# KIM HIN INDUSTRY BERHAD

Registration No.: 197301003569 (18203-V)

# 2020 ANNUAL REPORT

## VISION

To be a world class ceramic tile producer and distributor by providing products and services of superior values and by sustaining consistent long term growth in volume and profitability.

## MISSION

We shall strive to be a leader in the ceramic industry by

- achieving responsible and balanced commercial success
- satisfying our customers' needs
- enhancing shareholders' values and to provide fair returns to shareholders
- providing rewarding careers to our employees
- having mutually beneficial relationship with our business associates
- participating and contributing effectively towards nation building

## CORPORATE VALUES

- A role model and a good corporate citizen.
- Provide the highest quality products and values to our customers.
- Commitment to our employees' welfare and well being.
- To instill a culture of discipline, intergrity, teamwork and proactivity amongst our people.

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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Forty-Eighth Annual General Meeting ("48th AGM") of KIM HIN INDUSTRY BERHAD ("Kim Hin" or "the Company") will be held at Kim Hin Industry Berhad's Conference Room, 4 ½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak on Tuesday, 15 June 2021 at 2.00 p.m. for the following businesses:

## AGENDA

**As Ordinary Business:**

| | | |
|---|---|---|
| **1.** | To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of Directors and Auditors thereon. | **[Please refer to Explanatory Note No. 1]** |
| **2.** | To approve the payment of Directors' fees amounting to RM271,000 for the financial year ended 31 December 2020. | **Resolution 1** |
| **3.** | To re-elect the following Directors retiring pursuant to Clause 118 of the Constitution of the Company, and being eligible, offer themselves for re-election: | |
| | (i) Mr. Chua Seng Huat | **Resolution 2** |
| | (ii) Mr. Chua Seng Guan | **Resolution 3** |
| | (iii) Mr. Yong Lin Lin | **Resolution 4** |
| **4.** | To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. | **Resolution 5** |

**As Special Business**

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

5. **Authority to allot and issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016** — **Resolution 6**

"**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject always to the Companies Act 2016, the Constitution of the Company and approval of all relevant regulatory bodies being obtained for such allotment and issue."

6. **Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Shareholders' Mandate")** — **Resolution 7**

"**THAT** subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be hereby given to the Company and/or its subsidiaries ("Kim Hin Group") to enter into any of the categories of related party transactions which are recurrent, of a revenue or trading nature and are necessary for the day-to-day operations of Kim Hin Group as outlined in Section 3.2 of the Circular to Shareholders dated 17 May 2021 ("Circular"), with the specific related parties mentioned therein subject further to the followings:

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

**THAT** approval be and is hereby given to the Company and its subsidiaries to enter into any of the category of recurrent related party transactions of a revenue or trading nature as set out in the Circular to shareholders dated 17 May 2021 with the specific related parties mentioned therein which are necessary for Kim Hin Group's day-to-day operations subject further to the following :

(i) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders; and

(ii) disclosure is made in the annual report for the breakdown of the aggregate value of the transactions conducted pursuant to the Shareholders' Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1) of the Main Market Listing Requirements, and amongst others, based on the following information:

- the type of the recurrent related parties transactions made; and
- the names of the related parties involved in each type of the recurrent related parties transactions made and their relationship with the Company.

**AND THAT** such approval shall continue to be in force until:

(i) the conclusion of the next annual general meeting ("AGM") of the Company, at which time it will lapse, unless by an ordinary resolution passed at the meeting, the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or

(iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

**AND THAT** the Board of Directors of the Company be and is hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the specified Proposed Shareholders' Mandate.

**AND THAT** the estimated value given on the recurrent related party transactions specified in Appendix 1 of the Circular being provisional in nature, the Board of Directors of the Company be hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 3.5 of the Circular."

**7. Retention of Independent Non-Executive Directors pursuant to Principle A Practice 4.2 of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017")**

(i) "**THAT** Mr. Fong Tshu Kwong who has served the Board as Independent Non-Executive Director of the Company for more than twelve (12) years since 21 May 2001, be and is hereby retained as Independent Non-Executive Director of the Company through a two-tier voting process." **Resolution 8**

(ii) "**THAT** Mr. Ong Ah Ba who has served the Board as Independent Non-Executive Director of the Company for more than nine (9) years since 8 December 2009, be and is hereby retained as Independent Non-Executive Director of the Company." **Resolution 9**

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

**8.** To transact any other business which may properly be transacted at an annual general meeting, due notice of which shall have been previously given in accordance with the Companies Act 2016 and the Company's Constitution.

**By Order of the Board of Directors,**

***Yeo Puay Huang [SSM PC No. 202008000727(LS 0000577)]***
**Company Secretary**

**Kuching, Sarawak**
**Dated: 17 May 2021**

**Explanatory Notes to Ordinary Business:**

**1)** The Audited Financial Statements are for discussion only as they do not require shareholders' approval pursuant to Section 340(1) of the Companies Act 2016. Hence, this Agenda item will not be put forward for voting.

**Explanatory Notes to Special Business:**

**2) Authority to allot shares pursuant to Section 75 and Section 76 of the Companies Act 2016 (Proposed Resolution 6)**

The Proposed Resolution 6, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot shares to such persons in their absolute discretion without convening a general meeting provided the aggregate number of shares issued does not exceed 10% of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The General Mandate granted by the shareholders at the 47th Annual General Meeting of the Company had not been utilized and hence no proceed was raised therefrom.

The General Mandate sought will enable the Directors of the Company to issue and allot shares, including but not limited to further placing of shares, for purposes of funding investment(s), repayment of borrowings, working capital and/or acquisition(s).

**3) Shareholder Mandate for recurrent related party transactions (Proposed Resolution 7)**

Paragraph 10.09 of the Main Market Listing Requirements states that with regard to related party transactions which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations ("RRPT"), a public listed company may seek a shareholder mandate.

The proposed Resolution 7, if passed, will authorise the Company and each of its subsidiaries to enter into RRPT with the mandated related parties as identified in Section 3.2 of the Circular dated 17 May 2021 ("Circular"), which are necessary for the Kim Hin Group's day-to-day operations, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders.

By obtaining the Shareholder Mandate, the necessity to convene separate meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. This would reduce substantial administrative time and costs associated with the convening of such meetings without compromising on the corporate objectives of Kim Hin Group or adversely affecting the business opportunities available to Kim Hin Group.

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

**4) Retention of Independent Non-Executive Directors (Proposed Resolutions 8 and 9)**

The Nomination Committee had assessed the independence of Mr. Fong Tshu Kwong who has served on the Board as Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years and Mr. Ong Ah Ba who has served on the Board as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and the Board had recommended that the approval of the shareholders be sought to retain them as the Independent Non-Executive Directors, as they possess the following attributes necessary in discharging their roles and functions of an Independent Non-Executive Directors:

(i) Fulfill the criteria of an Independent Director as stated in the Bursa Malaysia Securities Berhad Main Market Listing Requirements;
(ii) Have served the Board for more than nine (9) years and therefore possess great knowledge on the strategies, operations of the Group;
(iii) Participate actively in Board and Board Committees deliberations and provides objective judgement and input to the Board;
(iv) Exercise their professional duties in the best interest of the Group; and
(v) In accordance to the MCCG 2017, the Company is not classified as a Large Company.

**Notes**

1. *Only Depositors whose names appear in the General Meeting Record of Depositors as at 8 June 2021 be regarded as Members and shall be entitled to attend, speak and vote at the 48th AGM.*
2. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his/her place. A proxy need not be a member of the Company. Where a holder appoints two or more proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.*
3. *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.*
4. *A corporation which is a member may by resolution of its directors authorise such person as it thinks fit to act as its representative at the meeting pursuant to Section 333 of the Companies Act 2016 and the form of proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney, and the person so appointed may attend and vote at the meeting at which the appointer is entitled to vote.*
6. *The instrument appointing a proxy or representative must be deposited at the registered office at 4 ½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak not less than forty-eight (48) hours before the time for holding the meeting.*
7. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.*
8. *Registration will start at 1:00 p.m. at Kim Hin Industry Berhad's Conference Room, 4 ½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak on Tuesday, 15 June 2021.*
9. *As a precautionary measure against the spread of Covid-19, members are strongly encouraged to appoint either the Chairman of the Meeting or any of the Independent Directors as proxy to vote in his stead.*
10. *At the physical meeting, members are advised to observe the applicable directives, safety and precautionary requirements as prescribed by the Government, the Ministry of Health, the Malaysian National Securities Council, and other relevant authorities to curb the spread of Covid-19 are abided by; ensure a physical distance of at least one (1) meter between each meeting participant at all times; and all participants have to wear face masks.*
11. *The Company will continue to monitor the Covid-19 pandemic situation closely and may adopt further procedures and measures at short notice as public health situation changes. Members can check further update on the Company's website at www.kimhin.com.my.*

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Chua Seng Huat
*(Executive Chairman)*

Dato' John Chua Seng Chai
*(Group Managing Director)*

Chua Seng Guan
*(Group Executive Director)*

Pauline Getrude Chua Hui Lin
*(Executive Director)*

Chua Yew Lin
*(Executive Director)*

Fong Tshu Kwong
*(Senior Independent Non-Executive Director)*

Ong Ah Ba
*(Independent Non-Executive Director)*

Yong Lin Lin
*(Independent Non-Executive Director)*

## COMPANY SECRETARY

Yeo Puay Huang
[SSM PC No. 202008000727 (LS 0000577)]

## SHARE REGISTRARS

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia.
Tel : 03-2783 9299
Fax : 03-2783 9222

## REGISTERED OFFICE

4 1/2 Mile, Kung Phin Road,
Off Penrissen Road,
93250 Kuching, Sarawak, Malaysia.
Tel : 082-451 567
Fax : 082-452 135

## WEBSITE

www.kimhin.com.my

## ADVOCATES & SOLICITORS

Wong Lu Peen and Tunku Alina
21-6, Block B, The Boulevard,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur, Malaysia.

## AUDITORS

Ernst & Young PLT
Chartered Accountants
3rd Floor, Wisma Bukit Mata Kuching,
Jalan Tunku Abdul Rahman,
93100 Kuching, Sarawak, Malaysia.

## PRINCIPAL BANKERS

CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Bhd.
United Overseas Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

## STOCK NAME

KIMHIN

## STOCK CODE

5371

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https://www.kimhin.com.my/annual-reports

# GROUP CORPORATE STRUCTURE

## KIM HIN INDUSTRY BERHAD
Registration No.: 197301003569 (18203-V)

- **100%** – CERAMICA INDAH SDN. BHD.
  - **100%** – KIMGRES AUSTRALIA PTY. LTD.
  - **100%** – AMBER FRANCHISING PTY. LTD.
  - **100%** – AUSTRALIAN TILES PTY. LTD.
    - **100%** – OUTSET HOLDINGS PTY. LTD.
      - **100%** – AMBER GROUP AUSTRALIA PTY. LTD.
        - **100%** – NORCORP PTY. LTD.
- **100%** – KIMGRES MARKETING SDN. BHD.
  - **70%** – KIMGRES VIETNAM TRADING CO. LTD.
- **100%** – TILEWORLD SDN. BHD.
  - **100%** – KIM HIN AUSTRALIA PTY. LTD.
    - **100%** – JOHNSON TILES PTY. LTD.
      - **100%** – CORAMIC AUSTRALIA PTY. LTD.<br>Inactive
- **100%** – KIM HIN CERAMIC (SEREMBAN) SDN. BHD.
- **100%** – KIM HIN PROPERTIES SDN. BHD.
- **100%** – JOHNSON TILES MALAYSIA SDN. BHD.
- **100%** – KIM HIN INVESTMENT PTY. LTD.
- **79.5%** – KIM HIN CERAMICS (SHANGHAI) CO. LTD.
  - **100%** – SHANGHAI KUCHING REALTY CO. LIMITED
- **100%** – REFINED KOALIN INDUSTRIES SDN. BHD.<br>Inactive
- **100%** – UNICORN CERAMICS SDN. BHD.<br>Inactive
- **100%** – WORLD CERAMICS INTERNATIONAL SDN. BHD.

# CHAIRMAN'S STATEMENT

Dear Stakeholders,

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report of Kim Hin Industry Berhad and its subsidiary companies ("the Group") for the financial year ended 31 December 2020.

The outbreak of Coronavirus (COVID-19) pandemic in early 2020 has influenced every aspects of life globally and affected all individuals. Simultaneously, it has caused disruptions to both supply and demand in an interconnected world economy, threatening the livelihoods of businesses and individuals, while at the same time posing as one of the greatest health threats in the world. The pandemic has an unprecedented adverse impact on economies around the world, including direct ramifications on the continued sustainability of businesses.

The year 2020 has been a challenging year with the Malaysian construction sector recording a dismal year and the Malaysia's Gross Domestic Product (GDP) contracted about 18.7% year-on-year as a result of the country wide lockdown and construction site outbreaks among foreign workers which halted construction activities. The economic downturn and the massive impact on construction projects have resulted in a fall in tiles market demand. Our export markets were also affected by the weak global market as governments over the world instituted various lockdown and / or containment measures in their efforts to curb the spread of the coronavirus pandemic.

The Board has reviewed the actions taken by the management of the Group during the unprecedented pandemic and believes that they have performed admirably in taking all necessary actions and precautions to ensure operational continuity and safeguarding the health and safety of our stakeholders. This has ensured that the Group's operational processes and service levels were not severely disrupted.

The Board of Directors focuses on the adoption of strategic planning and implementation of control management to navigate through the business uncertainty. I believe, with the leadership of the Board of Directors, the sound Corporate Governance practices inculcated in the Group, we can ensure the Group operates effectively and reliably, and in the best interest of our stakeholders. Together with the team work from our management team, we will be able to ride out this difficult period and strive to achieve our Corporate Mission and Vision, and to support its long-term value creation.

## FINANCIAL PERFORMANCE

The Group's revenue for the financial year ended 31 December 2020 fell by 11.1% to RM 336.7 million from RM378.6 million recorded in the preceding financial year. The decline was prevalent in all geographical segments which the Group operates, due to the continuity of softening property market conditions domestically in Malaysia and Australia as well as the aftermath effects of the pandemic on economy arising from various degrees of lockdown and containment measures imposed.

The Group recorded a loss before tax of RM 0.8 million for the financial year under review as compared to a loss before tax of RM 29.8 million suffered in the previous financial year. The smaller losses was due to the recognition of compensation received of RM 31.4 million during the current financial year. The Group continued to review the weak financial performance and under-utilization of production capacity of its manufacturing subsidiaries in Malaysia, and accordingly provided a total impairment charge of RM 6.0 million (2019: RM 4.8 million) on its property, plant and equipment, and right-of-use assets. In addition, a further write-down on inventories of RM 5.2 million was made for the current financial year.

Further details on the financial results are discussed in the Management and Decision Analysis section.

## DIVIDEND

The Board had earlier declared an interim dividend of 2 sen per ordinary share (tax exempt) in respect of the financial year ended 31 December 2020, which was paid on 28 October 2020. The dividend payout demonstrated the Group's commitment in rewarding a fair and equitable return of investment to its shareholders.

# CHAIRMAN'S STATEMENT (CONT'D)

## OUTLOOK

The resurgence of Covid-19 cases in the last quarter of 2020 and the first quarter of 2021 has continued to pose challenges to business communities. The global economy activity for this coming year will continue to be influenced by the Covid-19 pandemic, effectiveness of vaccination programs and global efforts to contain its spread.

While the outlook of the Malaysian domestic construction industry from 2021 onwards should improve due to less stop-work disruptions and the shift to targeted lockdowns instead of full lockdown and more efficient tracing to curb the spread of Covid-19, the cautiousness among business community has continued to prevail. The Group has expanded its export market for its Malaysian operation segment to the United States market which has seen the exodus of the Chinese suppliers resulting from the anti-dumping tariff implemented by the United States government against China.

Barring any unforeseen circumstances or re-imposition of full lockdown, the Group look forward to an improved revenue in the ensuing year ending 31 December 2021.

## APPRECIATION

I am grateful to my fellow directors for their insights, guidance and contributions this past year.

On behalf of the Board, I would like to express my sincere appreciation to our shareholders, our valued customers, vendors and all our stakeholders as well as business partners for their loyalty, perseverance, continuous support and trust towards the Group.

I would also like to acknowledge the dedicated and unwavering commitments of our management team and staff of the Group who have put in significant amount of efforts this past year in managing the pandemic while at the same time still turning out a creditable performance despite the negative impacts of the pandemic on economic activities.

Together with the management and staff, we will continue to give our full commitment and strive for better performance in this challenging economic environment.

**CHUA SENG HUAT**
**Executive Chairman**

# MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors and management of Kim Hin Industry Berhad ("Kim Hin" or "the Company") are pleased to present the Management Discussion & Analysis ("MD&A") containing management commentary to provide investors and shareholders with a better understanding of the Group's business and operation for the financial year ended 31 December 2020.

The MD&A should be read together with the Group's audited financial statements for the financial year ended 31 December 2020.

## OVERVIEW OF BUSINESS AND OPERATIONS

### Profile

Kim Hin is an investment holding company, which is engaged in the provision of management services whilst its subsidiaries are involved in production and distribution of ceramic floor, homogeneous and monoprosa tiles, trading in building materials, property and investment holding. The Company was founded in 1973 and is headquartered in Kuching, Malaysia. It has been listed on the Main Board of Bursa Malaysia Securities Berhad since year 1992.

The Group operates principally in the ceramic tiles industry and is organized into four operating segments according to geographical location, namely Malaysia, People's Republic of China, Australia and Vietnam. As one of the leading ceramic tiles manufacturers in Malaysia, Kim Hin designs, manufactures and markets tiles under the brands Kimgres, Durogres, Vitrogres, Habitat, Johnson and Amber.

Kim Hin has three (3) manufacturing plants, of which, two (2) are located in Malaysia (Kuching, Sarawak and Senawang, Seremban) and the third located in Shanghai, People's Republic of China. The marketing network of Kim Hin Group comprises sales offices situated in major cities of Malaysia (Kuala Lumpur, Kuching, Kota Kinabalu, Petaling Jaya, Johor Bharu, Ipoh and Penang), Australia (Melbourne, Sydney, Brisbane and Hobart), People Republic of China (Shanghai) and Vietnam (Danang). In 2016, the Group strengthened its foothold and presence in Australia market by acquiring Outset Holdings Pty Ltd ("Outset Holdings"). Outset Holdings is the holding company of Amber Group Australia Pty Ltd ("Amber"), which operates a network of retail stores under the Amber brand. The Amber Store Network comprises of thirty-one (31) stores located in New South Wales, the Australian Capital Territory and Queensland, Australia. Presently, Kim Hin Group employs approximately 1,769 employees worldwide.

The Group exports about 32% of its production from the Malaysia plants to overseas, mainly Australia, Middle East, Taiwan and Pakistan while its Shanghai plant exports about 45% of its products to the Australian and North American markets.

