comprehensive income/(loss) for the financial year	11,093,457	(375,843)	
Summarised Statement of Cash Flows			
Net cash used in operating activities	(1,613,757)	(58)	
Net cash from investing activities	12,494	–	
Net decrease in cash and cash equivalents	(1,601,263)	(58)	

9. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

		2019	
	SMILE	**GFEL**	**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)	

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.

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10. INVESTMENT IN AN ASSOCIATE

(a) Investment in an associate

	Group 2020 RM	Group 2019 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 2020 %	Effective interest 2019 %	Principal activities
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 2020 RM	Group 2019 RM
Assets and liabilities		
Non-current assets	223,136	131,426
Non-current liabilities	49,460,728	50,293,303
Results		
Revenue	–	–
Loss for the financial year	(5,913)	(10,145)
Other comprehensive income for the financial year	93,901	15,062
Total comprehensive income for the financial year	87,988	4,917

10. INVESTMENT IN AN ASSOCIATE (CONT'D)

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

	Group	
	2020 RM	2019 RM
At 1 January	22,259,553	22,254,481
Share of loss during the financial year	2,957	5,072
At 31 December	22,262,510	22,259,553

11. OTHER INVESTMENTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-current				
At FVTOCI				
Quoted in Malaysia				
- Shares	6,768,160	6,284,720	6,768,160	6,284,720
- Loan stocks	3,480,768	3,045,672	3,480,768	3,045,672
- Warrants	97,012	386,752	97,012	386,752
Unquoted outside Malaysia				
- Shares	15,530,197	14,805,565	15,530,197	–
	25,876,137	24,522,709	25,876,137	9,717,144
At FVTPL				
Unquoted in Malaysia				
- Instruments	–	–	34,390,000	34,390,000
	25,876,137	24,522,709	60,266,137	44,107,144
Current				
At FVTPL				
Quoted in Malaysia				
- Unit trust	2,974,574	4,003,722	–	–

The 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 investee company in the previous year and the latest progress of the development activities and are of the opinion that no impairment is required as at 31 December 2020.

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12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-current				
Other receivables (Note a)	–	728,297	–	728,297
Current				
Trade receivables (Note b)	17,669,250	28,703,308	337,216	229,407
Less: Accumulated impairment losses	(202,758)	(257,776)	–	–
	17,466,492	28,445,532	337,216	229,407
Other receivables (Note a)	5,182,740	2,662,861	9,572,021	9,759,560
Less: Accumulated impairment losses	(2,528,689)	(384,200)	(2,528,689)	(15,942)
	2,654,051	2,278,661	7,043,332	9,743,618
Deposits (Note c)	330,158	2,531,925	66,842	2,154,209
Prepayments	183,893	1,339,852	21,924	454,917
GST receivable	–	6,788	–	1,741
	3,168,102	6,157,226	7,132,098	12,354,485
Amount due from an associate (Note d)	21,112,734	21,106,629	–	–
Less: Accumulated impairment losses	(21,112,734)	(21,106,629)	–	–
	–	–	–	–
Amount due from subsidiary companies (Note e)	–	–	107,017,285	123,280,728
Less: Accumulated impairment losses	–	–	(107,017,285)	(114,401,659)
	–	–	–	8,879,069
Total trade and other receivables - current	20,634,594	34,602,758	7,469,314	21,462,961
Carrying amount of trade and other receivables pledged as security for banking facilities [Note 17(a)(viii)]	8,966,900	11,621,328	–	–

12. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Other receivables

Included in the other receivables of the Group amounting to RMNil (2019: RM2,528,297) is secured over the unquoted shares of third parties.

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

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
At 1 January	384,200	489,741	15,942	15,942
Impairment losses recognised/(reversed)	2,512,747	(60,522)	2,512,747	–
Amount written off	(368,258)	(45,019)	–	–
At 31 December	2,528,689	384,200	2,528,689	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 (2019: 7 to 90 days) terms. 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 of RM252,013 (2019: RM489,026) retained by stakeholders which are due upon the expiry of retention period as stipulated in the sale and purchase agreements signed with property purchasers.

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 2020	229,339	28,437	257,776
Impairment losses (reversed)/recognised	(58,718)	3,700	(55,018)
At 31 December 2020	170,621	32,137	202,758
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

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.

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31 December 2020

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12. 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:

	Gross amount RM	Loss allowance RM	Net amount RM
Group			
2020			
Not past due	8,578,476	(49,032)	8,529,444
Past due			
Less than 30 days	2,325,854	(43,203)	2,282,651
31 to 60 days	1,325,122	(41,162)	1,283,960
61 to 90 days	689,350	(27,936)	661,414
More than 90 days	4,718,311	(9,288)	4,709,023
	9,058,637	(121,589)	8,937,048
Credit impaired			
Individually impaired	32,137	(32,137)	–
	17,669,250	(202,758)	17,466,492
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

12. 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)

	2020 RM	2019 RM
Company		
Neither past due nor impaired	310,667	48,760
Past due but not impaired		
Less than 30 days	11,694	83,013
31 to 60 days	–	85,673
61 to 90 days	14,855	11,961
	26,549	180,647
	337,216	229,407

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 2020, gross trade receivables of the Group and of the Company amounting to RM9,058,637 (2019: RM22,438,688) and RM26,549 (2019: RM180,647) 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.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM32,137 (2019: 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 31(b).

(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	
	2020 RM	2019 RM
At 1 January	21,106,629	21,093,453
Impairment losses recognised	6,105	13,176
At 31 December	21,112,734	21,106,629

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12. TRADE AND OTHER RECEIVABLES (CONT'D)

(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	
	2020 RM	2019 RM
At 1 January	114,401,659	114,374,211
Impairment losses (reversed)/recognised	(7,384,374)	27,448
At 31 December	107,017,285	114,401,659

13. DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Fixed deposits with licensed banks	658,356	2,640,152	266,261	258,252
Cash and bank balances	5,218,276	11,716,098	137,261	519,820
	5,876,632	14,356,250	403,522	778,072

Included in the cash and bank balances of the Group are cash held under Housing Development Accounts amounting to RM1,311,255 (2019: RM4,700,875) pursuant to Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

The fixed deposits with licensed banks of the Group and of the Company have an average maturity period of 295 and 365 days (2019: 348 and 365 days) respectively.

The fixed deposits with licensed banks and bank balances of the Group and of the Company amounting to RM2,582,312 (2019: RM2,939,255) and RM269,251 (2019: RM261,252) respectively are placed as collateral for bank borrowings granted to the Company and its subsidiary companies as disclosed in Note 17(a)(vi).

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

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Fixed deposits with licensed banks	1.86	3.70	1.85	3.10

14. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2020 Units	2019 Units	2020 RM	2019 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.

15. RESERVES

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Foreign currency translation reserves	(a)	3,170,276	18,287,080	–	–
Revaluation reserves	(b)	1,168,306	1,168,306	–	–
Fair value reserves	(c)	1,766,801	290,064	1,766,801	290,064
		6,105,383	19,745,450	1,766,801	290,064

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.

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16. 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.

17. LOANS AND BORROWINGS

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Secured					
Term loans	(a)	13,406,492	14,152,034	9,734,700	10,684,897
Bankers' acceptance	(a)	7,012,844	8,325,797	–	–
Bank overdrafts	(a)	2,225,065	208,970	1,923,231	11
Revolving credit	(a)	4,200,000	–	4,200,000	–
Lease liabilities	(b)	60,222	172,936	50,933	136,025
		26,904,623	22,859,737	15,908,864	10,820,933
Non-current					
Secured:					
- Term loans	(a)	10,688,416	11,176,764	7,645,500	8,114,897
- Lease liabilities	(b)	–	50,933	–	50,933
		10,688,416	11,227,697	7,645,500	8,165,830
Current					
Secured:					
- Term loans	(a)	2,718,076	2,975,270	2,089,200	2,570,000
- Bankers' acceptance	(a)	7,012,844	8,325,797	–	–
- Bank overdrafts	(a)	2,225,065	208,970	1,923,231	11
- Revolving credit	(a)	4,200,000	–	4,200,000	–
- Lease liabilities	(b)	60,222	122,003	50,933	85,092
		16,216,207	11,632,040	8,263,364	2,655,103
		26,904,623	22,859,737	15,908,864	10,820,933

(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;
(ii) legal charges over certain right-of-use assets as disclosed in Note 5(b);
(iii) legal charges over certain investment properties as disclosed in Notes 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 13;
(vii) certain rental proceeds;
(viii) a debenture over the entire assets of a subsidiary company; and
(ix) corporate guarantee by the Company.