### Vision

Our vision is to be a world class ceramic tiles producer and distributor by providing products and services of superior quality and value and by sustaining consistent long term growth in volume and profitability. In line with our vision to provide our customers with products and services of superior value, the Group's manufacturing plants in Kuching and Seremban are both certified with the latest version of ISO 9001:2015 released by the International Organisation for Standardisation ("ISO"), in July 2016 and March 2017 respectively. Both plants have been re-certified in June 2019 and April 2020 respectively. In addition, our manufacturing operations in Shanghai, People Republic of China is under governance of compulsory product certification issued by China Quality Certification Centre.

The Group's Malaysian operations has a fully integrated Enterprise Resource Planning (ERP) system covering Sales and Distribution, Inventory Management, Production Planning and Financial and Controlling modules using SAP software. The Group is currently using an upgraded version ECC 6.0 to facilitate its business processes and operation efficiency for its Malaysian segment.

Kim Hin invested significantly over the past years in hardware and software assets to boost its IT infrastructure capabilities in line with our mission to progress through continuous advancement in technology.

The Group values its people and acknowledges the success and growth of the Group over the past decades are the result of the commitment, hard work and capability of our people. As such, Kim Hin is committed to the welfare and well-being of its employees. The children of our employees who excelled in government examinations were given incentive awards and the sports club assists in the balance of work and lifestyle. At the same time, the Group continues to focus on the competency development of our employees with training hours being one of the Group's key performance indicators. We promote and instill a culture of discipline, integrity, teamwork and proactivity among our people.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

**Highlights of Kim Hin Group's Financial and Share Performance for the Past 5 Financial Years**

| | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 |
|---|---|---|---|---|---|
| Financial | | | | | |
| **Revenue** | 403,314 | 420,278 | 402,726 | 378,588 | 336,662 |
| **Profit/(loss) before interest and tax** | 42,807 | 19,696 | (53,851) | (27,242) | 1,117 |
| **Finance costs** | 1,247 | 1,437 | 1,265 | 2,520 | 1,903 |
| **Net profit/(loss) after tax** | 33,719 | 9,551 | (61,547) | (31,446) | (9,248) |
| **Shareholders' equity** | 514,937 | 510,672 | 441,148 | 406,849 | 392,565 |
| **Total assets** | 662,676 | 650,375 | 564,500 | 553,646 | 554,016 |
| **Borrowings** | 32,958 | 24,711 | 22,981 | 22,915 | 21,960 |
| **Debt/Equity (%)** | 6.40 | 4.84 | 5.21 | 5.63 | 5.59 |
| **Earnings/(loss) per share (sen)** | 22.51 | 5.72 | (44.42) | (23.14) | (10.24) |
| **Net assets per share (RM)** | 3.67 | 3.64 | 3.15 | 2.90 | 2.80 |
| **Dividend per share (sen)** | 9.00 | 6.00 | 2.00 | - | 2.00 |
| Share | | | | | |
| **Year high (RM)** | 2.47 | 2.40 | 1.45 | 1.26 | 1.07 |
| **Year low (RM)** | 1.56 | 1.37 | 1.08 | 1.00 | 0.64 |
| **Year close (RM)** | 1.83 | 1.42 | 1.25 | 1.05 | 0.81 |
| **Market capitalization as at year end (RM'000)** | 256,638 | 199,139 | 175,299 | 147,251 | 113,594 |

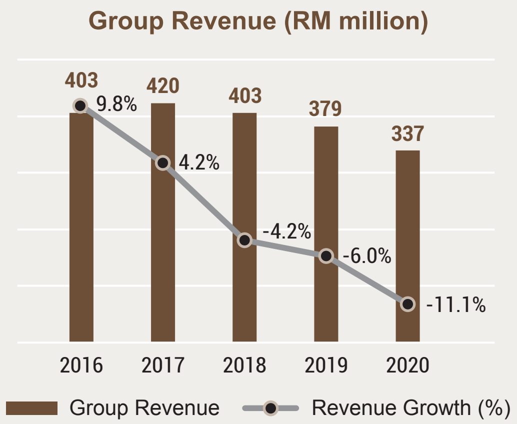
## Review of Financial Results and Financial Conditions

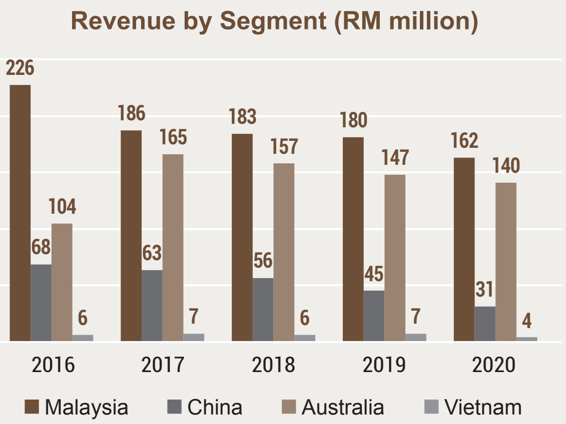
### Revenue

The Group registered a revenue of RM 337 million for the current financial year compared to revenue of RM 379 million recorded in the preceding financial year. The decline in revenue was across all geographical segments of the Group as a result of the economic downturn due to outbreak of unprecedented Covid-19 pandemic globally.

The various degrees of lockdowns and restrictive measures undertaken by the governments have contributed to the weakening of the global market and further dampened the prolonged soften market conditions in particular, the Malaysia's local housing sector which surfaced five years ago. Consequently, the revenue for its Malaysia segment has reduced by 10%.

The revenue for the Group's China segment and Vietnam segment had contracted by 31% and 43% respectively due to the weakening of the global market. Overall, the Kim Hin's overseas operations contributed about 57% (2019: 87%) of the decline in the Group's revenue for the current financial year.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Profit Before Tax

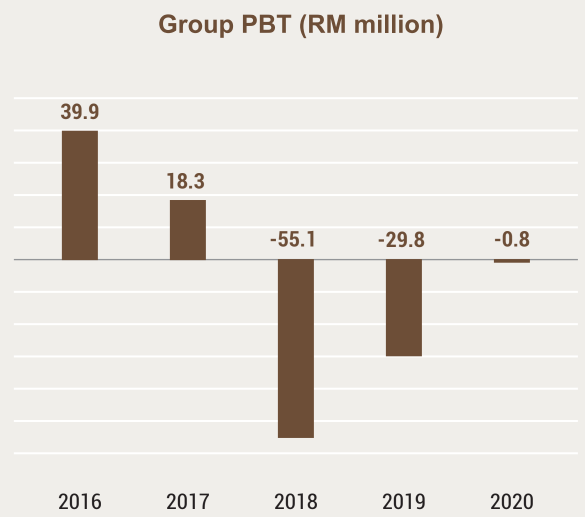
The Group recorded a loss before tax of RM 0.8 million for the current financial year, compared to a loss of RM 29.8 million in the previous financial year. This is mainly due to the recognition of compensation received of RM 31.4 million for portion of its leasehold land in Shanghai which was compulsorily acquired by the local authority.

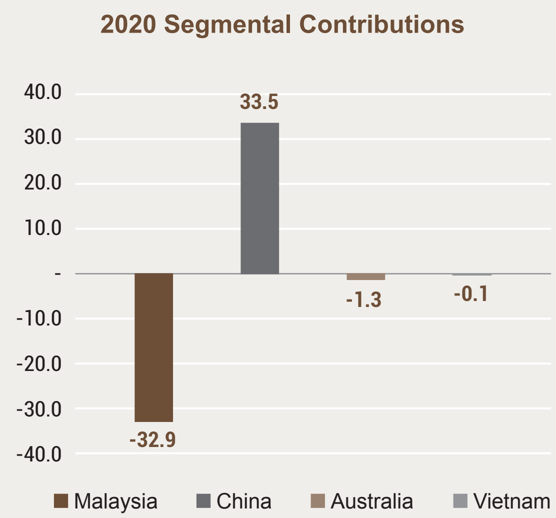
The Group continues to reassess the market conditions and its Malaysian operation performance, has made a further impairment on its inventories, property, plant and equipment, and right-of-use assets amounting to RM 11.2 million in the current financial year (2019: RM 4.8 million).

Operating expenses (excluding cost of sales and impairment loss on assets) of the Group reduced to RM 110.3 million during the financial year as compared to RM 127.9 million in the previous financial year. The decrease was mainly due to lower selling and distribution expenses of RM 6.5 million in line with the decline in revenue, lower depreciation charges and employee benefits expenses.

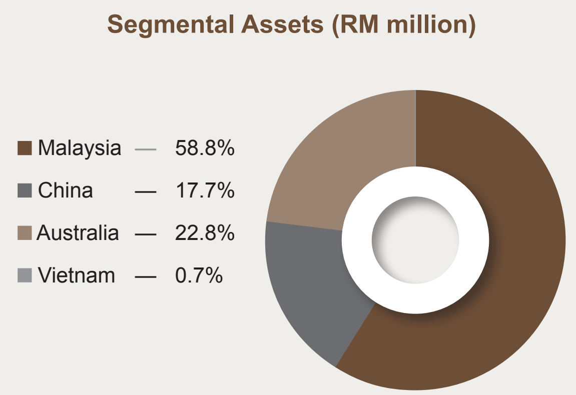
Total finance costs, including interest on lease liabilities recognized in accordance with MFRS 16 *Leases,* decreased from RM 2.5 million to RM 1.9 million.

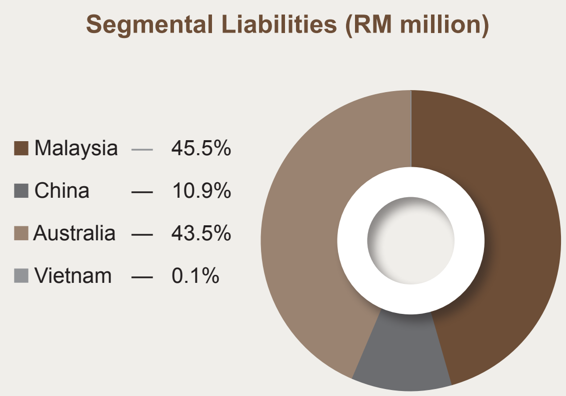
The Group's income tax expense for the current financial year was RM 8.5 million as compared to the previous financial year of RM 1.7 million, due to the inclusion of corporate income tax provided on the compensation received. The higher effective tax rate of the Group for the current financial year were due to unavailability of Group loss relief as well as non-deductible expenses.




### Distribution of Segmental Assets and Liabilities of the Group as at 31 December 2020



# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## Assets

***Investment properties***

The net carrying amount of its investment property has increased to RM 36.3 million (31 December 2019: RM 27.0 million) as at end of the current financial year, mainly due to the completion of the acquisition of a unit of condominium situated in Melbourne, Australia.

***Right-of-use assets***

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| Leasehold land | 39,550 | 41,248 |
| Other receivables | 22,112 | 30,346 |
| | 61,662 | 71,594 |

The right-of-use assets include the Group's short term and long term leasehold land of RM 39.6 million (31 December 2019: RM 41.2 million). The rest were tenancy agreements for buildings, machinery, motor vehicles and other equipment treated as right-of-use assets of the Group following the adoption of MFRS 16 *Leases*, amounting to RM 22.1 million (31 December 2019: RM 30.4 million).

***Trade and Other Receivables***

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| Trade receivables | 68,991 | 69,916 |
| Other receivables | 3,334 | 5,759 |
| | 72,325 | 75,675 |

Although the Group's revenue has declined by 11.1%, the total collectible trade receivables as at the current financial year only reduced by 1.3% as compared to the previous financial year end. The turnover of the Group's trade receivables has increased slightly to 75 days from 67 days. Nevertheless, the Group's credit exposure is well manageable, as expected credit losses on trade receivable (net) provided during the current financial year was only RM 197,000 (2019: RM 577,000) even after taking into consideration the impact of the coronavirus pandemic on the business community as a whole.

***Inventories***

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| Finished goods | 89,784 | 95,626 |
| Raw materials, and work-in-progress | 25,001 | 25,999 |
| Packing materials, spare parts and stores | 13,549 | 12,915 |
| | 128,334 | 135,540 |

The Group continued its relentlessly efforts in reducing its inventories level since year 2018. The total finished goods stood at RM 89.8 million at the end of the current financial year under review.

The Group provided a net write down of RM 5.2 million (2018: net reversal of RM 1.9 million) on its inventories during the financial year under review.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## Liabilities

### *Trade and other payables*

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| Trade payables | 52,474 | 41,381 |
| Other payables | 26,539 | 26,966 |
| | 79,013 | 68,347 |

The Group's trade payables increased by 26.8% to RM 52.4 million from RM 41.4 million in the previous financial year, as a result of longer repayment period during the current financial year.

### *Lease liabilities*

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| Current | 9,013 | 10,323 |
| Non-current | 15,490 | 20,998 |
| | 24,503 | 31,321 |

These represent the present value of lease payments to be made over the lease term of 1 to 5 years by the Group. They are mainly lease contracts for property rented for the Group's operation.

### *Loans and borrowings*

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| Trade facilities (unsecured) | 4,491 | 3,984 |
| RM loans (secured) | 17,469 | 18,931 |
| | 21,960 | 22,915 |

The term loans are secured by way of fixed charge over landed properties of a Malaysian subsidiary of the Group.

### *Capital structure and capital resources*

During the financial year, the Group's borrowings stood at RM 22 million as at the end of the current financial year. The gearing ratio (total borrowings over total equity) of the Group remains at the ranges between 0.05 times to 0.06 times, consistent with the past five years. The Group's continual significantly low gearing ratio is the testimony of its intention to maintain a sound financial position that enables the execution of its strategic objectives in creating value for the coming years.

### *Impacts of global Covid-19 pandemic and business outlook*

It is now entering the second year of the global efforts in containing the unprecedented Covid-19 pandemic, which have the capacity to impact companies' earnings by interrupting supply chains, workforce sustainability, and demand due to various stages of containment measures imposed and shut down of international borders. Unquestionably a decline in demand is likely to have the most significant impact on most businesses. Together with the general loss of consumer confidence following the emergence of the virus, in some countries potential customers cannot buy tiles, due to the closure of all non-essential retail businesses.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Presently, risks to the growth outlook have abated slightly, remained titled to the downside, primarily due to the uncertainty over the path of Covid-19 pandemic and the effectiveness of the vaccinations programs. Downside risks stemming mainly from the ongoing uncertainties in development related to the pandemic (for instance, the recent massive resurgence of Covid-19 cases in India recently), and potential challenges that might affect the roll-out of vaccine both globally and domestically.

Looking ahead, given the uncertainty around both the duration and severity of government actions in the different countries in which the Group operates, it is not possible at this point to provide meaningful earning guidance for the financial year ending 31 December 2021.

The Board, however, is clear that the situation does not present an existential threat to Kim Hin. Whilst short term trading will be affected, the long-term outlook for the Group remains positive.

The Executive Directors and certain senior management have been in the industry for more than 30 years and the value of their experience is enormous. Since its inception, the highly experienced and motivated management team had successfully navigating the Group through several economic downturns and financial recessions.

The Group operates in four geographical segments and its manufacturing operations are located in Malaysia and People Republic of China, hence the impact of Covid-19 pandemic on the Group's revenue and operations (and the subsequent recovery) actually varies. While the manufacturing plant of the Group located in Shanghai has not been affected by the pandemic after the initial national lockdown during the first two months of year 2020, its Malaysia operation was affected by the various stages of Movement Control Order ("MCO") in March 2020 and subsequently thereafter due to the resurgence of positive cases albeit with more relaxed conditions to ease the impact on economy activities.

The Group has promptly taken actions to protect its cash position and to preserve the cashflow of the business. Cost-cutting measures include deferring of all discretionary operating expenditure such as travel ban and spending on essentials, re-prioritizing of business activities and investments have been carried out. During the financial year under review, the Group has also received financial assistances in the form of wage subsidies in countries where it operates, namely in Malaysia and Australia.

Kim Hin is in a strong financial position and has a low level of debts (low gearing ratio around 6% of its equity) to support its business. As at the end of the financial year ended 31 December 2020, the Group has total cash reserves and other investments (easily convertible to cash) of RM 107 million.

In ensuring it has sufficient short-term liquidity, the Group has applied for moratorium on the two term loans (Malaysia) for a period of six months, beside utilizing trade facilities offered by its bankers to ease immediate or short-term cash requirement and is actively chasing for payments from customers.

The Group has also not neglected the welfare of its employees, whilst preserving employment the Group has made changes to its standard operating procedure to observe the new normalcy of works which includes social distancing, continuous cleaning and disinfection, provision of personal protection equipment, using existing and newly available networking tools such as Microsoft Teams, Zoom for meetings among staff, with customers and suppliers, and etcetera.

The Group encounters challenging and difficult time amid the persistence of weak property market both domestically in Malaysia and globally, as evidenced by the negative growth in revenue recorded during the financial year under review for all its geographical operations.

Kim Hin's efforts in strengthening and achieving revenue growth for its overseas operations continues. This year, the combined revenue of its overseas operations has surpassed the Group's Malaysia segment revenue for the fourth year in a row. The Group is concentrating its efforts and focus on securing sales, and its Malaysia operations have started to export to United State of America (new market) in the second quarter of year 2020 to improve demand as well as the optimisation of production capacity for the manufacturing plants in Malaysia.

The Board is confident that Kim Hin is well placed to face and withstand present disruptions induced by the prolonged global Covid-19 pandemic and, the Group will remain focusing in executing its business plan and mission despite uncertainties which may surface during the duration to be taken for the pandemic to subside.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## Dividend policy

The Board has recommended an interim dividend of 2 sen per ordinary share (tax exempt) for the financial year under review, despite the constraints and weak external demand environment faced by the Group. The interim dividend was paid on 28 October 2020 and this demonstrated the Group's commitment in rewarding a fair and equitable return of investment to its shareholders.

## Anticipated Business Risks

The Group is exposed to external risks such as adverse economic and market conditions and internal risks related to the Group's operations and financial management.

It has to be recognised that the Group has limitations in the actions that can be taken to manage or mitigate external economic risks. However, the Group has put in place a risk management framework to identify, manage and mitigate internal operational risks. Operational procedures are in place and are constantly being reviewed to ensure operational and cost efficiency.

The main risks affecting the Kim Hin Group are as follows:-

***Competition Risk***

The ceramic tile industry is highly competitive. Intense industry competition and aggressive pricing strategies amongst the manufacturers, distributors and dealers is common in the industry. This is further aggravated by the influx of tiles produced by lower cost manufacturers in countries such as Thailand, Indonesia, Vietnam and China.

Tiles are installed primarily on floors, walls, countertops and other areas requiring a highly aesthetic yet durable surface. Flooring applications make up the largest share of tile demand. The flooring industry comprises five (5) major product groups namely carpet, vinyl, decorative tiles, laminated and hardwood flooring. There is further product segmentation for decorative tiles into ceramic, porcelain and glass types, as well as tiles made from such specialty materials such as natural stone, concrete and metal.

The pricing pressures due to competition and the evolution in style preference as well as the cost and availability of competitive materials will affect consumer demand for the Group's products. To remain competitive, the Group will reinforce its positioning as one of the market leaders in the ceramic tile manufacturing and sale of ceramic and porcelain tiles. This will be supported by the Group's continued efforts in promoting and organising well-established training programs for its management and employees, improving customers' satisfaction and application of new technology for product improvements.

The Group's initiatives in reducing its reliance on the Malaysia operations by expanding the Group's operation in its traditional stronghold market, Australia and a new geographical location (Vietnam) have been successful. The increased contributions from its overseas operations act as the shield for the Group in facing the continual soft market conditions of its Malaysia operation. In addition, the Group has ventured into retails activities through its wholly owned subsidiary in Australia, Outset Holdings. Outset Holdings operates a renowned retail chain that further enhances the Group's distribution channels in Australia.

***Foreign Exchange Risks***

The Group imports certain raw materials, printing materials and machinery from abroad and also exports products to overseas markets, thus exposing itself to foreign exchange risks, mainly from the fluctuation of the United States Dollar ("USD"), Australian Dollar ("AUD") and Euro against the Malaysian Ringgit ("RM"). The fluctuation in the USD/RM affects both the operation costs and exports, while the fluctuation of AUD/RM affects only exports and the fluctuation of EURO/RM influences mainly operation costs. In addition, the Group has minimal exposure to Sterling Pound ("GBP"), Singaporean Dollar ("SGD") and Brunei Dollar ("BND").

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

***Rising operating costs***

Disruption in the supply chain of raw materials and volatility in raw materials prices coupled with the weaker Malaysian Ringgit will result in higher operational and operating costs. The "uptick" in energy price caused by the continuous gradual hike in liquefied natural gas due to the Malaysian Government's subsidy rationalization and the price of liquefied petroleum gas which is consumed by the Group's Kuching plant will affect future operational costs.

***Others***

Amongst other factors or concerns that may have an impact or effect on the Group's performance are:

Financial risks and cash flow risks but these are considered low due to the minimal borrowings of the Group (6% of the shareholders' equity) and is mitigated by substantial cash reserves and the flexibility of the Group in obtaining credit facilities from financial institutions thus ensuring the availability of working capital.

Interest rate risk is minimised as borrowings bear floating interest rates and Malaysia is maintaining a low interest rate regime since 2012 with its overnight interest rate lowered to 1.75% within a six-month period from 3.00% at the beginning of year 2020. As the headline inflation in the coming year is projected to average higher, primarily due to higher global oil price, it is expected the overnight policy rate will most likely remain unchanged due to uncertainties surrounding the pandemic.

Credit risk where the Group adopts stringent procedures on approving credit terms to customers and closely monitoring the collection of the Group's receivables, as evidenced by the ageing analysis of its trade receivables and minimal allowance provided for expected credit losses during the financial year under review.

The Group's ability to attract and retain talent pool while managing labour costs, levy expenses and other issues impacting labour supply.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Kim Hin Industry Berhad ("Kim Hin" or "the Company") is committed to high standards of integrity, accountability and ethics in the conduct of its business and in all aspects of the Kim Hin Group ("the Group")'s operations and undertakings. Kim Hin recognized the important of the practices of corporate governance throughout the group while performing their duties and responsibilities as fiduciaries in the interest of the Company. Good corporate governance is imperative to ensure sustainable long-term performance, creating long-term economic value and growth for the Group as well as maximize returns for stakeholders.

The Board strives on the implementation of the practices set out in The Malaysian Code on Corporate Governance 2017 (**"MCCG 2017"**) as a high standard of corporate governance within the group, as this is a crucial process and structure for the Board to direct and manage the businesses and affairs of the Company towards promoting its objectives and business prosperities.

Kim Hin is pleased to present the Corporate Governance Overview Statement pursuant to the requirements of Paragraph 15.25 (1) of the Main Market Listing Requirements (**"MMLR"**) of Bursa Malaysia Securities Berhad, in accordance with the guidance of Practice Note 9 of the **MMLR** and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia Securities Berhad. The Corporate Governance Overview Statement is presented based on the following three key principles of good corporate governance:

1) Board leadership and effectiveness;
2) Effective audit and risk management; and
3) Integrity in corporate reporting and meaning relationship with stakeholders.

The detailed application of each Practice as set out in the **MCCG 2017** is disclosed in the Corporate Governance Report which is available on the Company's website, www.kimhin.com.my.

## 1) BOARD'S LEARDERSHIP AND EFFECTIVENESS

**The Board of Directors**

The Board as the Group leader, is responsible for developing and overviewing the Group's strategic plans and business directions and performance, instilling good corporate governance culture within the group, formulation of policies and overseeing the investments, operations of the group of companies to ensure the Company is embraced with the ethical behavior, accountability, transparency and sustainability in achieving its goals.

The Board implements effective controls over the Group's business operations, resources, standard of conduct and financial position. The Board is committed to its fiduciary duties and leadership function to achieve long-term success of the Company and to deliver sustainable value to its stakeholders.

The Board collaborated with the senior management in setting up a proper organization structure and authority chart to ensure effective discharge of management responsibilities and capabilities of each functional departments and to provide effective flow of corporate governance information and communication within the Group.

**CORPORATE GOVERNANCE STRUCTURE**

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The key responsibilities of the Board are as follows:

1) Establishing strategic plans, objective, mission for the long term success of the organization;
2) Review, challenge and approve management's proposal on a strategic plan for the Group by bringing objectivity and breadth of judgment to the strategic planning process;
3) The Board is responsible to optimize the business development, performance and growth of the Companies and its subsidiaries;
4) Setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Company;
5) Monitoring the implementation of strategic plans by management and the strategies plans on economic, environmental, safety & health, social and governance considerations underpinning sustainability of the Company;
6) Overseeing the performance of the Group's business, identifying principal risks of the business and conducting and ensuring a sound framework for internal controls and risk management;
7) Ensure that the senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of board and senior management;
8) Ensure the integrity of the Company's financial and non-financial reporting;
9) Together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behavior; and
10) To foster a healthy corporate governance culture which is founded on the principles of transparency, objectivity and integrity set the "tone from the top" by formalising and committing to ethical values.

**The Chairman**

The Executive Chairman of the Group, Mr. Chua Seng Huat, provides leadership to the Board so that the Board can perform its responsibilities effectively. The Executive Chairman consistently monitors and overviews the Group's sales and production, financial position and the overall Group domestic and overseas businesses performance so as to achieve business goals in order to generate shareholder value. Mr. Chua emphasizes on instilling good corporate governance practices within the management team of the Group and ensuring board members receive complete and accurate information in a timely manner. He works closely with the Board of Directors in developing the Company's objectives, strategies, aims and business directions for the successful management of the Group.

**Chairman and Group Managing Director**

Dato' John Chua Seng Chai is the Kim Hin Group Managing Director. There is always a clear division of responsibilities between the Executive Chairman and the Group Managing Director to ensure that there is balance of power and authority and no one individual has unfettered powers of decision. The Group Managing Director is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

The role of the Group Managing Director includes the following:

- To plan, organize and control the operations of the group of companies;
- To review and analyse results of operations in relation to budgets and objectives and ensure proper steps are taken to correct unsatisfactory conditions;
- To be ultimately responsible for the effective implementation of the company's quality management system by chairing the management review meeting, providing support to implement quality improvements, reviewing and approving the issuance of Quality Manual; and
- To act on behalf of the Executive Chairman in his absence.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**Qualified and competent Company Secretary**

The Company Secretary of Kim Hin Industry Berhad is Mdm Yeo Puay Huang. She holds a Company Secretary Licence together with SSM Practicing Certificate and is qualified to act as a Company Secretary under Section 235 of the Companies Act 2016. She has more than 43 years of professional experience in corporate secretarial practices.

The Company Secretary plays an advisory role in supporting the Board to uphold high standards of corporate governance. As a counsel to the Board, she provides the Board with periodic updates and compliance requirements from the Main Market Listing Requirements, Companies Act 2016 and other regulatory requirements.

The Company Secretary also ensures that there is good information flow within the Board, Board Committees and senior management.

She also serves as a focal point for stakeholders' communication and engagement on corporate governance issues.

**Meeting materials and minutes**

The Board recognises the importance of sound and timely information flow to facilitate robust board discussions. The Chairman, together with the Company Secretary and the management, are responsible for ensuring the Directors are provided with sufficient and timely information to prepare for board meetings.

The deliberations and decisions of the board are duly recorded in the Board's minutes. The draft minutes are circulated to the Executive Chairman for his review within a reasonable timeframe after the meeting. The minutes of meetings also capture the deliberations and decisions, rationale for decisions made, fundamental questions raised and key points of discussions, and any dissent views and abstentions made by the directors.

**Board Charter**

The Board Charter of the Company is a source of references and literature which guide the governance and conduct of the Board. Board Charter provides a strategic directions of business operations to the Board. The Board shall effectively conduct the delegation of authority among the directors and senior management in accordance with the role and responsibilities and the Code of conduct and ethics for directors stated in the Board Charter. Board Charter defined the policies and government regulation which the Board shall comply with while performing their duties, such as the implementation of government regulations pertaining to the Economic, Social and Environmental considerations.

The Board Charter also provide insights to the Board when discharging their fiduciary duties and leadership functions and to assist the Board in the assessment of the performance of the individual Directors and Board Committees.

Board Charter and the term of references of the committees shall be periodically reviewed and updated by the Board taking into consideration the needs of the Group as well as any development in rules and regulations that may have an impact on the discharge of the Board's duties and responsibility. The lastest review was in November 2019.

The Board Charter is available at the Company's Corporate website, www.kimhin.com.my

**Code of Conduct and Ethics**

The Code of Conduct and Ethics outlines the principles, policies and government rules and regulations that govern the activities of the Group, such as the government implementation of Section 17A of the MACC Act 2009 (Amendment 2018). The employees are subject to a set of values and standards of conduct that is expected of them.

The Code of Conduct and Ethics shall shape the corporate culture and drive conduct within the Company. It serves as both an internal guideline and external statement of corporate values and commitment. It could also act as a central point of reference for employees to support their day-to-day decision-making.

The Board reviews and update the Code of Conduct and Ethics periodically or as and when the need arises to ensure it is kept contemporaneous.

The Code of Conduct and Ethics is available at the Company's Corporate website, www.kimhin.com.my

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**Whistle Blowing policy**

The Group has in place the Whistle Blowing Policy in 2014 with the objective of promoting and maintaining high standard of transparency, accountability and ethics as well as good corporate governance practices in the workplace.

The Whistle Blowing Policy serves as the internal reporting framework for employees or other stakeholders to raise concerns about illegal or unethical conduct that they are aware of through their work, without fear of reprisals or retaliations.

The Whistle Blowing Policy is accessible on this Company's website.

**Board Compositon**

The Board comprises of eight (8) members, three (3) of which are Independent Non-Executive Directors. They are the Executive Chairman, Group Managing Director, Group Executive Director, Administrative Director, Finance Director and three (3) Independent Non-Executive Directors. In the event of any vacancy in the Board of Directors, the vacancy will be filled within 3 months.

The Independent Non-Executive Directors focus on board matters and not stray into 'executive direction', thus providing an independent view to the Board and they are appointed to the board to bring:

- Independence
- Impartiality
- Wide experience
- Special knowledge
- Personal qualities

The Independent Non-Executive Directors provide a creative and informed contribution to the strategic direction of the Company, the management operations and performance.

The appointment of Mr. Fong Tshu Kwong as the Senior Independent Non-Executive Director, provides an additional channel for the Independent Non-Executive Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board. Mr. Fong is the Committee Chairman for Audit Committee, Nomination Committee, Remuneration Committee and Independent Committee.

**Tenure of Independent Non-Executive Director**

Annual shareholders' approval was obtained for Mr. Fong Tshu Kwong, who has served as a Independent Non-Executive Director for a cumulative term of nearly 20 years as an Independent Director since 21 May 2001.

In addition, Mr. Ong Ah Ba, who was appointed as an Independent Non-Executive Director of the Company on 8 December 2009, has also served for a cumulative term of more than 11 years.

The Board strongly believes that a director's independence cannot be determined arbitrarily with reference to a set period of time. Kim Hin Industry Berhad benefits from its long serving directors, such as Mr. Fong Tshu Kwong and Mr. Ong Ah Ba, with detailed knowledge of the business and with proven commitment, experiences and competence to effectively advise the Board.

For the upcoming Annual General Meeting, the Company shall seek shareholders' approval through two-tier voting for the proposed retention of Mr. Fong and Mr. Ong as an Independent Non-Executive Director of the Company.

**Independent Non-Executive Director's Tenure Policy**

The Company does not have a policy which limits the tenure of its Independent Non-Executive Directors to 9 years. The shareholders' approval was obtained at the annual general meeting each year for the re-appointment of Mr. Fong Tshu Kwong and Mr. Ong Ah Ba.

**Board and senior management**

Appointment of Board and senior management are based on objective criteria, merit and besides diversity in skills, experience, age, cultural background and gender.

The Group is also committed to providing an inclusive workplace that embraces and promotes diversity.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**Gender diversity**

The Board adopted the Boardroom and Workforce Diversity Policy in 2015.

The Board recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage.

Currently, the Company has six (6) male Directors and two (2) female Directors.

**Board's new candidate**

The Nomination Committee is responsible for recommending suitable candidates for Directorship to the Board.

In searching for suitable candidate, the Nomination Committee may receive suggestions from existing Board Members, management, and major shareholders. The Committee is also open to referrals from external sources available, such as industry and professional associations, as well as independent executive search firms.

**Nomination Committee**

The Nomination Committee is responsible for recommending the right candidate with the necessary skills, experience and competencies as new Board members as well as members of Board Committees. The Nomination Committee comprises two members, who are Independent Directors.

Each year, the Nomination Committee assesses the effectiveness of the Board and Board Committees, contributions and performance of each individual director, as well as the Group Managing Director and the Chief Financial Officer in accordance with paragraph 2.20A of the **MMLR**.

The objective of the assessment is to improve the Board's effectiveness, identify gaps, maximize strengths and address weaknesses of the Board. Self-assessment on the performance of the directors is used, and issues put forth for assessment are presented in a customized questionnaire. The Board oversees the overall evaluation process and responses are analysed by the Nomination Committee, being tabled and communicated to the Board.

The criteria on which assessment of the Board's effectiveness is carried out are developed, maintained and reviewed by the Nomination Committee. They include, inter alia, Board's and Board Committees' composition, Board's roles and responsibilities, and Board's operations.

The Chairman of the Nomination Committee is the Senior Independent Non-Executive Director.

Given that the Senior Independent Non-Executive Director serves as a confidant to the other directors, he is well-placed to oversee the assessment of the Board's Chairman, taking into account a broad range of perspectives.

The Terms of Reference of the Nomination Committee is set out in the Board Charter an is available at the Company's Corporate website – www.kimhin.com.my.

**Overall Board effectiveness**

**Objective annual evaluation**

A detailed self-assessment is undertaken every year to review the effectiveness of the Board, Committees and individual Directors. The questionnaires are reviewed by the Nomination Committee and approved by the Board. This annual assessment provides the opportunity for the Directors to examine the effectiveness in discharging their roles and responsibilities, identify areas for improvement and to assess the overall effectiveness of the Board and Committees.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board meets on a quarterly basis and additional meetings are convened as and when necessary. The Board met for a total of five (5) times during the financial year ended 31 December 2020 and their attendance details are as follows:

| Directors | Attendance | Percentage of attendance |
|---|---|---|
| Chua Seng Huat | 5/5 | 100% |
| Chua Seng Guan | 5/5 | 100% |
| John Chua Seng Chai | 5/5 | 100% |
| Pauline Getrude Chua Hui Lin | 5/5 | 100% |
| Chua Yew Lin | 5/5 | 100% |
| Fong Tshu Kwong | 5/5 | 100% |
| Ong Ah Ba | 5/5 | 100% |
| Yong Lin Lin | 5/5 | 100% |

The Board is satisfied with the time commitment given by the Directors to the affairs of the Company. A director shall notify the Chairman before accepting any new directorship and the notification shall include the indication of time that will be spent on the new appointment.

**Directors' training**

The Board is mindful of the importance for its members to undergo continuous training through its Nomination Committee, and continues to evaluate and determine the training needs of its members. This is to ensure continuing education is made available to the Directors in order for them to be equipped with the necessary skills and knowledge to meet the challenges of the Board. Any Director appointed to the Board is required to complete the Mandatory Accreditation Programme within four months from the date of appointment.

During the financial year ended 31 December 2020, the Directors attended the training titled as "Section 17A: Who is criminally liable in Bribery cases?".

**Remuneration of Directors and Senior Management**

**Remuneration Policy**

The objective of the Company's remuneration policy on directors' remuneration is to attract, retain and motivate the directors with the relevant experience and expertise to manage the Group successfully. Their remuneration reflects the level of experience and expertise they bring with them and the level of responsibility undertaken by them.

The Compensation Policy for the Board was approved on 25 February 2016, with the latest revision made on 26 February 2020.

The Board acknowledges the importance of formalisation of remuneration policies and procedures in order to attract and retain Directors and senior management with the right talents and competencies

**Remuneration Committee**

The Board has established the Remuneration Committee, comprises of a majority of Independent Non-Executive Directors.

The Remuneration Committee's responsibilities include the establishment of compensation strategy, compensation policies and programs, and management development plans.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**Remuneration of Directors and Senior Management**

**Details of Directors' remuneration**

The remuneration of the Directors (group basis) for 2020 are as follows:-

| | Fees^ RM'000 | Salaries RM'000 | Bonus RM'000 | Allowance RM'000 | Benefits-in-kind RM'00 | Other emoluments* RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| ***Executive Director*** | | | | | | | |
| Chua Seng Huat | 33 | 1,166 | 510 | 24 | 77 | 298 | 2,108 |
| Dato' John Chua Seng Chai | 33 | 1,149 | 510 | 24 | 18 | 300 | 2,034 |
| Chua Seng Guan | 33 | 1,166 | 510 | 24 | 23 | 298 | 2,054 |
| Pauline Getrude Chua Hui Lin | 33 | 384 | 96 | - | 18 | 98 | 629 |
| Chua Yew Lin | 33 | 384 | 96 | - | 18 | 98 | 629 |
| ***Independent* Director** | | | | | | | |
| Fong Tshu Kwong | 40 | - | - | - | - | - | 40 |
| Ong Ah Ba | 33 | - | - | - | - | - | 33 |
| Yong Lin Lin | 33 | - | - | - | - | - | 33 |
| TOTAL | 271 | 4,249 | 1,722 | 72 | 154 | 1,092 | 7,560# |

<u>Note</u>

^ Directors' fee shall be approved by shareholders at the forthcoming Annual General Meeting.
* Other emoluments consist of Employee Provident Fund and Social Security contributions made by the employer.
# This amount excludes the additional director fee of RM 7,000 paid in year 2020, which was approved in the last Annual General Meeting.