17. LOANS AND BORROWINGS (CONT'D)

(a) Loans and borrowings (Cont'd)

Maturity profile of the term loans are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Within one year	2,718,076	2,975,270	2,089,200	2,570,000
Later than one year but not later than two years	2,852,964	3,159,489	2,129,200	2,724,897
Later than two years but not later than five years	7,556,067	6,886,635	5,317,600	5,390,000
Later than five years	279,385	1,130,640	198,700	–
	13,406,492	14,152,034	9,734,700	10,684,897

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

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Term loans	4.76	5.98	4.30	5.70
Bankers' acceptance	5.09	5.73	–	–
Bank overdrafts	7.05	8.08	6.70	7.75
Revolving credit	4.54	–	4.54	–

(b) Lease liabilities

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January, as previously reported	172,936	–	136,025	–
Effect on adoption of MFRS 16	–	308,600	–	218,300
At 1 January, as restated	172,936	308,600	136,025	218,300
Accretion of interest	3,735	8,972	3,168	5,985
Payment	(116,449)	(144,636)	(88,260)	(88,260)
At 31 December	60,222	172,936	50,933	136,025
Presented as:				
Non-current	–	50,933	–	50,933
Current	60,222	122,003	50,933	85,092
	60,222	172,936	50,933	136,025

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17. LOANS AND BORROWINGS (CONT'D)

(b) Lease liabilities (Cont'd)

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Minimum lease payments				
Within one year	60,820	125,789	51,480	88,260
Later than one year but not later than two years	–	51,480	–	51,480
	60,820	177,269	51,480	139,740
Less: Future finance charges	(598)	(4,333)	(547)	(3,715)
Present value of lease liabilities	60,222	172,936	50,933	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.

The weighted average effective interest rate per annum of the Group and of the Company is 3.66% (2019: 3.74%) and 3.46% (2019: 3.46%) respectively.

18. DEFERRED TAX LIABILITIES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January	943,117	1,058,636	97,362	97,362
Recognised in profit or loss (Note 23)	52,166	(115,519)	–	–
At 31 December	995,283	943,117	97,362	97,362

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deferred tax liabilities	9,482,125	8,437,655	117,783	107,970
Deferred tax assets	(8,486,842)	(7,494,538)	(20,421)	(10,608)
	995,283	943,117	97,362	97,362

18. 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:

Deferred tax liabilities

	Accelerated capital allowances RM	Property development costs RM	Fair value adjustment on investment properties RM	Total RM
Group				
At 1 January 2020	8,052,332	64,521	320,802	8,437,655
Recognised in profit or loss	1,052,866	(26,476)	6,869	1,033,259
Under provision in prior year	11,211	–	–	11,211
At 31 December 2020	9,116,409	38,045	327,671	9,482,125
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

Deferred tax assets

	Unutilised capital allowances RM	Unutilised reinvestment allowances RM	Others RM	Total RM
Group				
At 1 January 2020	(7,335,551)	(63,500)	(95,487)	(7,494,538)
Recognised in profit or loss	(1,101,718)	64,900	14,056	(1,022,762)
Over/(Under) provision in prior year	57,235	(1,400)	(25,377)	30,458
At 31 December 2020	(8,380,034)	–	(106,808)	(8,486,842)
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)

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18. 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 liabilities

	Accelerated capital allowances RM	Fair value adjustment on investment properties RM	Total RM
Company			
At 1 January 2020	10,608	97,362	107,970
Recognised in profit or loss	6,918	–	6,918
Under provision in prior year	2,895	–	2,895
At 31 December 2020	20,421	97,362	117,783
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

Deferred tax assets

	Unutilised capital allowances RM	Others RM	Total RM
Company			
At 1 January 2020	(10,608)	–	(10,608)
Recognised in profit or loss	(7,596)	678	(6,918)
Over/(Under) provision in prior year	8,340	(11,235)	(2,895)
At 31 December 2020	(9,864)	(10,557)	(20,421)
At 1 January 2019	(5,050)	–	(5,050)
Recognised in profit or loss	2,423	–	2,423
Under provision in prior year	(7,981)	–	(7,981)
At 31 December 2019	(10,608)	–	(10,608)

18. DEFERRED TAX LIABILITIES (CONT'D)

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

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Others	4,883	9,654	–	–
Unutilised capital allowances	1,923,696	1,213,529	1,240,803	1,163,765
Unutilised reinvestment allowances	3,997,875	3,727,458	–	–
Unused tax losses	31,891,762	29,183,401	23,988,120	22,221,961
	37,818,216	34,134,042	25,228,923	23,385,726

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.

19. TRADE AND OTHER PAYABLES

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Trade and bill payables	(a)	2,490,669	2,895,869	40,171	32,718
Trade accruals		4,509,581	4,259,348	72,664	72,664
		7,000,250	7,155,217	112,835	105,382
Other payables					
- Amounts due to non-controlling interests of subsidiary companies	(b)	–	8,818,686	–	–
- Others	(c)	1,583,926	2,589,652	70,866	215,559
		1,583,926	11,408,338	70,866	215,559
Accruals		1,524,154	2,535,332	183,405	195,602
Contract liabilities	(d)	393,381	179,496	–	–
Deposits received		762,718	394,456	276,613	299,733
		4,264,179	14,517,622	530,884	710,894
Amount due to subsidiary companies	(e)	–	–	18,843,974	14,905,135
		11,264,429	21,672,839	19,487,693	15,721,411

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19. TRADE AND OTHER PAYABLES (CONT'D)

(a) Credit terms of trade payables granted to the Group and to the Company range from 14 to 90 days (2019: 14 to 90 days) and 14 to 60 days (2019: 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 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 sale and purchase agreements.

The movements of the provision for liquidated ascertained damages of the Group are as follows:

	Group	
	2020 RM	**2019 RM**
At 1 January	306,547	374,956
Payment made	(53,895)	(65,095)
Amount write-back	–	(3,314)
At 31 December	252,652	306,547

(d) Contract liabilities

	Group	
	2020 RM	**2019 RM**
At 1 January	(179,496)	(557,919)
Property development revenue recognised during the financial year	3,426,244	9,624,027
Less: Billings during the financial year	(3,640,129)	(9,245,604)
At 31 December	(393,381)	(179,496)
Presented as:		
Contract liabilities	(393,381)	(179,496)

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.

Contract value yet to be recognised as revenue

The Group applies the practical expedient in MFRS 15 on not disclosing the aggregate amount of the revenue expected to be recognised in the future as the Group recognised revenue from the satisfaction of the performance obligation using output methods in accordance with paragraph B16 of MFRS 15.

(e) The amount due to subsidiary companies are unsecured, non-interest bearing and repayable on demand.

20. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers				
Sale of development properties	5,959,844	12,723,027	–	–
Car park income	3,583,922	3,806,204	–	–
Sale of goods	40,583,065	48,628,478	1,369,578	693,782
Management fee	–	–	1,368,000	1,320,000
	50,126,831	65,157,709	2,737,578	2,013,782
Revenue from other sources				
Dividend income from a subsidiary company	–	–	859,750	1,719,500
Rental income from investment properties	972,645	2,595,640	1,268,720	1,524,927
	972,645	2,595,640	2,128,470	3,244,427
	51,099,476	67,753,349	4,866,048	5,258,209
Timing of revenue recognition				
At a point in time	46,700,587	55,533,682	2,737,578	2,013,782
Over time	3,426,244	9,624,027	–	–
Total revenue from contracts with customers	50,126,831	65,157,709	2,737,578	2,013,782

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20. 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				
2020				
Revenue from contracts with customers				
Sale of development properties	5,959,844	–	–	5,959,844
Car park income	–	3,583,922	–	3,583,922
Sale of goods	–	–	40,583,065	40,583,065
	5,959,844	3,583,922	40,583,065	50,126,831
Timing of revenue recognition				
At a point in time	2,533,600	3,583,922	40,583,065	46,700,587
Over time	3,426,244	–	–	3,426,244
Total revenue from contracts with customers	5,959,844	3,583,922	40,583,065	50,126,831
Geographical market				
Malaysia	5,959,844	3,583,922	40,583,065	50,126,831
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

21. FINANCE COSTS

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Interest expenses on:				
Term loans	697,141	853,417	504,403	610,645
Bankers' acceptance	336,091	537,049	–	–
Bank overdrafts	66,553	86,068	51,353	56,043
Revolving credit	92,893	–	92,893	–
Lease liabilities	3,735	8,972	3,168	5,985
Others	1,363	1,403	457	457
	1,197,776	1,486,909	652,274	673,130
Less: Finance costs capitalised in:				
- Land held for property development [Note 8(a)]	(111,359)	(140,268)	–	–
- Land and property development costs [Note 8(b)]	(81,378)	(102,503)	–	–
	1,005,039	1,244,138	652,274	673,130

22. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after charging/(crediting):

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Auditors' remuneration:				
- Statutory audit	202,815	224,279	80,000	80,000
- Non-statutory audit	5,500	5,000	5,000	5,000
Amortisation of prepaid lease payments	–	158,244	–	–
Bad debt written off	7,084	–	–	–
Depreciation of:				
- Property, plant and equipment	2,039,179	1,804,865	202,468	96,655
- Right-of-use assets	522,083	521,477	54,313	54,313
Inventories written down	87,174	124,849	–	–
Lease expenses relating to short-term leases	110,470	439,362	–	–
Net impairment losses recognised/(reversed) on:				
- Amount due from an associate	6,105	13,176	–	–
- Amount due from subsidiary companies	–	–	(7,384,374)	27,448
- Investment in subsidiary companies	–	–	5,942,000	547,401
- Investment properties	(1,159,280)	2,417,184	–	–
- Other investment	1,427,850	–	1,427,850	–
- Receivables	2,457,729	(76,131)	2,512,747	–

22. PROFIT/(LOSS) BEFORE TAX (CONT'D)

Profit/(Loss) before tax is arrived at after charging/(crediting): (Cont'd)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Net loss/(gain) on foreign exchange:				
- Realised	16,290	37,006	–	12,227
- Unrealised	(8,167)	4,179	(5,213)	–
Property, plant and equipment written off	5,734	1,637	5,048	–
Dividend income	(2,466,329)	(44,758)	(25,000)	(20,000)
Gain on liquidation of subsidiary companies	(16,301,800)	–	–	–
(Gain)/Loss on disposal of:				
- Financial assets at FVTOCI	(360,715)	–	(360,715)	–
- Financial assets at FVTPL	(22,622)	(3,177)	–	–
- Investment property	(41,000)	–	(41,000)	–
- Property, plant and equipment	(11,871)	98,515	–	(60)
Gain on fair value of:				
- Financial assets at FVTPL	(108,210)	(3,901)	–	–
- Receivables	(82,000)	–	(82,000)	–
Interest income	(2,437,473)	(881,655)	(168,937)	(228,350)
Rental income	(662,201)	(800,637)	–	–
Reversal of over-accrued expenses	(18,637)	–	–	–
Write-back of liquidated ascertained damages	–	(3,314)	–	–
Staff costs				
- Fees	118,500	123,500	2,000	3,500
- Wages, salaries and bonus	11,063,022	12,018,127	2,507,840	2,898,623
- Defined contribution plans	974,518	1,290,778	298,192	343,455
- Other employee benefits	516,029	711,589	109,396	150,817

Included in staff costs of the Group and of the Company is the aggregate amount of remuneration received and receivable by the Executive Directors of the Company amounting to RM1,437,000 (2019: RM2,139,110) and RM1,437,000 (2019: RM1,751,700) respectively.

23. TAXATION

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Tax expenses recognised in profit or loss:				
Malaysian income tax:				
- Current tax provision	144,106	729,191	–	–
- Under/(Over) provision in prior years	251,698	158,586	–	(1,722)
	395,804	887,777	–	(1,722)
Foreign tax:				
- Current tax provision	34,355	51,156	–	–
Deferred tax (Note 18):				
- Relating to origination and reversal of temporary differences	10,497	(45,461)	–	–
- Under/(Over) provision in prior years	41,669	(70,058)	–	–
	52,166	(115,519)	–	–
	482,325	823,414	–	(1,722)

Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 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 expenses applicable to profit/(loss) before tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company are as follows:

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Profit/(Loss) before tax	1,391,306	(7,926,366)	(4,038,970)	(2,326,485)
At Malaysian statutory tax rate of 24% (2019: 24%)	333,913	(1,902,328)	(969,353)	(558,356)
Income not subject to tax	(5,850,155)	(267,744)	(2,124,020)	(4,810)
Expenses not deductible for tax purposes	4,641,260	2,021,255	2,651,006	450,052
Expenses for double tax deduction	(1,440)	–	–	–
Effect of different tax rate in other countries	181,178	266,823	–	–
Deferred tax assets not recognised	884,202	616,880	442,367	113,114
Under/(Over) provision of income tax in prior years	251,698	158,586	–	(1,722)
Under/(Over) provision of deferred tax in prior year	41,669	(70,058)	–	–
Tax expenses for the financial year	482,325	823,414	–	(1,722)

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23. 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Unutilised capital allowances	36,840,504	31,539,846	1,281,903	1,173,215
Unutilised reinvestment allowances	3,997,875	3,997,875	–	–
Unused tax losses	31,891,762	29,183,401	23,988,120	22,221,961
	72,730,141	64,721,122	25,270,023	23,395,176

24. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share are calculated based on the consolidated loss 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	
	2020	2019
Loss for the financial year attributable to owners of the parent (RM)	(3,738,462)	(7,679,802)
Weighted average number of ordinary shares in issue (Unit)	209,940,112	209,940,112
Basic loss per share (sen)	(1.78)	(3.66)

(b) Diluted loss per share

The Group has no dilution in their loss 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.

25. 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 17(a)] RM	Bankers' acceptance [Note 17(a)] RM	Revolving credit [Note 17(a)] RM	Finance lease liabilities RM	Lease liabilities [Note 17(b)] RM	Total RM
Group						
At 1 January 2020	14,152,034	8,325,797	–	–	172,936	22,650,767
Financing cash flows*	(745,542)	(1,312,953)	4,200,000	–	(112,714)	2,028,791
At 31 December 2020	13,406,492	7,012,844	4,200,000	–	60,222	24,679,558
At 1 January 2019	13,510,000	10,899,792	–	308,600	–	24,718,392
Effect on adoption of MFRS 16	–	–	–	(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
Company						
At 1 January 2020	10,684,897	–	–	–	136,025	10,820,922
Financing cash flows*	(950,197)	–	4,200,000	–	(85,092)	3,164,711
At 31 December 2020	9,734,700	–	4,200,000	–	50,933	13,985,633
At 1 January 2019	10,010,000	–	–	218,300	–	10,228,300
Effect on adoption of MFRS 16	–	–	–	(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

* The financing cash flows from term loans, bankers' acceptance and revolving credit make up the net amount of proceeds from/repayments of borrowings and payment of lease liabilities in the statements of cash flows.

26. 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	Develop and sale of residential and commercial properties
Property & Investment holding	Investment in properties, carpark operation and holding company
Manufacturing and trading	Manufacture of assorted wires and trading

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 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.

26. 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	
	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM
Malaysia	51,099,476	66,417,316	118,627,500	107,817,069	1,398,619	1,751,554
China	–	1,336,033	–	882	–	–
	51,099,476	67,753,349	118,627,500	107,817,951	1,398,619	1,751,554

In determining the geographical segments of the Group, revenue is based on the countries in which the customers are located. There is no revenue between the segments. Non-current assets for this purpose consist of property, plant and equipment, ROU assets, 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.

(Cont'd)

26. SEGMENT INFORMATION (CONT'D)

	Property development RM	Property & investment holding RM	Manufacturing and trading RM	Others RM	Elimination RM	Total RM
2020						
Revenue						
External revenue	5,959,844	4,556,567	40,583,065	–	–	51,099,476
Inter-segment revenue	–	2,523,825	–	–	(2,523,825)	–
	5,959,844	7,080,392	40,583,065	–	(2,523,825)	51,099,476
Results						
(Loss)/Profit from operations	(10,304,074)	11,587,184	1,242,872	(5,848)	–	2,520,134
Interest income	2,259,826	170,518	7,129	–	–	2,437,473
Finance costs	(1,000)	(652,274)	(351,765)	–	–	(1,005,039)
Depreciation and amortisation	(165,258)	(638,871)	(1,757,133)	–	–	(2,561,262)
(Loss)/Profit before tax	(8,210,506)	10,466,557	(858,897)	(5,848)	–	1,391,306
Taxation	(350,964)	(139,018)	11,579	(3,922)	–	(482,325)
(Loss)/Profit from ordinary activities after tax	(8,561,470)	10,327,539	(847,318)	(9,770)	–	908,981
Non-controlling interests	–	(4,647,443)	–	–	–	(4,647,443)
(Loss)/Profit attributable to owner of the Parent	(8,561,470)	5,680,096	(847,318)	(9,770)	–	(3,738,462)
Assets and liabilities						
Segment assets	27,439,179	131,258,845	31,540,459	872,278	–	191,110,761
Segment liabilities	9,701,784	18,246,001	11,217,744	3,200	–	39,168,729
Capital expenditure	29,780	1,055,024	313,815	–	–	1,398,619
Other material non-cash items						
Net impairment (reversed)/recognised on:						
- Investment properties	–	(1,159,280)	–	–	–	(1,159,280)
- Other investment	–	1,427,850	–	–	–	1,427,850
- Receivables	–	2,512,747	(55,018)	–	–	2,457,729
Gain on liquidation of subsidiaries companies	–	(16,301,800)	–	–	–	(16,301,800)