**Remuneration of the top five Senior Management**

The remuneration of the top five senior management of the Group are as follows:

| Range of remuneration (RM) | Top Five Senior Management |
|---|---|
| RM200,001 to RM250,000 | 2 |
| RM250,001 to RM300,000 | 2 |
| RM300,001 to RM350,000 | - |
| Rm350,001 to RM400,000 | 1 |
| Total | 5 |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## 2) EFFECTIVE AUDIT AND RISK MANAGEMENT

**Effective and independent Audit Committee**

- **Chairman of the Audit Committee**

  The Board has established an Audit Committee which is chaired by the Senior Independent Non-Executive Director, Mr. Fong Tshu Kwong.

  Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee's findings and recommendations.

- **Policy on appointment of former key audit partner**

  In an effort to preserve the integrity and credibility of the audit process, the Audit Committee has incorporated a policy in its Terms of Reference which requires a former key audit partner to observe a cooling-off period of at least two years before appointment as a member of the Audit Committee.

- **Policies and procedures on external auditor**

  The Board has established Policies and Procedures in assessing the suitability, objectivity and independence of the external auditor.

- **Membership of Audit Committee**

  The members of the Audit Committee of the Company are all Independent Non-Executive Directors, they are the Audit Committee Chairman Mr. Fong Tshu Kwong and the two members are Mr. Ong Ah Ba and Mr. Yong Lin Lin.

- **Skills of Audit Committee members**

  The members of the Audit Committee have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and regulatory requirements.

**Risk Management and Internal Control Framework**

- **Effective Risk Management and Internal Control Framework**

  The Board acknowledges its overall responsibility and the importance of sound risk management and internal control, and for reviewing the adequacy and integrity of those system. The system of risk management and internal control is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Group. It can therefore only provide reasonable and not absolute assurance of effectiveness against material misstatement of management and financial information or against financial loss and fraud.

  The Corporate Risk Scorecard system helped management in methodically identifying and assessing any emerging new risks, updating the business risks profiles that were previously identified, and following up with the implementation of the control plans.

- **Effective governance, risk management and internal control framework**

  The Audit Committee is responsible for reviewing the adequacy of the scope, competency and resources of the internal audit function and ensure that it has the necessary authority to carry out its work.

  The Board affirms that the internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## 3) INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER

**Communication with Stakeholders**

- **Continuous communication between the Company and stakeholders**

  The Board endeavours to ensure that communication with stakeholders is conducted in a timely and effective manner.

  The Company utilises the Annual Reports, announcements to Bursa Malaysia Securities Berhad, Annual General Meetings, and the Group's website to disseminate information to stakeholders.

  Through the Company's Corporate website at www.kimhin.com.my, stakeholders are able to access information on the Group's background, products etc and it also acts as an avenue for them to raise any query by email or phone. Primary contact details are also set out in the website.

**Conduct of Annual General Meeting**

- **Shareholder participation at general meetings**

  The Board recognises the importance of being accountable to and communicating with its investors, and the need for shareholders to be informed of all material business matters affecting the Company.

  The Company's Annual General Meeting presents opportunities for the Board to meet individual shareholders, and provide a forum to discuss and debate key issues. All shareholders are encouraged to attend the Annual General Meetings and participate in the proceedings. The shareholders were given the opportunity to raise questions and seek clarification from the members of the Board, management and the Auditors of the Company about the resolutions being proposed and the Group's performance and activities.

  Pursuant to Paragraph 8.29A of the **MMLR**, all resolutions set out in the notice of general meetings shall be voted by poll and an independent scrutineer shall be appointed for validation of the votes casted.

## CORPORATE GOVERNANCE KEY FOCUS AREAS AND FUTURE PRIORITIES

Key focus areas

The key focus areas of the governance practices of the Group for 2021 are ensuring the strategic plan of the Group supports its long-term value creation which includes strategies on economic, environmental and social considerations underpinning sustainability, and succession planning for the Directors and senior management.

# AUDIT COMMITTEE REPORT

The Board of Directors of Kim Hin Industry Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 December 2020.

## COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee during the financial year under review comprised of the following Directors:

Fong Tshu Kwong *(Chairman)*
*(Senior Independent Non-Executive Director)*

Ong Ah Ba *(Member)*
*(Independent Non-Executive Director)*

Yong Lin Lin *(Member)*
*(Independent Non-Executive Director)*

The Audit Committee met five (5) times during the year as follows:

1) 26 February 2020
2) 18 June 2020
3) 29 June 2020
4) 26 August 2020
5) 24 November 2020

Details of attendance at the Audit Committee Meetings are as follows:

| Name of Audit Committee member | Attendance | Percentage of attendance |
|---|---|---|
| Fong Tshu Kwong | 5/5 | 100% |
| Ong Ah Ba | 5/5 | 100% |
| Yong Lin Lin | 5/5 | 100% |

The Audit Committee also met with the External Auditors on 24 November 2020 without the presence of Executive Directors, the management and Internal Auditors.

The meetings of the Audit Committee were attended by all committee members and invitees. The invitees include the internal auditors, external auditors and the Chief Financial Officer. The Company Secretary acted as secretary at the meetings to record minutes of the proceedings of the meeting.

## TERMS OF REFERENCE

In performing its duties and discharging its responsibilities, the Audit Committee is guided by its Terms of Reference.

## MEMBERSHIP

The Audit Committee shall comprise of at least three non-executive directors, the majority of whom are independent directors. At least one member shall be a professional or qualified accountant. Any vacancy resulting in the non-compliance of the above, shall be filled within three months.

# AUDIT COMMITTEE REPORT (CONT'D)

## SUMMARY OF WORK

During the financial year ended 31 December 2020, the Audit Committee's work carried out in accordance with its terms of reference.

## FINANCIAL REPORTING

- Reviewed the quarterly and year-to-date unaudited financial results of the Company and the Group, before recommending them for approval by the Board of Directors.

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

The review was to ensure that the financial reporting and disclosures are in compliance with:

- the provisions of the Companies Act 2016;
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- applicable financial reporting standards in Malaysia; and
- other relevant legal and regulatory requirements.

In the review of the annual audited financial statements, the Audit Committee discussed with the management and the External Auditors the accounting principles and standards that were applied and their judgment of the items that may affect the financial statements.

## INTERNAL AUDIT

The Internal Audit Plan was drawn up in accordance with high risk areas identified as a result of the risk assessment carried out.

The audit scope of the Internal Auditors during the financial year covered the following processes:

| Scope of review |
|---|
| Operational reviews of the Group and major subsidiaries in Malaysia:<br><br>• Recurrent Related Party Transactions (RRPT).<br>• Standard Operating Procedures for safe work in the environment of Covid-19 pandemics<br>• Sales Performance Review and Analysis<br>• Inventory Management<br>• Customers' Credit Control Procedure<br>• Customers' Complaints Management<br>• Standard Operating Procedure for Showroom Orders and Sales<br>• Production Process<br>• Human Resources |

The overall review of the internal control system for the above areas covered, reveals that controls and policies are generally adequate and functioning satisfactorily. On-going reviews are being carried out continuously to ensure the effectiveness of the system. Although the Group's internal control system has been evaluated as satisfactory, it can only provide reasonable but not absolute assurance in the event of material error or loss.

The Audit Committee reviewed the following:

- the adequacy of the scope, competency and resources of the internal audit function to carry out its work.

- the internal audit plan and internal audit reports for the Group on the effectiveness and adequacy of governance, risk management, operational and compliance processes.

- the adequacy and monitory of the status of implementation of action plans agreed by the management on the outstanding issues to ensure that all the key risks and control lapses have been addressed.

# AUDIT COMMITTEE REPORT (CONT'D)

## EXTERNAL AUDIT

a. Reviewed with the External Auditors:
   - their Audit Plan and scope of work for the year 2020; and
   - the results of the annual audit and their audit report and evaluate their findings and recommendations for actions to be taken.

b. The Audit Committee had one (1) independent meeting with the External Auditors on 24 November 2020, without the presence of the Executive Directors, the management and Internal Auditors. The Audit Committee enquired about the management's cooperation with the External Auditors, their sharing of information and the proficiency and adequacy of resources in financial reporting functions.

c. On 12 March 2021, the Audit Committee undertook an annual evaluation of the quality of audit which encompassed the following areas:

   (i) The caliber of external audit firm;
   (ii) The quality of processes/performance;
   (iii) The audit team;
   (iv) The independence and objectivity;
   (v) The audit scope and planning;
   (vi) Audit Fee; and
   (vii) Audit Communications.

   The Audit Committee received written confirmation from the External Auditors regarding their independence to the Group.

   The Audit Committee also obtained input from the Company's personnel who has substantial contact with the External Auditors, in relation to the external auditors' performance. The Company's personnel were given a set of questionnaire to assess the quality of services provided, the independence and professional skepticism demonstrated by the External Auditors' team and the firm.

   The Audit Committee was satisfied with the suitability of the External Auditors based on the quality of services, technical competency and sufficiency of resources they provided to the Group.

   The Board at its meeting held on 12 March 2021 approved the Audit Committee's recommendation to re-appoint Ernst & Young PLT as the External Auditors of the Group for the financial year ending 31 December 2021, subject to the shareholders' approval to be sought at the forthcoming annual general meeting.

## RELATED PARTY TRANSACTIONS

- Reviewed the updates on the recurrent related party transactions entered into by the Group.
- Reviewed the Circular to Shareholders relating to Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature prior to recommending it for the Boards' approval.

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

## (PURSUANT TO PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

### BACKGROUND

The Malaysian Code on Corporate Governance requires the Board of Directors to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. The Board of Directors of Kim Hin Industry Berhad ("Board") is pleased to provide the following statement which outlines the main features and scope of the Group's risk management and internal control system during the financial year ended 31 December 2020.

This Statement is prepared in accordance with paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") and Practice Note 9 of Bursa Malaysia Securities Berhad ("Bursa Securities").

### RESPONSIBILITY OF THE BOARD

The Board acknowledges its overall responsibility and the importance of sound risk management and internal control system, and for reviewing the adequacy and integrity of those system. The system of risk management and internal control is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Group. It can therefore only provide reasonable and not absolute assurance of effectiveness against material misstatement of management and financial information or against financial loss and fraud.

The Group has an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the risk management practices and internal controls when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the MMLR of Bursa Securities and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control ("SRMICG").

### RISK ASSESSMENT

The Board affirms that an important element for a sound system of internal control is to have in place a risk management and control system to identify and assess the significant risks to the existing business processes of the Group and implement appropriate controls to manage such risks. The Risk Management Committee ("RMC") was established in 2001 to achieve the following objectives:

(a) To be at the forefront of the Group Wide Risk Programme and ensure that a risk management structure is embedded in day-to-day operations throughout the Group;
(b) To ensure that the risk management structure is consistently adopted throughout the Group and is within the parameters established by the Board; and
(c) To ensure compliance with external requirements such as the SRMICG.

### CONTROL ENVIRONMENT AND ACTIVITIES

The Corporate Risk Scorecard system helped management in methodically identifying and assessing any emerging new risks, updating the business risks profiles that were previously identified, and following up with the implementation of the control plans.

The Group reassessed and updated its Enterprise Risk Management ("ERM") regularly with the engagement of external consultants to facilitate the process. During the most recent Enterprise Risk Assessment sessions organised for the Group's Malaysia operations in mid-2019, existing and new key risks which would impact the Group's businesses and its ability to meet the Group's business objectives were identified and assessed. In addition, the relevance of risk assessment criteria used in defining the level of significance as well as impact of risks affecting the business were also reviewed.

Revenue, Inventory, Trade Receivables, Production and Foreign Exchange were identified as major risks and are monitored as Key Risk Indicators on a monthly basis. Controls were also identified and evaluated to mitigate the risks with risk owners assigned to manage these risks.

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

**(PURSUANT TO PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)**

In addition, the Group has other key control processes in place for its control environment to further enhance its evaluation and managing processes for risk management and internal control:

- A formalised Board Charter, Code of Conducts for Directors, Whistle Blowing Policy and Corporate Disclosure Policy;
- Establishment of Employee's Handbook and Code of Conduct and Ethics;
- Establishment of Anti-Bribery and Anti-Corruption Policy and Handbook;
- Well structured organisation chart with defined lines of responsibilities and duties as specified in the job terms of reference;
- Existence of Standard Operating Procedures under the governance of ISO 9001: 2015 Quality Management System for the Group's manufacturing operations in Malaysia (Kuching and Seremban), which adds further assurance to the Group's risk management for its operations as the latest version of ISO 9001 adopts a risk based approach;
- Existence of Standard Operating Procedures under the governance of compulsory product certification by China Quality Certification Centre for the Group's manufacturing operations in People Republic of China (Shanghai);
- Scheduled meeting of Management Review Meetings and Management Meetings; and
- Continuous monthly monitoring of the Group's Corporate Key Performance Indicators ("KPI"), financial policy and use of Enterprise Resource Planning (ERP) by the Group's operations in Malaysia.

In addition, the Group's Seremban manufacturing facility is certified to use Eco-Label Marks on its products.

## INTERNAL AUDIT ("IA")

The Group has an IA function which is outsourced to independent internal auditors. The Group's IA function reviews the effectiveness of the system of internal control in managing the key risks and report accordingly to the Audit Committee.

In carrying out its work, the Group's Internal Auditors focused on areas of priority as determined by risk assessment and in accordance with the annual operational internal audit plan approved by the Audit Committee. Where any significant weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls and business processes, with follow-up audits by Internal Auditors to assess the status of implementation thereof by management.

Due to the travel restriction enforced over various stages of movement control orders implemented during the financial year under review, the internal audit activities were halted and only resumed end of the financial year. The Group's Internal Auditors have performed audits (either remote or on-site where possible) covering the various business processes of the Group, which includes review of the Group's recurrent related party transactions, sales performance review and analysis, inventory management, and the compliance with Standard Operating Procedure in ensuring safe work in the environment of Covid-19 pandemic for its Malaysian operations.

The Internal Auditors has also conducted branch audit on the Group's marketing office in Kuching in January 2020. Among the areas audited were inventory management, customers' credit control procedure, customers' complaints management and Standard Operating Procedure for showroom orders and sales. In addition, it also covered focus areas such as production process and human resource.

The Audit Committee reviews the IA Reports from the Group's IA function and reports to the Board on key audit findings, recommendations of action plans and implementation status of corrective actions.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2020 was in the region of RM35,000.

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

**(PURSUANT TO PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)**

## BOARD REVIEW

The Board has taken continuous steps to assess and enhance the effectiveness of the system of risk management and internal control, and is not aware of any significant weaknesses or deficiencies in the risk management and internal control system of the Group.

In addition, written assurance were received from Group Managing Director and Chief Financial Officer by the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

Hence, the Board is pleased to report that there were no significant material internal control weaknesses noted during the year under review and up to the date of approval of the annual report and financial statements.

## REVIEW BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2020, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

This statement is issued in accordance with the Board's approval on 23 April 2021.

# SUSTAINABILITY STATEMENT

Kim Hin Group of Companies ("Kim Hin") recognise that doing business in a sustainable and responsible manner is integral to ensuring our future viability. Sustainability considerations underpin our business strategies and are integrated into the way we do business.

The Board of Directors ("the Board") is committed to strengthen the Group's corporate governance culture and focus on the Group's performance along the dimensions of the three pillars of Corporate Sustainability incorporating Economic, Environmental and Social considerations. Our sustainability goal is to create sustained value for all stakeholders including our community, customers, employees and shareholders, through the long-term management of sustainability risks and opportunities, and through our unwavering adherence to good corporate governance.

We recognise the benefits of integrating Sustainability-related considerations into all aspects of the Group's domestic and global businesses. These benefits include enhancing risk management, promoting ceramic tiles design innovation, attracting new customers, maintenance of a license to operate, responding to responsible and secured capital, improving the Company's productivity, optimized costs, enhanced brand value and reputation.

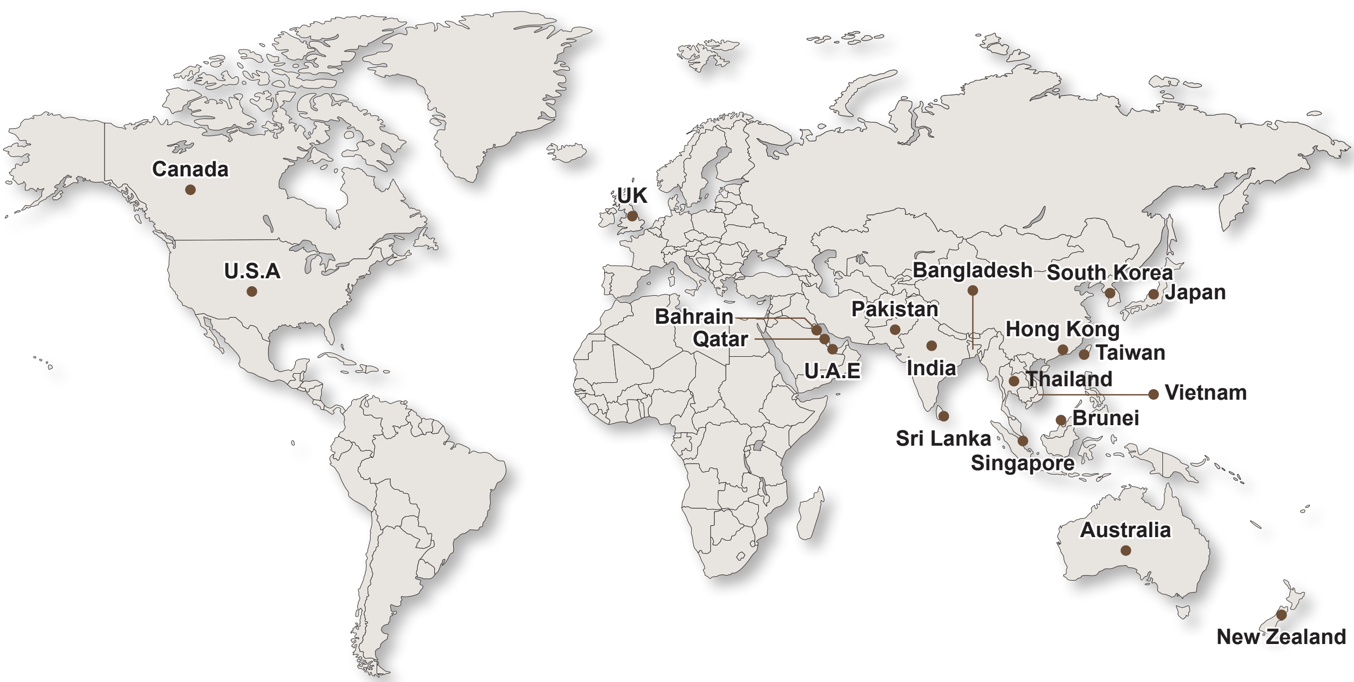
The sustainability challenge for our Group is to ensure that our value creation activities remain uninterrupted regardless of changes in the operating environment.