(Cont'd)

26. 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

27. 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 transactions of the Group and of the Company are as follows:

	2020 RM	2019 RM
Group		
Transactions with a substantial shareholder of the Company		
- Rental income received/receivable	820,504	794,232
- Advisory fee paid/payable	520,000	520,000
- Management fee paid/payable	1,043,231	286,746
Transaction with a Director of the Company		
- Disposal of motor vehicle	–	15,000
Company		
Transactions with subsidiary companies		
- Dividend income received/receivable	859,750	1,719,500
- Rental income received/receivable	296,075	265,320
- Management fee received/receivable	1,368,000	1,320,000
- Purchase of financial assets at FVTOCI	15,530,197	–
- Purchase of goods	1,362,730	690,405
- Purchase of investment properties	1,409,896	–
Transaction with a substantial shareholder of the Company		
- Rental income received/receivable	820,504	794,232

27. 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Company				
Executive Directors:				
- Salaries and bonus	1,281,250	1,888,700	1,281,250	1,561,000
- Defined contribution plans	153,750	246,910	153,750	187,200
- Fees	2,000	3,500	2,000	3,500
	1,437,000	2,139,110	1,437,000	1,751,700
Directors of the subsidiary companies				
Executive Directors:				
- Salaries and bonus	1,378,742	1,673,300	–	–
- Defined contribution plans	152,329	167,167	–	–
- Fees	120,000	120,000	–	–
- Ex-gratia payment	614,555	–	–	–
	2,265,626	1,960,467	–	–
Non-Executive Directors of the Company				
- Fees	430,323	479,000	347,000	280,500
- Ex-gratia payment	–	200,000	–	–
	430,323	679,000	347,000	280,500
	4,132,949	4,778,577	1,784,000	2,032,200

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(Cont'd)

28. FINANCIAL GUARANTEES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unsecured				
Corporate guarantee for banking facilities granted to subsidiary companies				
- Limit	–	–	19,301,800	19,767,000
- Utilised	–	–	11,171,000	12,011,500
Corporate guarantee given to a supplier of goods for credit terms granted to a subsidiary company				
- Limit	–	–	4,000,000	4,000,000
- Utilised	–	–	1,062,700	1,232,770
Bankers' guarantee given to third parties	25,000	25,000	25,000	25,000
Secured				
Bankers' guarantee given to third parties	584,575	627,667	–	–

29. 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					
2020					
Financial Assets					
Other investments	25,876,137	2,974,574	–	–	28,850,711
Trade and other receivables	–	–	20,450,701	–	20,450,701
Deposits, bank and cash balances	–	–	5,876,632	–	5,876,632
	25,876,137	2,974,574	26,327,333	–	55,178,044

29. 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
Group					
2020					
Financial Liabilities					
Trade and other payables	–	–	–	10,871,048	10,871,048
Loans and borrowings	–	–	–	26,904,623	26,904,623
	–	–	–	37,775,671	37,775,671
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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(Cont'd)

29. 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					
2020					
Financial Assets					
Other investments	25,876,137	34,390,000	–	–	60,266,137
Trade and other receivables	–	–	7,447,390	–	7,447,390
Deposits, bank and cash balances	–	–	403,522	–	403,522
	25,876,137	34,390,000	7,850,912	–	68,117,049
Financial Liabilities					
Trade and other payables	–	–	–	19,487,693	19,487,693
Loans and borrowings	–	–	–	15,908,864	15,908,864
	–	–	–	35,396,557	35,396,557
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

29. FINANCIAL INSTRUMENTS (CONT'D)

(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.

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(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.

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.

Credit risk concentration profile

At 31 December 2020, the Group had approximately 25 (2019: 27) customers that owed to the Group more than RM100,000 each and accounted for approximately 68% (2019: 88%) of the Group's trade receivables.

At 31 December 2020, the Company had 1 (2019: 1) customer that owed to the Company more than RM100,000 and accounted for approximately 72% (2019: 67%) of the Company's trade receivables. The Company has no other significant concentration of credit risk except for amount due from subsidiary companies where risks of default have been assessed to be low.

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(Cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

Financial guarantees

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 RM12,233,700 (2019: RM13,244,270), 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 is 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.

(Cont'd)

29. 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						
2020						
Non-derivative financial liabilities						
Trade and other payables	10,871,048	–	–	–	10,871,048	10,871,048
Loans and borrowings	16,776,487	3,301,711	8,080,636	283,169	28,442,003	26,904,623
	27,647,535	3,301,711	8,080,636	283,169	39,313,051	37,775,671
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

29. 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						
2020						
Non-derivative financial liabilities						
Trade and other payables	19,487,693	–	–	–	19,487,693	19,487,693
Loans and borrowings	8,641,133	2,416,467	5,633,132	201,952	16,892,684	15,908,864
Financial guarantees*	12,233,700	–	–	–	12,233,700	–
	40,362,526	2,416,467	5,633,132	201,952	48,614,077	35,396,557
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

* *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.*

29. 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), Hong Kong Dollar (HKD) and New Zealand Dollar ("NZD").

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 →			
	USD	SGD	NZD	Total
2020				
Financial Assets				
Trade receivables				
RM	23,712	51,672	–	75,384
Other receivables				
RM	–	–	95,472	95,472
Deposits, bank and cash balances				
RM	551	–	–	551
HKD	3,558	–	–	3,558
	4,109	–	–	4,109
Total	27,821	51,672	95,472	174,965
Financial Liabilities				
Trade payables				
RM	4,177	–	–	4,177
Other payables				
RM	3,663	–	–	3,663
HKD	2,724	–	–	2,724
	6,387	–	–	6,387
Total	10,564	–	–	10,564

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(Cont'd)

29. 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
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

	Demonimated in NZD 2020 RM	2019 RM
Company		
Financial Assets		
Other receivables	95,472	–

29. 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 profit/(loss) before tax and other comprehensive income by the amount shown below. This analysis assumes that all other variables remain unchanged.

	← Increase/(Decrease) in Profit/(Loss) before Tax →					
	RM	**RMB**	**USD**	**SGD**	**HKD**	**NZD**
Group						
Functional currency						
2020						
RM	–	–	1,642	5,167	–	9,547
HKD	–	–	83	–	–	–
2019						
RM	–	–	22	9,091	–	–
RMB	–	–	–	–	6	–
HKD	–	(848,508)	85	–	–	–
USD	(212)	–	–	–	–	–
Company						
2020						
RM	–	–	–	–	–	9,547

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.

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.

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(Cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

Interest rate risk (Cont'd)

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Fixed rate instruments				
Financial assets	658,356	2,640,152	266,261	258,252
Financial liabilities	(60,222)	(172,936)	(50,933)	(136,025)
Floating rate instruments				
Financial liabilities	(26,844,401)	(22,686,801)	(15,857,931)	(10,684,908)

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 (decreased)/increased the Group's and the Company's profit/(loss) before tax by RM268,000 and RM159,000 (2019: increased/(decreased) the Group's and the Company's loss before tax by RM227,000 and RM107,000) 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 Securities Berhad and are classified as financial assets at FVTOCI and financial assets at FVTPL.

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.

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

Equity price risk (Cont'd)

At the end of the reporting period, if the FTSE Bursa Malaysia Securities Berhad KLCI had been 5% higher/lower, with all other variables held constant, the Group's reserve would have been RM517,000 (2019: RM486,000) 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 RM30,000 (2019: RM28,000) higher/lower, as a result of an increase/decrease in the cost of sales.

(c) Fair value of financial assets and financial liabilities

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

  The carrying amount are considered to approximate their fair value as the borrowings will be re-priced to market interest rate on or near reporting date.

29. 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 table below analyses instruments carried at fair value for which fair value is disclosed, together with their fair value show in the statements of financial position.

	Fair value of financial instrument carried at fair value			
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**
Financial assets				
Group				
2020				
Other investments				
- Quoted shares	6,768,160	–	–	6,768,160
- Quoted loan stocks	3,480,768	–	–	3,480,768
- Quoted warrants	97,012	–	–	97,012
- Quoted unit trusts	2,974,574	–	–	2,974,574
	13,320,514	–	–	13,320,514
2019				
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				
2020				
Other investments				
- Quoted shares	6,768,160	–	–	6,768,160
- Quoted loan stocks	3,480,768	–	–	3,480,768
- Quoted warrants	97,012	–	–	97,012
	10,345,940	–	–	10,345,940
2019				
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

30. 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**	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Term loans	13,406,492	14,152,034	9,734,700	10,684,897
Bankers' acceptance	7,012,844	8,325,797	–	–
Bank overdrafts	2,225,065	208,970	1,923,231	11
Revolving credit	4,200,000	–	4,200,000	-
Lease liabilities	60,222	172,936	50,933	136,025
	26,904,623	22,859,737	15,908,864	10,820,933
Total equity	151,942,032	157,873,585	132,771,718	135,333,951
Gearing ratio (times)	0.18	0.14	0.12	0.08

There were no changes in the Group's approach to capital management during the financial year.

31. SIGNIFICANT EVENTS

The significant events took place for the Company and its subsidiary companies during the financial year are as follows:

(a) Impact of COVID-19 Pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. The COVID-19 outbreak has resulted in travel restrictions, quarantines, lockdowns and other precautionary measures imposed by various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates.

On 16 March 2020, the Malaysian Government imposed the Movement Control Order ("MCO") from 18 March 2020 and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

Due to implementation of the MCO, the Group has temporary shut down its premises from 18 March 2020 till 3 May 2020 in alignment with the MCO policy. Subsequently, on 4 May 2020, the Group resumes its operations with proper standard operating procedures put in place. The disruption of its operations during the financial year due to MCO and the relevant financial impact has been taken into account in the financial results of the Group.

As the COVID-19 pandemic situation is still evolving as at the date of authorisation of the financial statements, the ultimate impact of the COVID-19 is highly uncertain and subject to change. The Group will continuously monitor the impact of COVID-19 on its operations and its financial performance. The Group will also be taking appropriate and timely measures to minimise the potential impact of the outbreak on the Group's operation.

(b) Investment in Forward Energy Sdn. Bhd. ("FESB")

The completion of the conditional share sale agreement ("SSA") with third parties for the proposed acquisition of 1,800,000 ordinary shares in FESB, representing 60% of the issued and paid up share capital in FESB, for a total purchase consideration of RM6 million was delayed as the fulfillment of certain conditions including, inter alia, the execution of the relevant agreements with government authorities and third parties did not take place as scheduled.

The situation was exacerbated by the onslaught of COVID-19 which lead to the MCO coupled with the changes in the ruling state government had caused further delays to the finalisation of the agreement. As the deadline of 25 July 2020 for all outstanding obligations was not met, due to the prevailing circumstances, the Group decided to reduce its investment to a mere 19% at a consideration of RM1.43 million. The mutual settlement agreement was executed with the vendors on 27 January 2021.

32. SUBSEQUENT EVENT

On 22 January 2021, SMI Wire Sdn. Bhd. ("SMIW"), a wholly-owned subsidiary company of the Company, had reported that one of its factory worker had COVID-19 symptoms which were subsequently confirmed by a screening test. SMIW had on 24 January 2021 and 2 February 2021 voluntarily undertaken a COVID-19 full screening exercise for all its workers, both foreign and local, at its factory located in Jalan Tampoi, Johor Bahru. Out of the 90 workers screened, 50 were COVID-19 positive. Affected workers were placed under quarantine and isolation. Sanitisation was also carried out at the factory premises and workers' accommodation.

SMIW had also temporary suspend the operation of the factory from 6 February 2021 to 15 February 2021. As at the date of this report, all workers have recovered and resumed work.

33. COMPARATIVE INFORMATION

The following reclassification were made to the financial statements of prior year to be consistent with current year presentation.

Statements of Cash Flows

	As previously stated RM	Reclassification RM	As restated RM
Group			
Cash Flows From Operating Activities			
Changes in working capital:			
Property development costs	(836,887)	836,887	–
Inventories	1,729,593	(1,079,056)	650,537
Cash Flows From Investing Activities			
Expenditure on land held for property development	(242,169)	242,169	–

34. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 28 April 2021.

ANALYSIS OF EQUITY SHAREHOLDINGS
AS AT 30 APRIL 2021

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	358	4.521	15,466	0.007
100 – 1,000	2,128	26.876	1,797,895	0.857
1,001 – 10,000	3,971	50.152	16,871.188	8.036
10,001 – 100,000	1,273	16.077	41,881,221	19.949
100,001 to less than 5% of issued shares	186	2.349	118,769,618	56.573
5% and above of issued shares	2	0.025	30,604724	14.578
Total	**7,918**	**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.*

ANALYSIS OF EQUITY SHAREHOLDINGS
As at 30 APRIL 2021

(Cont'd)

DIRECTORS' INTEREST

	No. of Shares Held			
	Direct	%	Indirect	%
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	–	–	–	–
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.

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	LEOW HONG YEN	4,500,000	2.143
9	MAH SIEW SEONG	4,000,051	1.905
10	THAM JOOI LOON	3,100,000	1.476
11	SERAYA KOTA SDN BHD	2,932,000	1.396
12	SEBERANG DISTRIBUTORS SDN BHD	2,928,716	1.395
13	TAN TUAN SHEE	2,202,000	1.048
14	CHEAH JOO KIANG	2,000,000	0.952
15	JASON CHING CHOU-YI	2,000,000	0.952
16	RHB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Chin Kiam Hsung	1,991,800	0.948

ANALYSIS OF EQUITY SHAREHOLDINGS
As at 30 APRIL 2021

(Cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS/DEPOSITORS (CONT'D)

	Name	No. of Shares Held	% of Issued Capital
17	LIM MEE SHIA	1,810,000	0.862
18	LEOW THANG FONG	1,791,250	0.853
19	CHUAG KIM SENG	1,447,500	0.689
20	ASIA WIRE STEEL MESH MANUFACTURERS SDN BHD	1,350,000	0.643
21	CHIN KIAM HSUNG	1,343,833	0.640
22	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Tham Jooi Loon	1,300,000	0.619
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Lim Kim Ong	1,207,300	0.575
24	TAN KY-LYN	1,200,000	0.571
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD Lighthouse Capital Sdn Bhd	1,146,900	0.546
26	KUA SZE HOW	1,100,000	0.523
27	BANDAR SRI TUJUH SDN BHD	1,041,000	0.495
28	GIAM SWEE CHIN	1,025,000	0.488
29	CSG-CIMB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Mohd Ibrahim Bin Mohd Zain	1,000,000	0.476
30	KHOO SENG MIAU	1,000,000	0.476
		107,809,249	**51.352**

LIST OF PROPERTIES HELD
AS AT 31 DECEMBER 2020

	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	35	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	20	33,441	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	10	21,474	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	49	4,158	1971
5.	Lot 358523 - 358525 Lot 358555 - 358590 Lot 358592 Lot 358594 - 358605	Commercial / Residential Land	Land held for development	7,850 sq. meter	Leasehold Expiring 2103	N/A	3,763	2017
	HSD 229440 PT265176 Mukim Hulu Kinta Daerah Kinta			6,390 sq. meter	Leasehold Expiring 2115	N/A		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	2,655	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	654	2000

NOTICE OF 50TH
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 50th Annual General Meeting of SOUTH MALAYSIA INDUSTRIES BERHAD [Co. No. 196901000152 (8482-D)] will be conducted on a fully virtual basis and online remote voting from the Broadcast Venue at Redwood Meeting Room, Ho Hup Tower - Aurora Place, 2-09-01 Level 9, Plaza Bukit Jalil, No. 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 29 June, 2021 at 11:00 a.m. for the following purposes:

AGENDA

ORDINARY BUSINESS

1. To receive the audited financial statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. ***(Please refer Explanatory Note (a))***

2. To approve the payment of Directors' Fees of up to RM450,000 to Non-Executive Directors of the Company and subsidiaries for the period from 30 June 2021 until the next Annual General Meeting of the Company to be held in 2022. ***Resolution 1***

3. To approve the payment of Directors' Benefits (excluding Directors' Fees) not exceeding RM33,000 payable to Non-Executive Directors for the period from 30 June 2021 until the next Annual General Meeting of the Company to be held in 2022. ***Resolution 2***

4. To re-elect the following Directors retiring by rotation in accordance with Article 86 of the Company's Constitution:-

   a) Dato' Dr Abdullah Bin Sepien ***Resolution 3***

   b) Mr. Leow Thang Fong ***Resolution 4***

5. 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 5***

SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without any modifications:

6. **Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act, 2016** ***Resolution 6***

   "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."