The outbreak of Covid-19 pandemic has severely affected the global economy and financial markets, and has also seriously impacted Malaysia's economy. After almost one year of struggling with disease mitigation measures, most of the manufacturing and supply chain organizations are still experiencing the negative consequences of the pandemic. The weaker exchange rates had caused the increase of imported cost of our raw materials resulting in the increase of our production cost.

The coming year will continue to be dominated by the Covid-19 pandemic and the effectiveness of global efforts to contain its spread through the rollout of several Covid-19 vaccines. These vaccines rollout are promising developments which can help to contain the virus and restore global economic activity.

Kim Hin strives to focus on the Group's short-term and long-term strategies for the domestic and overseas businesses. The Board commits to approach the problems caused by the pandemic with optimism and aims to attain our Corporate Vision which is: "to be a world class ceramic tiles producer and distributor by providing products and services of superior quality and values, and by sustaining consistent long-term growth in volume and profitability." Going forward, Kim Hin's management will continue to take all necessary actions and precautions to ensure operational continuity and safeguarding the health and safety of our stakeholders. This will ensure that we continue to maintain efficient operational processes as well as excellent service levels.

## THE EXPORT MARKETS OF KIM HIN INDUSTRY BERHAD



# SUSTAINABILITY STATEMENT (CONT'D)

## STAKEHOLDER ENGAGEMENT DURING COVID-19 PANDEMIC

Many businesses have struggled to respond quickly and practically towards the multitude of challenges posed by the pandemic. The Board worked hard on proper strategies planning, forecast, budgeting, cash flow analyses and investments management. Cash preservation strategies are instituted within the Group to enhance our cash management measures, and at the same time to ensure that the businesses are well funded and not undercapitalized in a particular area to facilitate business sustainability.

The Board is mindful that stakeholder engagement is an important factor for a company to achieve sustainability especially during the COVID-19 pandemic situation. The engagement with stakeholders, which include investors, government agencies, regulators, customers, suppliers, employees and local communities, is an ongoing commitment to understand and interact with stakeholders by taking their views into account when making relevant business decisions.

*New normal in the office*

The Board collaborated and worked closely with the management team to ensure compliance with government regulations and to response positively to operating procedures imposed by the government to contain the spread of COVID-19. Kim Hin is committed to ensure a clean, safe and healthy workplace and environment for the benefits of our employees, customers, shareholders and the public, in compliance with legal requirements and regulations, such as the Occupational Safety and Health Act, Factories and Machineries Act and other related regulations. We are making every effort to ensure that all employees and contractors must comply with the standard operating procedures at the workplace to prevent any occurrence of any occupational incidents.

In the work front, not only must we keep our employees safe, but we also keep our visitors and customers that visit our premises safe. In this respect, the leadership in our Company is in the forefront of the Covid-19 Response Team set up to ensure the safety of all our employees so that everyone has peace of mind to come to a safe workplace in particular, and to ensure the sustainability of our business as a whole.

We have embedded these Standard Operating Procedures into our own operations and also implemented the following measures at our workplace:

- Adoption of the Standard Operating Procedures ("SOPs") to resume operations set by the Ministry of Health;
- Increase the attention to the safety and well-being of our employees and ensure that our workplace remains vigilant with the necessary Standard Operating Procedures (SOPs) in place;
- Hand sanitizers and body temperature monitors are available at entrance areas in the workplace;
- Mask wearing is strictly compulsory and all employees are reminded to maintain a safe distance of at least 1 metre, and to limit physical interactions;
- Video conferencing is added as another platform for the meetings to be held in the office to counter the physical meeting constraints;
- Frequency of cleaning and disinfection in the workplace is increased;
- All employees and visitors are required to register at entrance to the workplace using either scanning of the MySejahtera application or manual registration at the counter;
- To partnered with PERKESO to enable those whose jobs were affected due to the pandemic to have an avenue to seek for a position in our company; and
- Disseminate any information on Covid-19 to our employees.

# SUSTAINABILITY STATEMENT (CONT'D)


*Products briefing in October 2019 for visitors*


*Mr. Leslie Ch'ng (HR Manager) with officers from PERKESO*

## ECONOMIC

As an industry leader, we are committed to delivering strong and consistent performances that will continue to create value for our stakeholders especially our employees, investors and shareholders as well as the country's economy. To ensure sustainable economic performance, we adopt the highest standards of corporate governance and business ethics in our business dealings, including procurement practices in our value chain, while delivering top quality products and services to our customers.

We are adopting operational control procedures with good documentation requirements to provide assurance that a trail of accountability exists and also for continuous improvement. We continuously focus on improving the efficiency and productivity of our workforce across our production and marketing functions to meet our customers' satisfaction and in maintaining good connections and relationships with our suppliers locally and globally.

We endeavor to improve the Group's financial performance by optimising the capital expenditure and production capacity utilization, reducing operational costs and implementing stronger operating margin towards the business operations. We always ensure the disclosure of all relevant information to our shareholders and perform proper presentation in Annual General Meetings and we aim to enhance shareholders' values.

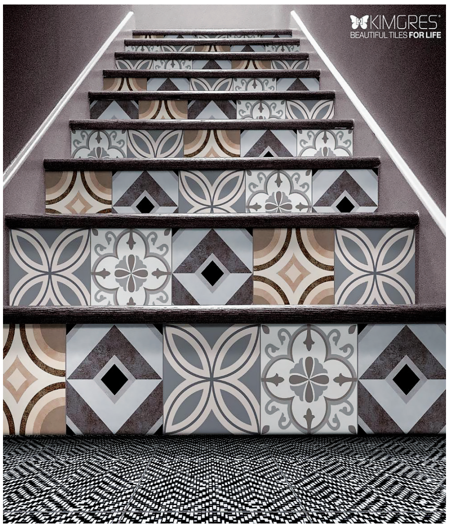
### Materiality

| | **Highly material** |
|---|---|
| 1) | Ethical and Business Compliance |
| 2) | Governance and Transparency |
| 3) | Financial Sustainability |
| 4) | Anti-bribery and corruption |
| 5) | Risk Management |
| 6) | Product and Services |
| 7) | Customers satisfaction |
| 8) | Health & safety |
| 9) | Diversity and anti-discrimination |
| | **Material** |
| 10) | Employee benefits |
| 11) | Climate and energy |
| 12) | Local Community |
| 13) | Waste management |
| 14) | Water efficiency |
| 15) | Training and Education |


*Preparing tiles for display during Grand Sales*

# SUSTAINABILITY STATEMENT (CONT'D)

***Our products***


# SUSTAINABILITY STATEMENT (CONT'D)

## ENVIRONMENTAL COMMITMENT

The Board is mindful that preserving the environment is an essential factor for Corporate Sustainability. The Board is committed to implement good corporate governance within the Group and has applied best practices and operating strategies to minimise environmental impact. We are committed in maintaining a clean, safe and healthy environment. Kim Hin endeavours to promote environmental initiatives across all activities.

**OUR ENVIRONMENTAL POLICY**

Kim Hin believes in sustainable manufacturing practices that protect and conserve our environment for future generations. We are mindful of the adverse impact of not effectively identifying, assessing and managing environmental related risks and the global issue: climate change.

As a responsible ceramic tile manufacturer, we are well aware of the environmental impacts that our operations have on the environment; and we are committed to minimising our negative impacts and improve environmental conservation performance.

With the top management leadership and employee commitment, we are committed to:

- complying with the legal requirements;
- conserving energy, water and other natural resources;
- optimizing the use of raw materials;
- practicing reduce / reuse / recycle approach throughout our operations;
- reducing waste through better waste management;
- preventing air pollution;
- providing staff with environmental awareness training; and
- improving environmental performance continually.

It is our responsibility to conserve the environment especially in the vicinity of our operation area in order to make a difference in the community.

We planted trees at the surrounding of our office buildings and factory premises as part of our little contribution to provide clean air and cool the globe. Dust collector system is used to enhance the quality of air by collecting dust and other impurities from air. Good housekeeping culture are practiced in the office in order to promote a hygienic and healthy environment. We practice paper recycling and envelopes recycling culture in our office as well.

Kim Hin is committed to meet the needs of the present without compromising the needs of the future generations. We continue to focus on managing our waste by improving our slurry treatment facilities and proactively work towards minimising environmental pollution. Well treated water will be 100% recycled into the operation. The sludge is reused into our products as filler. To further demonstrate our commitment to environmental care, we shall continue to conduct research and development on the sludge to make user friendly and value added products. Hopefully, it can be realised in the near future.

Energy efficient lighting LED lights are widely used in the factory and office for energy saving purposes. Rain water is collected for recycling purposes.

We have adopted environmentally friendly practices to lessen the damage to the environment that supports communities. We ensure that our people and manufacturing practices support this objective through personal awareness and the adoption of green technology and best practices by European or Asian innovations that maximise energy efficiency improvements. The main environmental factors associated with the production of ceramic tiles are gaseous emissions, production of heat, dust and waste.

# SUSTAINABILITY STATEMENT (CONT'D)

## OUR GREEN EFFORTS

### CERTIFICATION

Our products are certified to have low chemical emissions, thus improving the quality of air in which the products are used. Our products are certified under the Gold Category of Greenguard. This gives peace of mind to homeowners, schools, public health organisations, offices etcetera.

We are conscious that being environmentally friendly will contribute to the preservation and protection of the environment. Our products are granted the Eco-Label as complying to SIRIM criteria 022: 2010.

### AIR QUALITY

Air quality in our manufacturing facilities is very important in order to have a clean environment for our employees.

- Dust suction exhaust system are installed for dust dispersion.
- Whole production complex has cement or tarmac surfaces to minimise dust when raw materials are transferred from one area to the next.

To ensure minimum particulate matter and gaseous emissions - the pollutants of concern from the firing process, our products are fired using either liquified natural gas (LNG) or liquified petroleum gas (LPG), both of which are clean burning fuel with very little particulate matter. On top of that, the carefully selected materials help control and reduce the fluorine compound emission associated with the firing of clayey materials.

### ENERGY SAVING

Energy saving initiatives include installation of highly efficient burners and heat recovery system in our rapid cycle roller kilns. Roofs at our manufacturing facilities are installed with translucent panels to reduce consumption of electricity during the day and to inculcate habits of utilities savings, company-wide. LED lightings which are eco-friendly and efficient energy savers are widely used throughout offices and factory buildings.

### WATER CONSERVATION

With Mother Nature granting us with abundant rain, we harvest it to be used in our manufacturing processes. 100% of the water used in the cutting process are from harvested water.

Glazing and printing operations require frequent washing which in turn generates waste water. This is directed to a waste water treatment plant and water is recycled back to the production process. This in turn reduces our consumption of treated piped water.

# SUSTAINABILITY STATEMENT (CONT'D)

## RECYCLING

We reuse a certain percentage of materials in our production of tiles. Reject tiles from production are re-used through crushing. Green tiles and reject powder are collected and re-used back into the production process.

For packaging materials, we use the thinnest plastic possible to wrap our goods. We minimise usage of wooden pallets with a return policy.

Kim Hin strives at its utmost best to conserve energy and natural resources, to be economically viable and, to provide a safe and healthy workplace for our workers in achieving sustainable manufacturing, which include the following efforts:

1) optimize usage of the cleanest fuel, LPG, in our firing processes;
2) recycle all our rejected green and fired products;
3) continuous improvement to reduce wastages;
4) conserve natural resources by improving technical skills to produce thinner tiles with faster firing cycle;
5) recycle heat energy;
6) salvage rain water and using recycled water in some of the manufacturing process; and
7) strict selection of raw materials to ensure no health hazard materials are used in our manufacturing environment and no emissions of pollutants over the life cycle of our finished product.

## SOCIAL ENGAGEMENT

The Group values the commitments, capabilities and hard work of the employees and is committed to the welfare and well-being of its employees, by giving incentive awards to the children of our employees who excel in national public examinations. Training is given to the employees to develop and enhance the employee's capability and competency development. Besides training, as the valued Corporate Partner of SEGi University and Colleges Group, our employees are encouraged to achieve lifelong and continuing education. In addition, our company accepts students for internship and consequently offer employment. It is our hope that with these activities, they would assist towards sustaining the workforce in particular, and the company as a whole.

The Group has its Safety and Health Policy in place where processes and procedures are established to manage occupational safety at work places and the employees' health matters to prevent hazards arising in or from the workplace that could impair the health and well-being of workers. The Occupational Safety and Health Committee is led by the Group Executive Director, who oversees the Company's responsibility in relation to occupational safety and health matters in compliance to the Industry Standards and legislation.

In accordance with the International Labour Organisation, occupational safety and health refers to the anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and well-being of workers.

To fulfil this commitment, we make every effort to adhere to the relevant industry standards and comply with occupational safety and health legislation. Safety infrastructure such as fire-fighting system and equipment, first-aid boxes and Emergency Response Plan are located at various places in the operation's premises.

We are committed to a clean, safe, and healthy workplace and environment. All aspects of our business are managed in a safe and environmentally responsible manner. We believe these actions benefit our employees, customers, shareholders and the public.

### Health Surveillance

Medical surveillance is necessary for the protection of our employees who are exposed or likely to be exposed to chemicals which are hazardous to health. We carry out the medical surveillance programme annually, so as to identify the changes in health status of the relevant employees due to occupational exposure. The medical surveillance is carried out by an occupational health doctor.

# SUSTAINABILITY STATEMENT (CONT'D)

## OCCUPATIONAL SAFETY AND HEALTH

The details of safety and health trainings in 2020:

| Date | Types of trainings/courses | No. of participants |
|---|---|---|
| 08.01.2020 | Medical Surveillance | 20 |
| 14 - 15.02.2020 | First Aid Training | 30 |
| 11 - 13.03.2020 | OSH Coordinator | 2 |
| 15.07.2020 | Audiometric Test | 100 |
| 23.07.2020 | Fire Prevention Training | 15 |
| 10 - 11.09.2020 | OSH Pandemic (Covid-19) Preparedness Prevention | 3 |
| 20.12.2020 | Taklimat Bomba | 9 |
| | **Total:** | **179** |

The details of safety and health trainings in 2019:

| Date | Types of trainings/courses | No. of participants |
|---|---|---|
| 09.04.2019 | Forklift Operators' & Safety Training | 15 |
| 10.04.2019 | Forklift Operators' & Safety Training | 15 |
| 11.04.2019 | Forklift Operators' & Safety Training | 15 |
| 16.06.2019 | Briefing Forklift Safety | 18 |
| 18 - 19.06.2019 | Safety & Health at Work | 2 |
| 28.06.2019 | Occupational Safety & Health (Noise Exposure) Regulation 2019 | 1 |
| 08.08.2019 | Hearing Protection Training | 24 |
| 15 - 16.10.2019 | 6th Borneo Conference & Exhibition on Occupational Safety & Health (BOSH) 2019 | 1 |
| 05 - 07.11.2019 | CLASS Regulations 2013 for Classifier (Chemicals Substance & Mixture) | 5 |
| 14 - 15.02.2020 | First Aid Training and Basic CPR | 30 |
| | **Total:** | **126** |

The details of accident incidents and lost days:

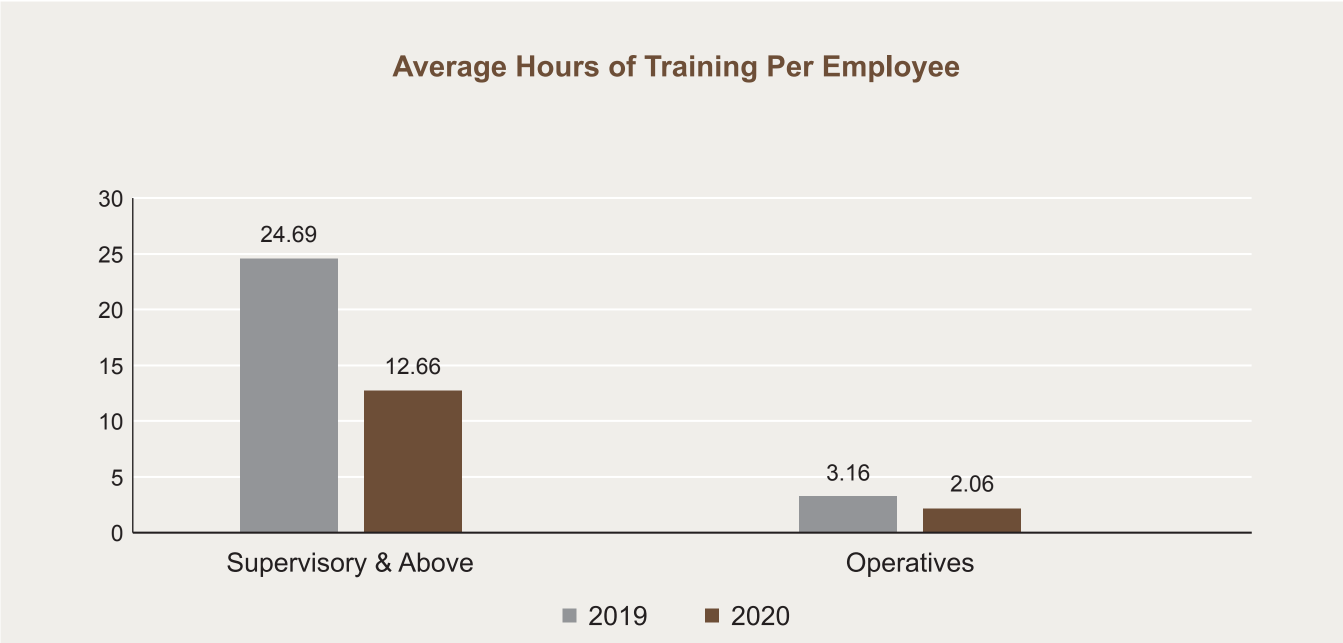
| Types | 2020 | 2019 |
|---|---|---|
| Fatalities | 0 incident | 0 incident |
| Injuries | 2 incidents | 7 incidents |
| Lost time injuries | 30 days | 105 days |

# SUSTAINABILITY STATEMENT (CONT'D)

| First Aid Training

## LABOUR PRACTICES AND HUMAN CAPITAL DEVELOPMENT

We are committed to encompass the fair treatment of employees in regards to the terms and conditions of employment and to develop the employees' skills and knowledge. We emphasise on employee development through on jobs training and learning via internal and external courses for the retention and maintenance of skilled labour. We believe continuous learning is the key for transformation. Keeping employees' skills and knowledge up-to-date will definitely help to increase the company's competitiveness in the industry.