7. **Continuing in Office as Independent Non-Executive Directors**

   (i) "THAT subject to the passing of Resolution 3, 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 7***

   (ii) "THAT 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 8***

8. 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
28 May 2021

Notes:

1. Broadcast Venue

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue of the meeting. Shareholders/proxies/Corporate Representatives/Attorneys from public are not permitted to be physically present at the Broadcast Venue on the day of the AGM.
If shareholders and proxies arrive at the broadcast venue, the Management has the right to ask you to leave the Broadcast Venue in order to comply with the government decrees and S.O.P.

2. Members Entitled to Participate

In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2021 (General Meeting Record of Depositors) shall be entitled to participate, speak and vote at this 50th AGM.

3. Appointment of Proxy

(a) A member entitled to participate, and vote at the meeting is entitled to appoint not more than two (2) proxies to participate and vote in his stead.A proxy may but need not be a member of the Company.
(b) 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.
(c) 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.
(d) 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. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
(e) 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.
(f) You may submit the Proxy Form electronically via the Portal at https://agm.omesti.com or by email to Ms. Yvonne Tan @ ytsc@smib.com.my or by fax 03-2072 1509 or by hand or post to the head Office of 15th Floor, Menara SMI, No. 6 Lorong P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time set for the Meeting.
(g) 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 50TH 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 and 3 of the Agenda
Resolutions 1 and 2 – 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 50th AGM on the Directors' remuneration.

The details of the remuneration and meeting allowance payable to the Non-Executive Directors are as follows:-

Directors' Fee (per month)	
Chairman of the Board	- RM12,000
Chairman of the Audit Committee	- RM7,000
Other Non-Executive Director	- RM5,000

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. 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.

Explanatory Notes on Special Business

c) Item 6 of the Agenda
Resolution 6 – Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Resolution No. 6 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 Annual General Meeting. 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 Annual General Meeting held on 29 July 2020 and which will lapse at the conclusion of the forthcoming Annual General Meeting.

General Mandate will provide flexibility to the Company for any possible fundraising activities including but not limited to further placing of shares, for the purpose of funding future investment project(s) working capital and/or acquisition.

d) Item 7 of the Agenda
Resolutions 7 and 8 – 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

Justifications

(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 are therefore able to give independent opinion 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 Directors;
(d) They have discharged their professional duties in good faith and also in the best interest of the Company and shareholders;
(e) They have vigilantly safeguarded the interests of the minority shareholders of the Company;
(f) They have never compromised on their independent judgement.

The Board endorsed the NC's recommendation and recommended that approval of the shareholders be sought for, whereby 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.

STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING

There is no person seeking for election as Director of the Company at this Annual General Meeting.

ADMINISTRATIVE GUIDE
FOR THE 50TH ANNUAL GENERAL MEETING (AGM)

SOUTH MALAYSIA INDUSTRIES BERHAD – Annual General Meeting		
Date	:	29 June 2021
Time	:	11.00 A.M.
Broadcast Venue	:	Redwood Meeting Room, Ho Hup Tower-Aurora Place, 2-09-01- Level 9, Plaza Bukit Jalil, No. 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur, Malaysia
Meeting Platform	:	https://agm.omesti.com
Registration	:	Virtual Meeting via Remote Participation & Electronic Voting (RPEV) Facilities
Mode of Communication	:	Shareholders may pose questions during live streaming at https://agm.omesti.com

In light of the coronavirus (COVID-19) outbreak, governmental decrees, and the encouragement of the Securities Commission Malaysia, as well as in the best interest of public health and the health and safety of our Board of Directors, employees and shareholders, the AGM will be held virtually and online remote voting using the Remote Participation and Electronic Voting Facilities ("RPEV"). Please note that the quality of the live webcast and online remote voting throughout the AGM are dependent on your internet and stability of your internet connection.

In line with the Malaysian Code on Corporate Governance Practice 12.3, this virtual AGM will facilitate greater shareholders' participation (including posting questions to the Board of Directors and/or Management of the Company) and vote at the AGM without being physically present at the venue. For shareholders who are unable to participate in this virtual AGM, you may appoint proxy(ies) or the Chairman of the AGM as your proxy to attend and vote on your behalf at the AGM.

Broadcast Venue

The Broadcast Venue means the place where the broadcasting is taking place to transmit or air the meeting online. It could be a studio or a meeting room.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be present at the main venue of the meeting. **SHAREHOLDERS/PROXIES/CORPORATE REPRESENTATIVES/ATTORNEYS** from the public are **NOT PERMITTED** to be physically present at the Broadcast Venue on the day of the AGM

If shareholders and proxies arrive at the Broadcast Venue, the Management has the right to ask you to leave the Broadcast Venue in order to comply with the government decrees and S.O.P.

RPEV FACILITIES

Shareholders are able to participate, speak (in the form of real-time submission of typed texts) and vote remotely at the AGM using RPEV facilities via the website portal at https://agm.omesti.com (Portal)

ADMINISTRATIVE GUIDE
FOR THE 50TH ANNUAL GENERAL MEETING (AGM)

(Cont'd)

PROCEDURES TO PARTICIPATE IN RPEV

Shareholders/proxies/corporate representatives/attorneys who wish to participate in the AGM remotely using the RPEV facilities, are to follow the requirement and procedures as summarized below:

BEFORE AGM DAY

A: REGISTRATION

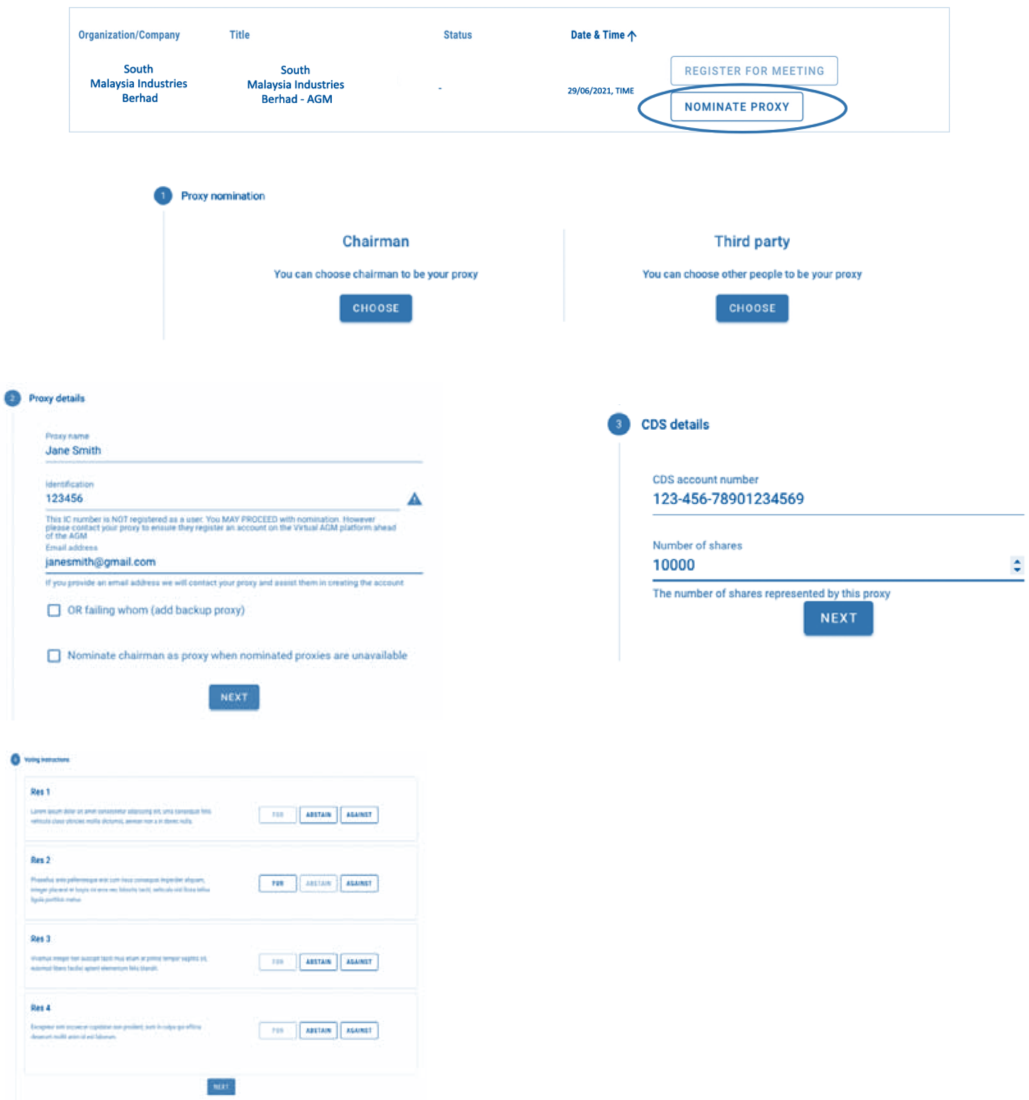
Procedures		Action
Before the day of the AGM		
1.	**Register as a User**	• **IMPORTANT: All SHAREHOLDERS <u>AND</u> PROXIES must register** as users on the Portal. [NOTE If you have previously registered as a user on the Portal for an earlier meeting, you may skip this step.] • Access the Portal at **https://agm.omesti.com** • Click **Login** followed by **Register** to sign up as a user. • Complete your registration by filling in the information required and upload a softcopy of your MyKAD (front and back) or Passport. • Read and agree to the terms & conditions and then click **Submit**. • Your registration will be verified and, once approved, an email will be sent to you. Your email address must be valid in order for you to receive your verification email.

Procedures		Action
2.	**Register intent to Participate in the AGM**	• You must register your intent to participate in the AGM not less than 48 hours before the time set for the Meeting. Registration will be available from 11 June 2021 @ 9.00 a.m. onwards. • You may register your intent to participate in the AGM when you register as a user. Alternatively, you may register your intent to participate in the AGM after your registration as a user is approved. • To register your intent to participate, visit the Portal at https://agm.omesti.com and login with your user ID and password. • Go to Main Menu, select Virtual Meetings. • On the South Malaysia Industries Berhad AGM row, select Register For Meeting. • Fill in your details as required, including your CDS number. • After verification of your registration against the General Meeting Record of Depositors dated 22 June 2021, you will receive an email confirming your registration for remote participation. The email will contain a link for you to join the AGM.

ADMINISTRATIVE GUIDE
FOR THE 50TH ANNUAL GENERAL MEETING (AGM)

(Cont'd)

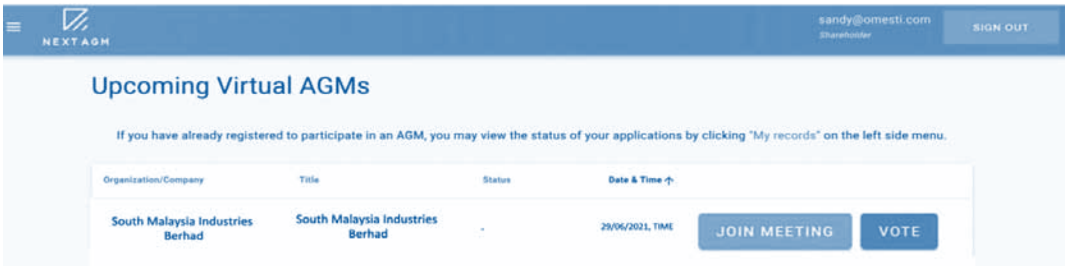
Procedures		Action
Before the day of the AGM		
3.	**Appoint a Proxy**	• Should you be unable to participate in the AGM, you may appoint a proxy to participate and vote on your behalf. • On the **South Malaysia Industries Berhad AGM** row, select **Nominate Proxy**. • Either select **Chairperson** if you choose Chairperson to be your proxy or **Third Party** if you choose other people to be your proxy. • Fill in your details as required including your CDS account number and Proxy details. • Should you wish to appoint more than one (1) proxy, you will need to key in their details separately (one submission per proxy), as well as the number of shares represented by each proxy. • **Enter your voting instructions** for the resolutions (otherwise your proxy will decide your vote) and submit. • You may view your proxy form submission under **My Records**. • NOTE: Your appointed proxy must register as a user on the portal [See Step 1] to be able to participate in the AGM on your behalf.



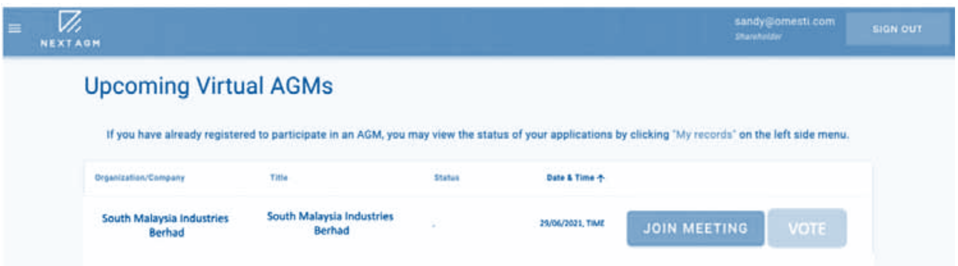
ADMINISTRATIVE GUIDE
FOR THE 50TH ANNUAL GENERAL MEETING (AGM)

(Cont'd)

Procedures		Action
Before the day of the AGM		
4.	**Submit Questions before the AGM**	• Select Virtual Meetings under Main Menu. • On the South Malaysia Industries Berhad AGM row, select Submit Question to post your questions. • You may only submit questions after your request to participate in the AGM is approved.
On the day of the AGM		
5.	**Login to the Portal at https://agm.omesti.com and participate in the AGM through Live Streaming**	**EITHER**: • Click on the **link in your confirmation email** at any time **within 30 minutes before the start of the AGM**. For security purposes, you may be asked for your credentials before entering the Portal. **OR**: • Login to the Portal with your user ID and password. • On the **South Malaysia Industries Berhad AGM** row, click **Join Meeting**. You will join the live streaming of the AGM. • Please take note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at your location.



6.	**Submit Questions During the AGM**	• To submit question(s) for the Chairman/Board/Management during the AGM, you may use the Submit Question function on the right of the Live video. The Chairman / Board / Management will endeavor to respond during the AGM to all relevant questions submitted.
7.	**Online Remote Voting**	• Voting will commence once the Chairman of the AGM declares that the voting platform is activated and will end upon declaration by the Chairman. • Select the **Voting** function next to **Join Meeting** • **Cast your vote** on all resolutions as shown on the screen. **Click submit**. Once submitted, **your votes will be final and cannot be changed**.



8.	End of RPEV facilities	• The RPEV facilities will end and the Submit Question function will be disabled as soon as the Chairman of the AGM announces the closure of the AGM.

ADMINISTRATIVE GUIDE
FOR THE 50TH ANNUAL GENERAL MEETING (AGM)

(Cont'd)

Note to users of the RPEV facilities:

(a) *Once your application to participate in the AGM is approved, you will be granted the rights to participate in the live stream broadcast of the AGM and to vote remotely. Your login to the Portal on the day of the AGM and clicking "**Join Meeting**" to join the live stream broadcast will indicate your presence at the AGM.*

(b) *If you encounter any issues with your online registration, logging-in or online remote voting at the Portal, please call +603 9779 1708 during office hours or email to agm@omesti.com for assistance.*

APPOINTMENT OF PROXY

I. The AGM will be conducted on a fully virtual basis. If you are unable to participate in the AGM, you may appoint the Chairman of the AGM as proxy and indicate your voting instructions in the Form of Proxy.

II. You may submit the Form of Proxy electronically via the Portal at https://agm.omesti.com not less than 48 hours before the time set for the Meeting. See Step 3 above, "**Appoint a Proxy**".

You may also submit the Form of Proxy by email **to Ms. Yvonne Tan @ ytsc@smib.com.my or by fax 03-2072 1509** or by hand or post to the Head Office as follows:

South Malaysia Industries Berhad
15th Floor, Menara SMI
No. 6 Lorong P. Ramlee
50250 Kuala Lumpur

Your Form of Proxy must be submitted **not less than 48 hours before the time appointed for holding the AGM** or any adjournment thereof, otherwise the Form of Proxy shall be treated as invalid.

III. **CORPORATE REPRESENTATIVES/ATTORNEYS**: In order to participate in the AGM via RPEV facilities, the following requirements apply and must be completed **not less than 48 hours before the time appointed for holding the AGM** or any adjournment thereof:

Corporate representatives of corporate shareholders	To deposit their original certificate of appointment of corporate representative at the Share Registrar's office of the Company as above
Attorneys appointed by power of attorney	To deposit their power of attorney at the Share Registrar's office as above

IV. Any shareholder who has appointed a proxy / attorney / authorised representative to participate at the AGM via RPEV facilities **must ensure** that this person[s] **register as a user at the Portal not less than 48 hours before the time appointed for holding the AGM**.

POLL VOTING

I. Voting at the AGM will be conducted by poll in accordance with 8.29A(1) of the Main Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Red Ape Solutions Sdn Bhd as Poll Administrator to conduct the poll by way of online remote voting. **SC Lim, Ng & Co. (AF 0681) is appointed as Scrutineers to verify the poll results**.