**Average hours of training per employee for Supervisory and above category and Operatives Category**

## HUMAN RIGHTS

Kim Hin Group is committed to be a preferred choice of workplace for its employees. We have an integrated human capital strategy to recruit, develop and motivate its employees with KPIs in place to ensure that all employees' performance goals are aligned with the Group's business objectives. We uphold the spirit of human rights issues in:-

- **Fairness and Diversity**

  We embrace fairness and diversity as equal employment opportunity regardless of race, gender, religion, disability, culture, nationality and family status. We believe that through fair employment practices, all employees can have a significant contribution based on their talent, expertise and experience. We treat all employees fairly with respect.

- **Child labour**

  We abide all labour laws relating to employment of all employees in respect of hiring, wages, hours of work, benefits and working conditions.

- **Freedom of Association**

  We are committed to maintaining harmonious labour relations and promote positive working conditions. We respect the right of employees and allow them to represent or join any trade unions for collective bargaining and to seek redress for any industrial disputes.

- **Non-discriminatory employment practices**

  We are committed to equal employment opportunity and fair employment practices without discrimination against race, ethnic group, gender, religion, sexual orientation, disability, age, marital status and pregnant status. Beyond legal compliance, we strive to create an environment that is considerate and respectful towards one another.

# SUSTAINABILITY STATEMENT (CONT'D)

- **Forced labour**

  We hire applicants who seek employment on a voluntary basis. We do not use any form of forced labour or labour acquired through human trafficking or indentured labour, forced prison labour or slave labour.

## DIVERSITY

The Board has formalised the Boardroom and Workforce Diversity Policy on 15 April 2015.

**Principles of the Boardroom Diversity Policy.**

The Group recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, age, race, gender and other qualities of Directorship. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective.

**Principles of Workforce Diversity Policy**

The Group is committed to providing an inclusive workplace that embraces and promotes diversity.

(i) The Group values, respects and leverages the unique contributions of people with diverse backgrounds, experiences and perspectives to provide exceptional service to an equally diverse community; and

(ii) The Group recognises the benefits arising from employee and board diversity, including a broader pool of good quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

**Workforce diversity for 2020 and 2019 for Kuching Headquarters**

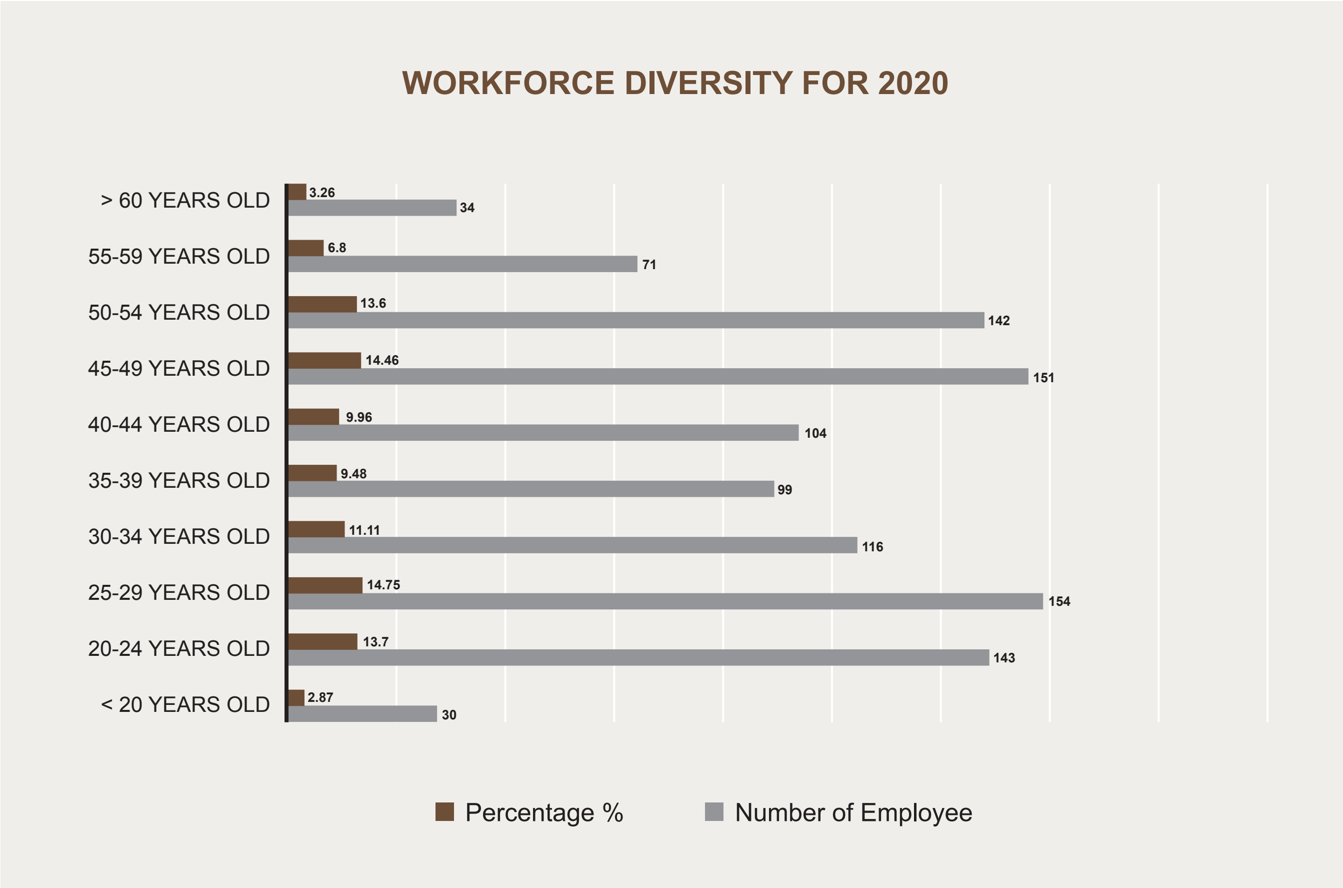
| Ethnicity | Total number of employee | | Management* | | Non-management | | Ethnicity Percentage (%) | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Bumiputera | 854 | 706 | 15 | 13 | 838 | 693 | 81.80 | 79.69 |
| Chinese | 189 | 179 | 61 | 63 | 129 | 116 | 18.10 | 20.20 |
| Indian | - | - | - | - | - | - | 0.00 | 0.00 |
| Non-Malaysian | 1 | 1 | 1 | 1 | - | - | 0.10 | 0.11 |
| **Total** | **1044** | **886** | **77** | **77** | **967** | **809** | **100.00** | **100.00** |

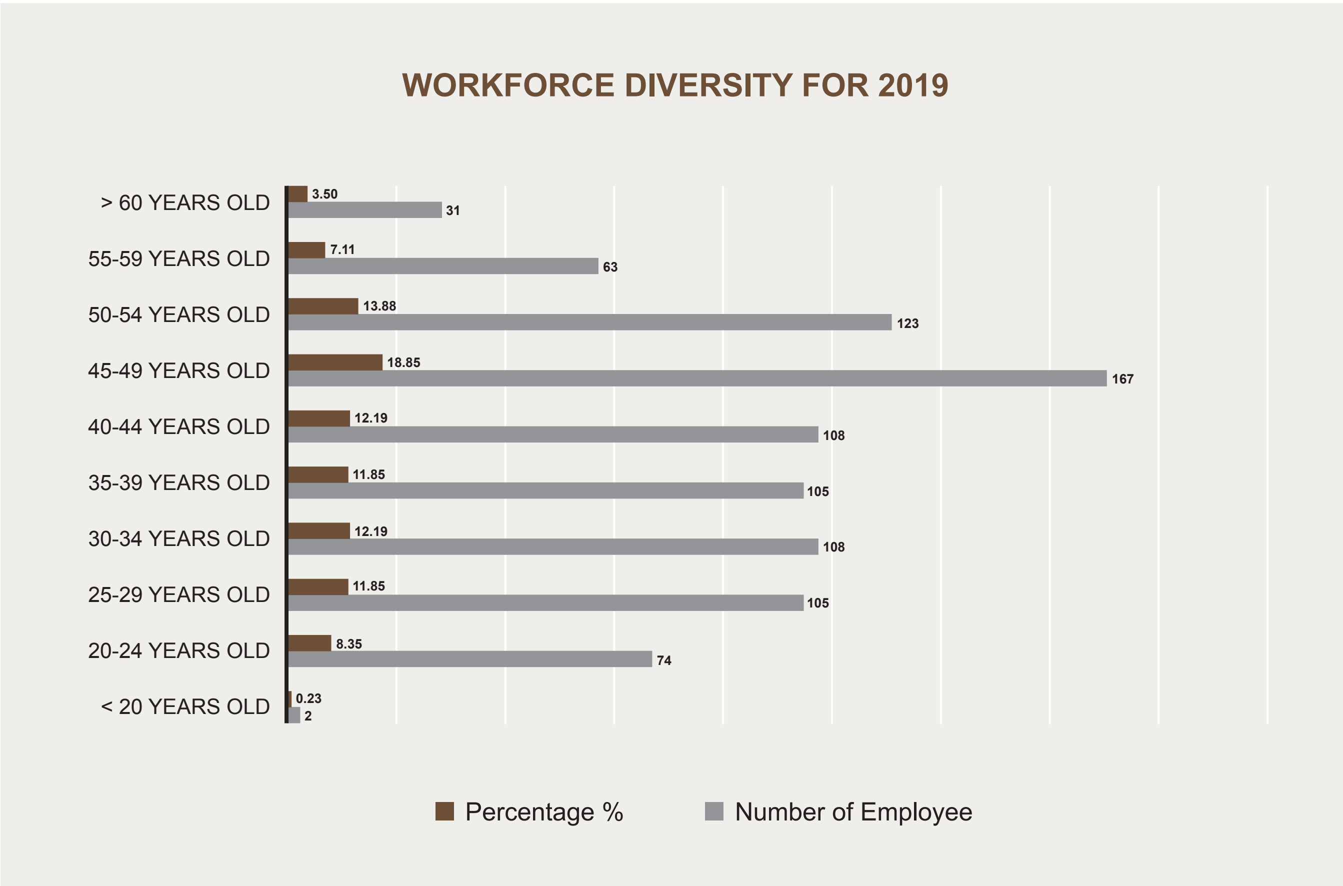
| Gender | Total number of employee | | Management* | | Non-management | | Gender Percentage ( %) | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Male | 710 | 592 | 37 | 34 | 673 | 558 | 68.00 | 66.82 |
| Female | 334 | 294 | 40 | 43 | 294 | 251 | 32.00 | 33.18 |
| **Total** | **1044** | **886** | **77** | **77** | **967** | **809** | **100.00** | **100.00** |

Note
* Management denotes Executive level and above

# SUSTAINABILITY STATEMENT (CONT'D)

**The diagram below shows the workforce diversity for 2020 and 2019 of our Kuching Headquarters.**



# SUSTAINABILITY STATEMENT (CONT'D)

*The Taklimat and Demo Keselamatan Kebakaran conducted by BOMBA on 10 December 2020 to enhance our ERT team's awareness on prevention and fire hazards.*

*Mr. Stephen Ang (Kimgres Club's Vice President) and the committee members of Kimgres Club presented our contribution of foodstuffs to Sister Felis of Sarawak Cheshire Home on 28 December 2020.*

*Gift exchange among staffs during Christmas celebration.*

# PROFILE OF DIRECTORS

## CHUA SENG HUAT
*Executive Chairman*

| AGE **60** | NATIONALITY **MALAYSIAN** | GENDER **MALE** |
|---|---|---|

Mr. Chua Seng Huat holds a Bachelor of Business Administration degree from the University of Hawaii, Honolulu, USA. He was first appointed to the Board of Kim Hin Industry Berhad on 2 October 1981 and was actively engaged in the operations of the Company and in the strategic business planning and was promoted to the post of Executive Chairman in 1998. He resigned as a Director in June 2001 and later was re-appointed to the Board and resumed the post of the Executive Chairman on 28 August 2006. He is a member of the Remuneration Committee.

He attended all of the five (5) Board Meetings held during the financial year ended 31 December 2020.

Mr. Chua Seng Huat is the brother of Dato' John Chua Seng Chai, Mr. Chua Seng Guan, Mdm. Pauline Getrude Chua Hui Lin and Mdm. Chua Yew Lin, who are also the Directors of the Company.

## DATO' JOHN CHUA SENG CHAI
*Group Managing Director*

| AGE **63** | NATIONALITY **MALAYSIAN** | GENDER **MALE** |
|---|---|---|

Dato' John Chua Seng Chai holds a Bachelor of Arts (Economics) Honours degree from the University of Warwick, United Kingdom. He was appointed to the Board as the Production Director on 2 October 1981. He is a member of the Risk Management Committee and Option Committee.

He attended all of the five (5) Board Meetings held during the financial year ended 31 December 2020.

Dato' John Chua Seng Chai is the brother of Mr. Chua Seng Huat, Mr. Chua Seng Guan, Mdm. Pauline Getrude Chua Hui Lin and Mdm. Chua Yew Lin, who are also Directors of the Company.

## CHUA SENG GUAN
*Group Executive Director*

| AGE **63** | NATIONALITY **MALAYSIAN** | GENDER **MALE** |
|---|---|---|

Mr. Chua Seng Guan graduated with a Bachelor of Arts, Honours degree in Business Law from the City of London Polytechnic, United Kingdom and was called to the Bar at Gray's Inn at the end of 1983. After he had chambered and worked at Gray's Inn and Inner Temple, he returned to Malaysia and joined the Company as the Marketing Director on 22 October 1985. He is a member of the Risk Management Committee.

He attended all of the five (5) Board Meetings held during the financial year ended 31 December 2020.

Mr. Chua Seng Guan is the brother of Mr. Chua Seng Huat, Dato' John Chua Seng Chai, Mdm. Pauline Getrude Chua Hui Lin and Mdm. Chua Yew Lin, who are also Directors of the Company.

# PROFILE OF DIRECTORS (CONT'D)

## PAULINE GETRUDE CHUA HUI LIN

*Executive Director*

| AGE **59** | NATIONALITY **MALAYSIAN** | GENDER **FEMALE** |
|---|---|---|

Madam Pauline Getrude Chua Hui Lin has completed her secondary education in Kuching and she joined the Company in 1980, initially serving in the Accounts Department and was appointed to the Board of Directors of Kim Hin Industry Berhad in 1981 and later as an Alternate Director to Mr. Chua Seng Guan in 1985. Madam Pauline Getrude Chua Hui Lin was later re-appointed as Director of Kim Hin Industry Berhad on 1 January 1992. She is primarily in-charge of the administration and operating procedures of the Group.

She attended all of the five (5) Board Meetings held during the financial year ended 31 December 2020.

Madam Pauline Getrude Chua Hui Lin is the sister of Mr. Chua Seng Huat, Mr. Chua Seng Guan, Dato' John Chua Seng Chai and Mdm. Chua Yew Lin, who are also Directors of the Company.

## CHUA YEW LIN

*Executive Director*

| AGE **58** | NATIONALITY **MALAYSIAN** | GENDER **FEMALE** |
|---|---|---|

Madam Chua Yew Lin has completed her secondary education in Kuching. She joined the Company in 1980 as Office Manager and was later promoted as a Director on 2 October 1981. She oversees the overall financial and treasury operations of the Group.

She attended all of the five (5) Board Meetings held during the financial year ended 31 December 2020.

Mdm. Chua Yew Lin is the sister of Mr. Chua Seng Huat, Mr. Chua Seng Guan, Dato' John Chua Seng Chai and Mdm. Pauline Getrude Chua Hui Lin, who are also Directors of the Company.

## FONG TSHU KWONG

*Senior Independent Non-Executive Director*

| AGE **63** | NATIONALITY **MALAYSIAN** | GENDER **MALE** |
|---|---|---|

Mr. Fong Tshu Kwong is a Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and Malaysian Institute of Corporate Governance.

He started his career in Ernst & Young, a leading global professional services firm, and had over 18 years of professional experience in accounting, secretarial, assurance and advisory business services, taxation, management consultancy and corporate advisory services in United Kingdom and Malaysia offices.

From April 1996 to June 2009, Mr. Fong was the Managing Director of OMG Electronic Chemicals (M) Sdn Bhd, a wholly-owned subsidiary of OM Group Inc., USA, a NYSE listed company.

He was instrumental in setting up a new high-technology Chemical Manufacturing facility, which is a recognized global leader in the research, development and application of custom-formulated electroless nickel plating processes for the data storage, electronics and metal finishing industries.

Mr. Fong Tshu Kwong was appointed to the Board as an Independent Non-Executive Director on 21 May 2001. He is a member of the Audit Committee, Risk Management Committee, Nomination Committee, Remuneration Committee and Option Committee.

The Board has appointed Mr. Fong Tshu Kwong as the Senior Independent Director to whom concerns may be conveyed.

He attended all of the five (5) Board Meetings held during the financial year ended 31 December 2020.

# PROFILE OF DIRECTORS (CONT'D)

## ONG AH BA

*Independent Non-Executive Director*

| AGE **63** | NATIONALITY **MALAYSIAN** | GENDER **MALE** |
|---|---|---|

Mr Ong Ah Ba completed his Form 6 and Higher School Certificate in 1978.

He joined Khong Guan Group in early 1979. He started his career as a Management Trainee at Khong Guan Biscuit Factory (Singapore) Pte. Ltd. From 1980 to 1988, he served in Khong Guan Biscuit Factory (Borneo) Sdn Bhd and Sasinco Sdn Bhd.

He was transferred to work in Borneo Biscuit Factory Sdn Bhd in 1988. Currently, Mr Ong is the General Manager of Borneo Biscuit Factory Sdn Bhd and Executive Director of Sunshine Traders Sdn Bhd which is a subsidiary company of Borneo Biscuit Factory Sdn Bhd. He is also a director of Chung Ying Confectionary & Food Products Sdn Bhd in Sandakan, one of the biscuit factories of Khong Guan Group.

He was appointed as an Independent Director and a member of the Audit Committee on 8 December 2009. Additionally, he was also appointed by the Board as a member of the Nomination Committee, Remuneration Committee and Option Committee on 27 February 2012.

He attended all of the five (5) Board Meetings held during the financial year ended 31 December 2020.

## YONG LIN LIN

*Independent Non-Executive Director*

| AGE **61** | NATIONALITY **MALAYSIAN** | GENDER **MALE** |
|---|---|---|

Mr. Yong Lin Lin obtained his Diploma in Electrical and Electronic Engineering, Full Technical Certificate in City & Guild, England in 1985.

He joined Weida Resources Sdn Bhd from 1985 to 2003. Weida Resources Sdn Bhd was later listed on the Bursa Malaysia Securities Berhad as Weida (M) Bhd in 2000. He was an Executive Director of Weida (M) Bhd until August 2003.