II. Shareholders/proxies may proceed to vote on the resolutions online once the Chairman of the AGM declares that the voting platform is activated and will end upon declaration by the Chairman. Please refer to item 6 for voting procedures using the RPEV facilities.

III. Upon completion of the voting session, the Scrutineers will verify the poll results. The declaration of results will be made by the Chairman of the AGM.

ADMINISTRATIVE GUIDE
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(Cont'd)

REVOCATION OF PROXY

If you have submitted your Form of Proxy and subsequently decide to appoint another person or wish to participate in the AGM yourself, **please email to Ms. Yvonne Tan @ ytsc@smib.com.my** to revoke the earlier appointed proxy(ies) at least 24 hours before the AGM. On revocation, your proxy(ies) will not be allowed to participate in the AGM. In such event, you should advise your proxy(ies) accordingly.

RECORD OF DEPOSITORS (ROD) FOR THE AGM

Only shareholders whose names appear on the ROD as at 22 June 2021 shall be entitled to participate and vote remotely at the AGM via RPEV facilities or appoint proxy(ies) to participate at the AGM and vote on their behalf.

DOOR GIFT/E-VOUCHER/FOOD VOUCHER

There will be NO door gift/e-voucher/food voucher for participating at the AGM.

DIGITAL COPIES OF AGM DOCUMENTS

I.As part of our commitment to sustainable practices, the following documents of the Company are available for download from the Company's website at www. smib.com.my

- **Annual Report 2020**
- **Form of Proxy**
- **Request Form**
- **Administrative Guide for the AGM**

II.You may request for a printed copy of the Annual Report 2020 **by contacting the person below or by faxing / mailing the completed Request Form to**:

Contact person	:	**Ms Yvonne Tan**
Telephone No.	:	**03 – 2078 1522**
Fax No.	:	**03 – 2072 1509**
Email	:	**ytsc@smib.com.my**
Address	:	**South Malaysia Industries Berhad** **15th Floor Menara SMI,** **No. 6 Lorong P. Ramlee** **50250 Kuala Lumpur**

ENQUIRIES

If you have any enquiry relating to the AGM, please contact the following persons during office hours (9am to 6pm) on Mondays to Fridays (except public holidays):-

(i) Enquiries relating to RPEV facilities

Tel	:	+603-9779 1708
Email	:	agm@omesti.com
Contact persons	:	Adela Hertanto

PERSONAL DATA PRIVACY

By registering for the RPEV facilities and/or submitting the instrument appointing proxy(ies) and/or representative(s), the shareholder of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents) in accordance with the Company's privacy policy located at www.smib.com.my and to comply with any laws, listing rules, regulations and/or guidelines. The shareholder agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

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South Malaysia Industries Berhad
[Co. No. 196901000152 (8482-D)]

FORM OF PROXY

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 50th Annual General Meeting of the Company will be conducted on a fully virtual basis and online remote voting from the Broadcast Venue at Redwood Meeting Room, Ho Hup Tower – Aurora Place, 2-09-01- Level 9, Plaza Bukit Jalil, No. 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 29 June 2021 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 payment of Directors’ Fees for the period from 30 June 2021 until the next AGM of the Company.		
2	To approve payment of Directors’ Benefits (excluding directors’ fees) for the period from 30 June 2021 until the next AGM of the Company.		
3	To re-elect Dato’ Dr Abdullah Bin Sepien– Article 86		
4	To re-elect Mr Leow Thang Fong– Article 86		
5	To re-appoint UHY as Auditors.		
	SPECIAL BUSINESS:		
6	Ordinary Resolution pursuant to Sections 75 and 76 of the Companies Act, 2016		
7	Continuing in Office as Independent Non-Executive Directors - Dato’ Dr Abdullah Bin Sepien		
8	Continuing in Office as Independent Non-Executive Directors- 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________________, 2021

Signature of Member(s)
Contact No. :

Notes:

1. ***Broadcast Venue***

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue of the meeting. Shareholders/proxies/Corporate Representatives/Attorneys from public are not permitted to be physically present at the Broadcast Venue on the day of the AGM.

If shareholders and proxies arrive at the broadcast venue, the Management has the right to ask you to leave the broadcast Venue in order to comply with the government decrees and S.O.P.

2. ***Members Entitled to Participate***

In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2021 (General Meeting Record of Depositors) shall be entitled to participate, speak and vote at this 50th AGM.

3. ***Appointment of Proxy***

(b) A member entitled to participate and vote at the meeting is entitled to appoint not more than two (2) proxies to participate and vote in his stead.A proxy may but need not be a member of the Company.

(b) 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.

(c) 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.

(d) 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. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

(e) 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.

(f) You may submit the Proxy Form electronically via the Portal at https://agm.omesti.com or by email to Ms. Yvonne Tan @ ytsc@smib.com.my or by fax 03-2072 1509 or by hand or post to the Head Office of 15th Floor, Menara SMI, No. 6 Lorong P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time set for the Meeting.

(g) 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)]

15th Floor, Menara SMI

No. 6, Lorong P. Ramlee

50250 Kuala Lumpur,

Wilayah Persekutuan.

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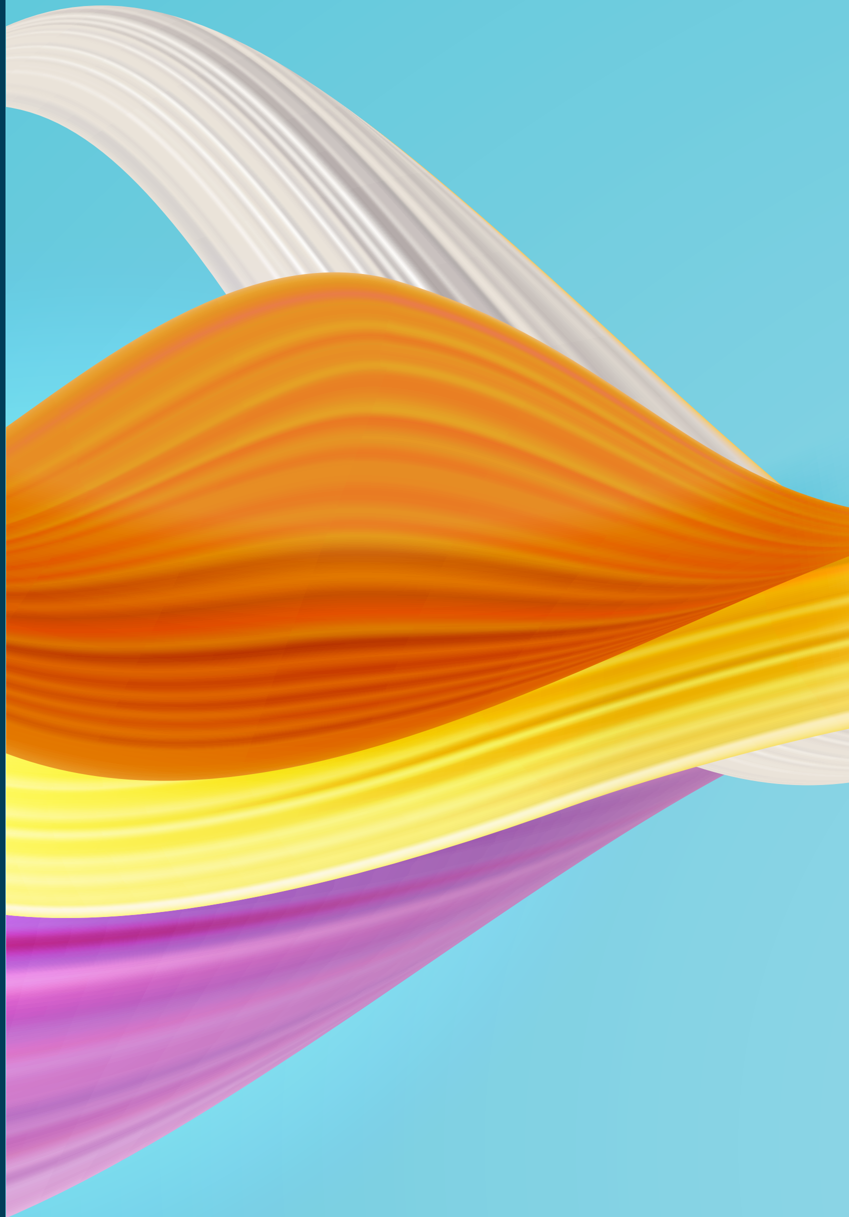

www.smib.com.my

SOUTH MALAYSIA INDUSTRIES BERHAD
196901000152 (8482-D)