Mr Yong later attached with Naim Utilities Sdn Bhd as an Executive Director from 2006 to 2008.

In 2008, he was appointed as a director of Tenaga Suria Hybrid Sdn Bhd. and he retired in the year 2020.

He was appointed as an Independent Director and a member of the Audit Committee on 21 August 2013.

He attended all of the five (5) Board Meetings held during the financial year ended 31 December 2020.

---

Save as disclosed, none of the Directors has

(i) any family relationship with any Director and/or major shareholder of the Company;
(ii) any conflict of interest with the Company; and
(iii) any conviction of offences within the past 5 years other than traffic offences.

# PARTICULARS OF KEY SENIOR MANAGEMENT

## 1. ANG PEK LAY

• General Manager, Kimgres Marketing Sdn Bhd

| AGE 57 | NATIONALITY MALAYSIAN | GENDER FEMALE | DATE OF APPOINTMENT 1 OCTOBER 2015 |
|---|---|---|---|

| | |
|---|---|
| Academic / professional qualification(s): | Master in International Business |
| Present Directorship: | Listed entity: Nil<br>Other public companies: Nil |
| Working experience: | • Worked in H&R Johnson for 3 years (1989-1992)<br>• Joined Kimgres Marketing Sdn Bhd since 1993 |

## 2. PETER CHIAM TAU MIEN

• Chief Financial Officer, Kim Hin Industry Berhad

| AGE 49 | NATIONALITY MALAYSIAN | GENDER MALE | DATE OF APPOINTMENT 1 JANUARY 2014 |
|---|---|---|---|

| | |
|---|---|
| Academic / professional qualification(s): | • Chartered Accountant (Malaysia)<br>• Fellow of Association of Chartered Certified Accountants ("ACCA") (UK) |
| Present Directorship: | Listed entity: Nil<br>Other public companies: Nil |
| Working experience: | • He started his career with Ernst & Young, Kuching in 1995 and has about 10 years of professional experience in accounting, assurance and advisory business services, taxation and corporate advisory services.<br>• Joined Kim Hin Industry Berhad as Group Finance Manager on 1 August 2005. |

## 3. CHUA BAN CHOON @ CHUA CHUI KIM

• Director & General Manager, Kim Hin Ceramics (Shanghai) Co. Ltd.
• Operation Manager, Kim Hin Industry Berhad

| AGE 67 | NATIONALITY MALAYSIAN | GENDER MALE | DATE OF APPOINTMENT 1995 |
|---|---|---|---|

| | |
|---|---|
| Family relationship with any director and/or major shareholder | • He is the uncle of the Executive Directors* |
| Present Directorship: | Listed entity: Nil<br>Other public companies: Nil |
| Working experience: | • Has wide experience in the ceramic tiles industry and received his training. with several large ceramic manufacturing companies in Taiwan.<br>• Joined Kim Hin Industry Berhad in 1974. |

## 4. WINNIE HO

• Personal Assistant to Group Managing Director, Kim Hin Industry Berhad

| AGE 54 | NATIONALITY MALAYSIAN | GENDER FEMALE | DATE OF APPOINTMENT 1 OCTOBER 2006 |
|---|---|---|---|

| | |
|---|---|
| Academic / professional qualification(s): | • Master of Business Administration |
| Present Directorship: | Listed entity: Nil<br>Other public companies: Nil |
| Working experience: | • Started as a legal clerk in an advocate firm in 1986. Moved on to a management consultancy firm in 1992 as a secretary.<br>• Joined Kim Hin Industry Berhad in April 2000. |

# PARTICULARS OF KEY SENIOR MANAGEMENT (CONT'D)

## 5. CAI CHUN HUI
• Vice General Manager, Kim Hin Ceramics (Shanghai) Co. Ltd.

| AGE 52 | NATIONALITY MALAYSIAN | GENDER FEMALE | DATE OF APPOINTMENT 1995 |
|---|---|---|---|

| | |
|---|---|
| Academic / professional qualification(s): | • University graduate |
| Family relationship with any director and/or major shareholder | • She is the cousin of the Executive Directors* |
| Present Directorship: | Listed entity: Nil<br>Other public companies: Nil |
| Working experience: | • Has 26 years of experience in the ceramic tiles industry |

## 5. CHARLINE PAN LING HWEN
• Director and Chief Executive Officer, Johnson Tiles Pty Ltd

| AGE 31 | NATIONALITY MALAYSIAN | GENDER FEMALE | DATE OF APPOINTMENT 2016 |
|---|---|---|---|

| | |
|---|---|
| Academic / professional qualification(s): | • Bachelor of Commerce (Accounting & Finance)<br>• Certified Public Accountants (Australia) |
| Family relationship with any director and/or major shareholder | • She is the daughter of Mdm. Pauline Getrude Chua Hui Lin |
| Present Directorship: | Listed entity: Nil<br>Other public companies: Nil |
| Working experience: | • Has joined Kimgres Australia Pty Ltd ("KA") since 2012<br>• appointed as CEO/General Manager of KA in 2013 and oversees the entire operations of KA.<br>• Appointed as CEO of Johnson Tiles Pty Ltd in 2016 |

1. Save for Chua Ban Choon @ Chua Chui Kim, Cai Chun Hui and Charline Pan Ling Hwen, none of the Key Senior Management personnel has any family relationship with any Director and/or major shareholder of Kim Hin Industry Berhad.

2. None of the Key Senior Management personnel has:
   - any conflict of interest with Kim Hin Industry Berhad;
   - any conviction for offences within the past 5 years other than traffic offences; and
   - any imposition of penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

Note
* Executive Directors are Mr. Chua Seng Huat, Dato' John Chua Seng Chai, Mr. Chua Seng Guan, Mdm. Pauline Getrude Chua Hui Lin and Mdm. Chua Yew Lin.

# STATEMENT OF DIRECTORS' RESPONSIBILITY IN PREPARING ANNUAL AUDITED FINANCIAL STATEMENTS

In preparing the financial statements of the Group and of the Company, the Directors are collectively responsible:

1) for ensuring that the financial statements are drawn up in accordance with the provisions of the Companies Act 2016, applicable Financial Reporting Standards in Malaysia and the Listing Requirements of Bursa Malaysia Securities Berhad.

2) for ensuring that the financial statements for each financial year, gives a true and fair view of the financial position of the Group and of the Company at the end of the financial year.

3) for ensuring the adoption of suitable and relevant accounting policies on a consistent basis supported by judgements and estimates that are prudent and reasonable.

4) for ensuring the Group and the Company maintain accounting records which disclose with reasonable accuracy of the financial position of the Group and of the Company.

5) for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

# ADDITIONAL COMPLIANCE INFORMATION

The following information is presented in compliance with the Bursa Malaysia Securities Berhad Listing Requirements:

## AUDIT AND NON-AUDIT FEES

The fees paid/payable to the external auditors for the financial year ended 31 December 2020 are set out below:

| | Company RM'000 | Group RM'000 |
|---|---|---|
| Fees paid/payable to Messrs Ernst & Young PLT & its affiliates | | |
| • Statutory Audit | 85 | 383 |
| • Non-audit services including tax services | 19 | 65 |
| Fees paid/payable to other auditors | | |
| • Statutory Audit | - | 230 |
| • Non-audit services including tax services | - | 49 |
| Total | 104 | 727 |

## MATERIAL CONTRACTS

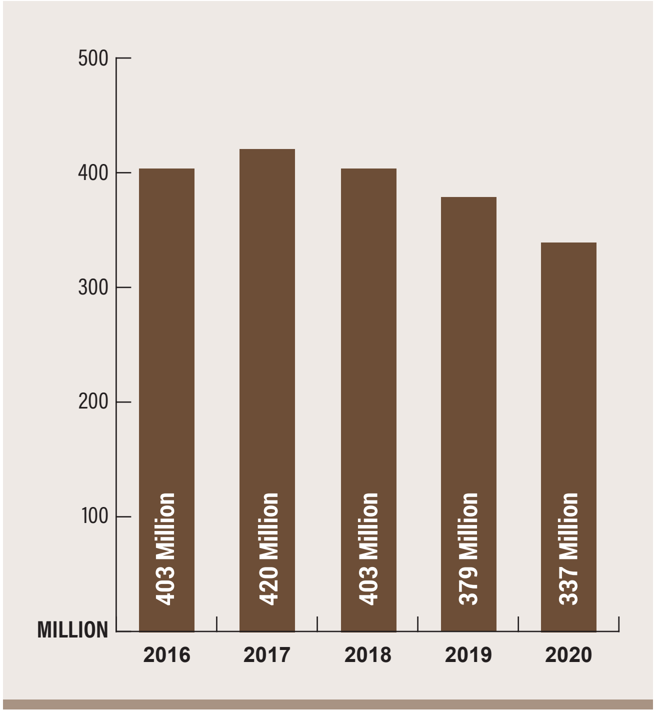
There was no material contract entered into by the Company and its subsidiary companies involving the directors and major shareholders' interest during the financial year.

## RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

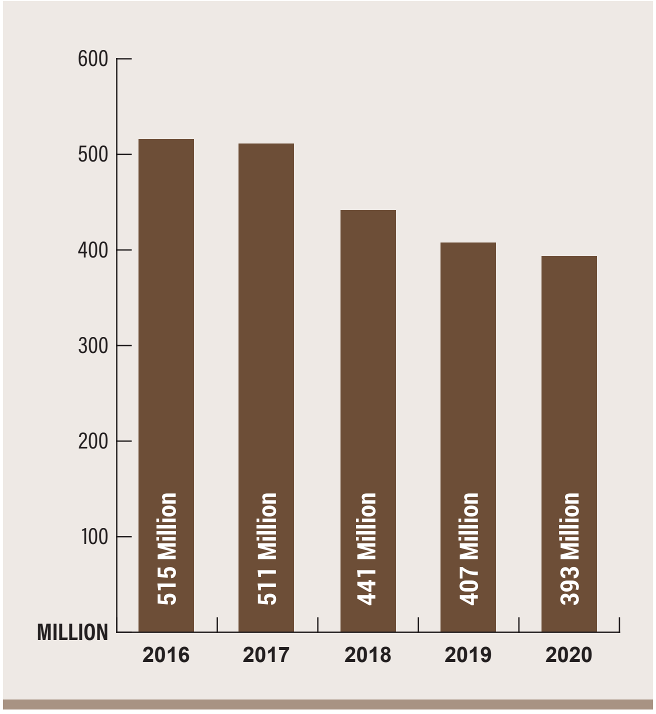
Please refer to Note 33 of the Audited Financial Statement on pages 126 and 127 for the breakdown of the aggregate value of Recurrent Related Party Transactions conducted during the financial year ended 31 December 2020 pursuant to the Shareholders' mandate.


# FINANCIAL HIGHLIGHTS

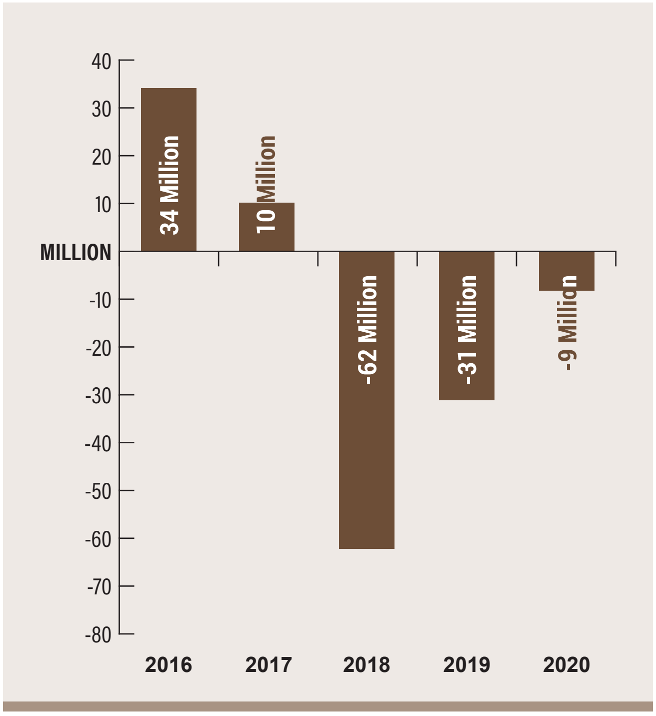
## | REVENUE



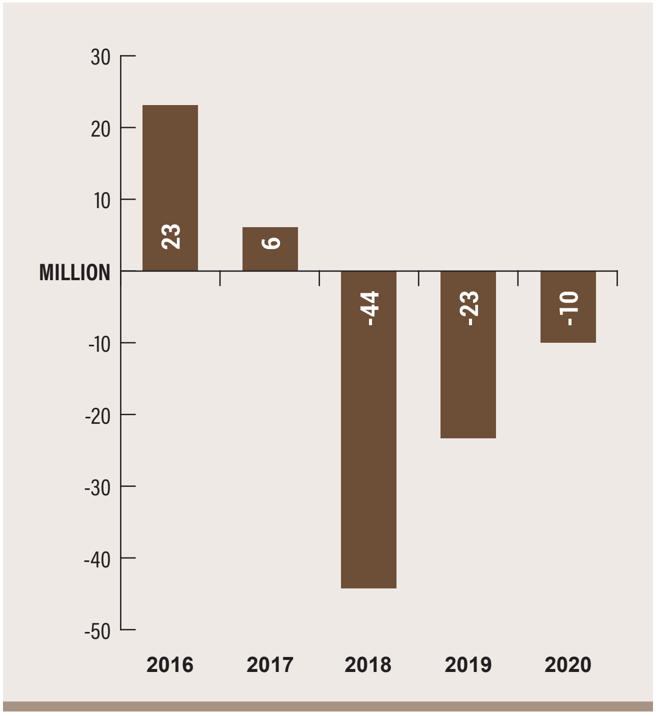

## EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (SEN)




## | PROFIT NET OF TAX




## EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT



# FINANCIAL STATEMENTS

Directors' Report and
Audited Financial Statements
For the Financial Year Ended
31 December 2020

# DIRECTORS' REPORT

The directors have pleasure in presenting 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 investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 16 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

## Results

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Loss net of tax | (9,248) | (15,515) |
| Loss attributable to: | | |
| Owners of the parent | (14,363) | (15,515) |
| Non-controlling interests | 5,115 | - |
| | (9,248) | (15,515) |

In the opinion of the directors, 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.

## 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.

## Treasury shares

As at 31 December 2020, the number of treasury shares were 15,377,000 and the outstanding ordinary shares in issue after set-off of treasury shares was therefore 140,239,113.

## Dividends

The amounts of dividends paid by the Company since 31 December 2019 were as follows:

| | RM'000 |
|---|---|
| In respect of the financial year ended 31 December 2020: | |
| Interim tax exempt dividend of 2.0 sen per ordinary share, on 140,239,113 ordinary shares, declared on 19 October 2020 and paid on 28 October 2020 | 2,805 |

The directors do not recommend any payment of final dividend in respect of the current financial year.

## Directors

The directors of the Company in office since the beginning of the financial year and up to the date of this report are:

| | |
|---|---|
| Chua Seng Huat ** | (Executive Chairman) |
| Dato' John Chua Seng Chai ** | (Group Managing Director) |
| Chua Seng Guan ** | (Group Executive Director) |
| Chua Yew Lin ** | |
| Pauline Getrude Chua Hui Lin ** | |
| Fong Tshu Kwong @ Fong Tshun Kwong | |
| Ong Ah Ba | |
| Yong Lin Lin | |

** These directors are also directors of the Company's subsidiaries.

# DIRECTORS' REPORT (CONT'D)

### Directors (contd.)

The directors of the Company's subsidiaries in office since the beginning of the financial year and up to the date of this report (not including those directors listed above) are:

| | |
|---|---|
| Meera Sen Mei-Li | |
| Vincent Gerald Khoo | (Resigned on 31 December 2020) |
| Chua Chui Kim | |
| Cicy Cai Chun Hui | |
| Wang Chin Chieh | |
| Wang Chin Hsiang | |
| Charline Pan Ling Hwen | |
| Shirley Liew Siaw Nee | |
| Stephen James Purcell | |
| Ngui Sam Ted | |
| David Chua Kee Yong | |

### Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 33 to the financial statements.

Details of directors' remuneration for the financial year are disclosed in Note 9 to the financial statements.

### Indemnification of directors and officers

The Group maintains a liability insurance for the directors and officers of the Group. The amount of insurance premium effected for the directors and officers of the Group and the Company during the financial year was RM10,500 in relation to its Malaysian operations. The directors and officers shall not be indemnified by such insurance for any negligence, fraud, intentional breach of the law or breach of trust proven against them.

There were no payments of indemnification during the financial year and up to the date of this report.

### Directors' interests

According to the register of directors' shareholdings, the interests of the directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

**(a) Shareholdings in the Company registered in the name of directors:**

| | Number of ordinary shares At 1.1.2020 and 31.12.2020 |
|---|---|
| Chua Seng Huat | 1,113,225 |
| Dato' John Chua Seng Chai | 524,650 |
| Chua Seng Guan | 566,000 |
| Chua Yew Lin | 242,400 |
| Pauline Getrude Chua Hui Lin | 328,900 |
| Fong Tshu Kwong @ Fong Tshun Kwong | 20,000 |
| Ong Ah Ba | 10,000 |

# DIRECTORS' REPORT (CONT'D)

## Directors' interests (contd.)

**(b) Shareholdings in which directors are deemed to have an interest:**

| Indirect interest via holding company | Number of ordinary shares At 1.1.2020 and 31.12.2020 |
|---|---|
| Chua Seng Huat | 86,189,825 |
| Dato' John Chua Seng Chai | 86,189,825 |
| Chua Seng Guan | 86,189,825 |
| Chua Yew Lin | 86,189,825 |
| Pauline Getrude Chua Hui Lin | 86,204,175 |

By virtue of their substantial indirect interest in shares in Kim Hin Industry Berhad, Chua Seng Huat, Dato' John Chua Seng Chai, Chua Seng Guan, Chua Yew Lin and Pauline Getrude Chua Hui Lin are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

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

## Other statutory information

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of an 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 realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of allowance for doubtful debts in respect of the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances 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.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the 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 (contd.)

(f) In the opinion of the directors:

(i) no contingent 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 substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### Holding company

The holding company is Kim Hin (Malaysia) Sdn. Bhd., a company incorporated and domiciled in Malaysia, with its registered office located at 4½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching.

### Significant event

Details of a significant event are disclosed in Note 41 to the financial statements.

### Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remunerations are disclosed in Note 7 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount.) No payment has been made to indemnify Ernst & Young PLT during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2021

**Chua Seng Huat** **Chua Seng Guan**

# STATEMENT BY DIRECTORS
## PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **Chua Seng Huat** and **Chua Seng Guan**, being two of the directors of **Kim Hin Industry Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 63 to 137 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 their cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2021

**Chua Seng Huat**

**Chua Seng Guan**

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# STATUTORY DECLARATION
## PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Peter Chiam Tau Mien**, being the officer primarily responsible for the financial management of **Kim Hin Industry Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 63 to 137 are in my opinion 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 **Peter Chiam Tau Mien**
at Kuching in the State of Sarawak
on 30 April 2021

**Peter Chiam Tau Mien**
**(MIA 14085)**

Before me,

**Phang Dah Nan**
Commissioner of Oath

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIM HIN INDUSTRY BERHAD (INCORPORATED IN MALAYSIA)

## Report on the audit of the financial statements

*Opinion*

We have audited the financial statements of **Kim Hin Industry 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 or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 137.

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 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 audit 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 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 year. The key audit matters for the audit of the financial statements of the Group and of the Company are described below. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements. We have identified the following key audit matters:

***Impairment review of property, plant and equipment ("PPE") and right-of-use ("ROU") assets***

The slowdown in the construction and property development sector in Malaysia is an indicator that the carrying amounts of certain of the Group's PPE and ROU assets in Malaysia may be impaired. As at 31 December 2020, the carrying amounts of these PPE and ROU assets amounted to RM93.73 million and RM35.76 million, which accounted for 17% and 6% of the Group's total assets, respectively.

Management has performed impairment assessments to estimate the recoverable amounts of the respective cash-generating units ("CGUs") of these assets. The recoverable amounts of the CGUs were based on either value in use or fair value less costs to sell, whichever is higher. Arising from the impairment assessments carried out during the year ended 31 December 2020, the Group recognised impairment losses relating to PPE and ROU assets amounted to RM5.96 million.

The determination of the recoverable amounts of these PPE and ROU assets is significant to our audit due to their quantum and the significant judgements and estimates involved in determining their recoverable amounts. Accordingly, the impairment assessments of these PPE and ROU assets have been identified as a key audit matter.

We have assessed the reasonableness of the key assumptions used in determining the recoverable amounts derived using the value in use method, in particular, sale prices, margins, operating costs and the discount rate used. We have also considered the sensitivity of these key assumptions and the adequacy of the disclosures provided in Notes 3.2 (b), 13 and 14 to the financial statements.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIM HIN INDUSTRY BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

## Report on the audit of the financial statements (contd.)

*Key audit matters (contd.)*

***Net realizable value of inventories***

As of 31 December 2020, the Group's inventories amounted to RM128.33 million, which represented approximately 23% of the Group's total assets and during the current financial year, the Group recorded a net write-down on inventories of RM5.19 million as disclosed in Notes 5 and 7 to the financial statements. We focused on this area because of the quantum and the significant judgement involved in determining the amount of write-down/(reversal) required.

Our audit procedures included attending and observing physical year-end inventory count to verify the existence and condition of the inventories on a sampling basis, assessing the compliance of Group's inventory provisioning policy, the evaluation of analyses and assessments made by management with respect to slow moving inventories and management's assumptions and method used in calculating the write-down/(reversal). We have tested the net realisable value of the inventories on a sampling basis by comparing their carrying amounts to their selling prices based on actual sales made near or subsequent to the financial year. We have also assessed the reliability of the inventory aging reports provided by the management and considered the adequacy of the disclosures related to inventories as disclosed in Note 3.2 (c) and 19 to the financial statements.

***Impairment assessment of investments in subsidiaries***

As at 31 December 2020, the carrying amount of investment in subsidiaries was RM176.67 million, net of accumulated impairment amount of RM17.90 million due to the continuing operational losses incurred by certain subsidiaries, management performed impairment assessments on these subsidiaries during the year to determine the recoverable amounts of these subsidiaries. The recoverable amounts were based on value in use. Arising from the impairment assessments during the year ended 31 December 2020, the Company recognised impairment losses amounting to RM17.73 million on the carrying amount of its subsidiaries.

The determination of the recoverable amounts of these investments in subsidiaries is significant to our audit due to the quantum of the carrying amounts to the financial statements of the Company, and the significant judgements and estimates involved in determining their recoverable amounts. Accordingly, the impairment assessment of these investments have been identified as a key audit matter.

As part of the audit, we have assessed the basis and assumptions used by management in arriving at the recoverable amounts of investment in subsidiaries, and assessed the adequacy of impairment losses made by management. We have assessed the reasonableness of the key assumptions used by the management which include sale prices of the products, the operating costs and the discount rate used.  We have also considered the disclosures in Note 2.11, 3.2 (d) and 16 to 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 Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIM HIN INDUSTRY BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

**Report on the audit of the financial statements (contd.)**

*Responsibilities of the directors for the financial statements*

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

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

*Auditors' responsibilities for the audit of the financial statements*

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

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

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

- 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; and

- 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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIM HIN INDUSTRY BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

## Report on the audit of the financial statements (contd.)

*Auditors' responsibilities for the audit of the financial statements (contd.)*

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current 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 report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 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.

**ERNST & YOUNG PLT**
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

**LOW KHUNG LEONG**
No. 02697/01/2023 J
Chartered Accountant

Kuching, Malaysia.
Date: 30 April 2021

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Note | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|---|
| **Revenue** | 4 | 336,662 | 378,588 | 3,804 | 9,354 |
| Cost of sales | | (259,621) | (287,183) | - | - |
| **Gross profit** | | 77,041 | 91,405 | 3,804 | 9,354 |
| Other income | 5 | 45,559 | 14,033 | 7,492 | 7,431 |
| Selling and distribution costs | | (37,764) | (44,218) | - | - |
| Administrative expenses | | (77,140) | (85,062) | (7,186) | (8,368) |
| Other expenses | | (6,579) | (3,400) | (19,567) | (190) |
| **Operating profit/(loss)** | | 1,117 | (27,242) | (15,457) | 8,227 |
| Finance costs | 6 | (1,903) | (2,520) | - | - |
| **(Loss)/profit before tax** | 7 | (786) | (29,762) | (15,457) | 8,227 |
| Income tax expense | 10 | (8,462) | (1,684) | (58) | (402) |
| **(Loss)/profit net of tax** | | (9,248) | (31,446) | (15,515) | 7,825 |
| **Other comprehensive income/(loss):** | | | | | |
| Other comprehensive income/(loss) that will be reclassified to profits or loss in subsequent periods (net of tax): Exchange translation differences on foreign subsidiaries | | 3,372 | (2,232) | - | - |
| **Other comprehensive income/(loss) for the year, net of tax** | | 3,372 | (2,232) | - | - |
| **Total comprehensive (loss)/income for the year** | | (5,876) | (33,678) | (15,515) | 7,825 |
| (Loss)/profit attributable to: | | | | | |
| Owners of the parent | | (14,363) | (32,449) | (15,515) | 7,825 |
| Non-controlling interests | | 5,115 | 1,003 | - | - |
| | | (9,248) | (31,446) | (15,515) | 7,825 |
| Total comprehensive (loss)/income attributable to: | | | | | |
| Owners of the parent | | (11,479) | (34,299) | (15,515) | 7,825 |
| Non-controlling interests | | 5,603 | 621 | - | - |
| | | (5,876) | (33,678) | (15,515) | 7,825 |
| **Loss per share attributable to owners of the parent (sen):** | | | | | |
| - Basic / Diluted | 11 | (10.24) | (23.14) | | |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2020

| | Note | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | 121,353 | 130,478 | 6,216 | 6,782 |
| Right-of-use assets | 14 | 61,662 | 71,594 | 14,167 | 14,911 |
| Investment properties | 15 | 36,286 | 26,984 | 19,167 | 19,516 |
| Investment in subsidiaries | 16 | - | - | 176,667 | 180,877 |
| Other investments | 17 | 36,330 | 25,526 | 36,330 | 25,526 |
| Intangible assets | 18 | 16,643 | 16,643 | - | - |
| Deferred tax assets | 26 | 4,716 | 4,352 | - | - |
| | | 276,990 | 275,577 | 252,547 | 247,612 |
| **Current assets** | | | | | |
| Inventories | 19 | 128,334 | 134,540 | - | - |
| Trade and other receivables | 20 | 72,325 | 75,675 | 102,198 | 105,498 |
| Other current assets | 21 | 3,680 | 2,494 | 10 | 9 |
| Tax recoverable | | 1,619 | 2,709 | 363 | 15 |
| Derivative assets | 27 | 769 | 6 | - | - |
| Cash and bank balances | 22 | 70,299 | 62,645 | 926 | 21,971 |
| | | 277,026 | 278,069 | 103,497 | 127,493 |
| **TOTAL ASSETS** | | 554,016 | 553,646 | 356,044 | 375,105 |

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2020 (CONT'D)

| | Note | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 23 | 206,658 | 206,658 | 206,658 | 206,658 |
| Treasury shares | 23 | (24,309) | (24,309) | (24,309) | (24,309) |
| Other reserves | 24 | 15,247 | 10,344 | - | - |
| Retained earnings | | 194,969 | 214,156 | 172,133 | 190,453 |
| | | 392,565 | 406,849 | 354,482 | 372,802 |
| **Non-controlling interests** | | 17,547 | 12,686 | - | - |
| **Total equity** | | 410,112 | 419,535 | 354,482 | 372,802 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 25 | 13,993 | 15,846 | - | - |
| Lease liabilities | 31 | 15,490 | 20,998 | - | - |
| Deferred tax liabilities | 26 | 4,787 | 4,813 | 62 | 88 |
| Provisions | 29 | 376 | 402 | - | - |
| | | 34,646 | 42,059 | 62 | 88 |
| **Current liabilities** | | | | | |
| Loans and borrowings | 25 | 7,967 | 7,069 | - | - |
| Lease liabilities | 31 | 9,013 | 10,323 | - | - |
| Trade and other payables | 28 | 79,013 | 68,347 | 1,418 | 2,133 |
| Provisions | 29 | 3,868 | 3,872 | 82 | 82 |
| Deferred capital grant | 30 | - | 192 | - | - |
| Tax payable | | 9,397 | 2,249 | - | - |
| | | 109,258 | 92,052 | 1,500 | 2,215 |
| **Total liabilities** | | 143,904 | 134,111 | 1,562 | 2,303 |
| **TOTAL EQUITY AND LIABILITIES** | | 554,016 | 553,646 | 356,044 | 375,105 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital (Note 23) RM'000 | Treasury shares (Note 23) RM'000 | Reserve and enterprise expansion funds (Note 24) RM'000 | Translation adjustment account (Note 24) RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| **At 1 January 2020** | | 206,658 | (24,309) | 4,791 | 5,553 | 214,156 | 406,849 | 12,686 | 419,535 |
| Loss net of tax | | - | - | - | - | (14,363) | (14,363) | 5,115 | (9,248) |
| Other comprehensive income | | - | - | - | 2,884 | - | 2,884 | 488 | 3,372 |
| Total comprehensive income | | - | - | - | 2,884 | (14,363) | (11,479) | 5,603 | (5,876) |
| Dividends | 12 | - | - | - | - | (2,805) | (2,805) | - | (2,805) |
| Dividend paid to non-controlling interests | | - | - | - | - | - | - | (742) | (742) |
| Transfer between reserves | | - | - | 2,019 | - | (2,019) | - | - | - |
| **At 31 December 2020** | | 206,658 | (24,309) | 6,810 | 8,437 | 194,969 | 392,565 | 17,547 | 410,112 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

| | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital (Note 23) RM'000 | Treasury shares (Note 23) RM'000 | Reserve and enterprise expansion funds (Note 24) RM'000 | Translation adjustment account (Note 24) RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| **At 1 January 2019** | 206,658 | (24,309) | 4,593 | 7,403 | 246,803 | 441,148 | 16,914 | 458,062 |
| Loss net of tax | - | - | - | - | (32,449) | (32,449) | 1,003 | (31,446) |
| Other comprehensive income | - | - | - | (1,850) | - | (1,850) | (382) | (2,232) |
| Total comprehensive income | - | - | - | (1,850) | (32,449) | (34,299) | 621 | (33,678) |
| Capital repayment to non-controlling interests | - | - | - | - | - | - | (4,276) | (4,276) |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | (573) | (573) |
| Transfer between reserves | - | - | 198 | - | (198) | - | - | - |
| **At 31 December 2019** | 206,658 | (24,309) | 4,791 | 5,553 | 214,156 | 406,849 | 12,686 | 419,535 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Note | Share capital (Note 23) RM'000 | Treasury shares (Note 23) RM'000 | Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|
| **At 1 January 2020** | | 206,658 | (24,309) | 190,453 | 372,802 |
| Loss net of tax, representing total comprehensive loss for the year | | - | - | (15,515) | (15,515) |
| **Transactions with owners** | | | | | |
| Dividends | 12 | - | - | (2,805) | (2,805) |
| **At 31 December 2020** | | 206,658 | (24,309) | 172,133 | 354,482 |
| **At 1 January 2019** | | 206,658 | (24,309) | 182,628 | 364,977 |
| Profit net of tax, representing total comprehensive income for the year | | - | - | 7,825 | 7,825 |
| **At 31 December 2019** | | 206,658 | (24,309) | 190,453 | 372,802 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Note | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before tax | | (786) | (29,762) |
| Adjustments for: | | | |
| Amortisation of deferred capital grant | 5 | (192) | (203) |
| Bad debts written off | 7 | 69 | 29 |
| Credit losses on receivables, net | 7 | 197 | 577 |
| Depreciation of property, plant and equipment | 7 | 18,241 | 21,467 |
| Depreciation of right-of-use assets | 7 | 11,943 | 11,333 |
| Depreciation of investment properties | 7 | 349 | 349 |
| Dividend income | 4 | (159) | (112) |
| Gain arising from compulsory acquisition of a right-of-use asset by a foreign government | 5 | (31,401) | - |
| Gain on disposal of other investments | 5 | (25) | - |
| Gain on disposal of property, plant and equipment, net | 5, 7 | (148) | (153) |
| Gain on fair value changes on instruments at fair value through profit or loss | 5, 7 | (4,326) | (4,148) |
| Impairment loss on property, plant and equipment | 7 | 5,010 | 4,800 |
| Impairment loss on right-of-use assets | 7 | 950 | - |
| Interest expense | 6 | 1,903 | 2,520 |
| Interest income | 5 | (598) | (459) |
| Write-down/(reversal) of inventories, net | 5, 7 | 5,193 | (1,889) |
| Inventories written off | 7 | 64 | 83 |
| Property, plant and equipment written off | 7 | 920 | 69 |
| Unrealised gain on foreign exchange, net | 5, 7 | (1,690) | (700) |
| Operating profit before working capital changes | | 5,514 | 3,801 |
| Changes in working capital: | | | |
| Inventories | | 949 | 32,510 |
| Receivables | | 4,877 | 2,529 |
| Other current assets | | (1,186) | 2,148 |
| Payables | | 10,489 | (3,061) |
| Provision | | (265) | 146 |
| Cash generated from operations | | 20,378 | 38,073 |
| Interest paid | | (1,903) | (2,520) |
| Taxes paid, net of refund | | (552) | (466) |
| Net cash generated from operating activities | | 17,923 | 35,087 |

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

| | Note | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Acquisition of investment properties | 15 | (9,260) | - |
| Acquisition of intangible assets | 18 | - | (894) |
| Acquisition of property, plant and equipment | 13 | (14,708) | (13,684) |
| Acquisition of other investments | | (10,000) | (787) |
| Interest received | | 598 | 459 |
| Proceeds from disposal of other investments | | 2,937 | 750 |
| Proceeds from disposal of property, plant and equipment | | 1,150 | 2,308 |
| Proceeds from compensation from a foreign government | | 32,146 | - |
| Withdrawal/(placement) in short-term deposits with maturity more than 3 months | | 12,458 | (6,700) |
| Net cash generated from/(used in) investing activities | | 15,321 | (18,548) |
| **Financing activities** | | | |
| Capital reduction paid to non-controlling interests | | - | (4,276) |
| Dividend paid | 12 | (2,805) | - |
| Dividend paid to non-controlling interests | | (742) | (573) |
| Drawdown of trade facilities | | 4,491 | 3,983 |
| Payment of principal portion of lease liabilities | | (10,498) | (8,905) |
| Repayment of term loans | | (5,490) | (2,926) |
| Net cash used in financing activities | | (15,044) | (12,697) |
| **Net increase in cash and cash equivalents** | | 18,200 | 3,842 |
| **Net foreign exchange difference** | | 1,912 | (591) |
| **Cash and cash equivalents at the beginning of the year** | | 45,121 | 41,870 |
| **Cash and cash equivalents at the end of the year** | 22 | 65,233 | 45,121 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Note | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|---|
| **Operating activities** | | | |
| (Loss)/profit before tax | | (15,457) | 8,227 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 7 | 599 | 692 |
| Depreciation of right-of-use assets | 7 | 744 | 745 |
| Depreciation of investment properties | 7 | 349 | 349 |
| Dividend income | 4 | (2,748) | (8,298) |
| Expected credit losses on amount due from subsidiaries | 7 | 1,837 | - |
| Gain on disposal of other investments | 5 | (25) | - |
| Gain on disposal of property, plant and equipment | 5 | - | (48) |
| Gain on fair value changes on instruments at fair value through profit or loss | 5, 7 | (3,557) | (3,207) |
| Impairment loss on investments in subsidiaries | 7 | 17,730 | 10 |
| Interest income | 5 | (3,526) | (3,784) |
| Unrealised gain on foreign exchange | 5 | (151) | (159) |
| Operating loss before working capital changes | | (4,205) | (5,473) |
| Changes in working capital: | | | |
| Other receivables | | 1,654 | (8,970) |
| Other current assets | | (1) | - |
| Other payables | | (715) | 137 |
| Provision | | - | 9 |
| Cash used in operating activities | | (3,267) | (14,297) |
| Taxes paid, net of refund | | (432) | 1,016 |
| Net cash used in operating activities | | (3,699) | (13,281) |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | 13 | (33) | (27) |
| Acquisition of other investments | | (10,000) | (787) |
| Acquisition of shares in subsidiaries | | (13,520) | (100) |
| Capital reduction received from subsidiary | | - | 16,584 |
| Dividends received | | 2,589 | 8,186 |
| Interest received | | 3,526 | 3,784 |
| Proceeds from disposal of other investments | | 2,937 | 750 |
| Proceeds from disposal of property, plant and equipment | | - | 620 |
| Withdrawal/(placement) in short-term deposits with maturity more than 3 months | | 15,060 | (15,060) |
| Net cash generated from investing activities | | 559 | 13,950 |
| **Financing activity** | | | |
| Dividend paid | 12 | (2,805) | - |
| **Net (decrease)/increase in cash and cash equivalents** | | (5,945) | 669 |
| **Net foreign exchange difference** | | (40) | 159 |
| **Cash and cash equivalents at the beginning of the year** | | 6,911 | 6,083 |
| **Cash and cash equivalents at the end of the year** | 22 | 926 | 6,911 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 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 Bursa Malaysia Securities Berhad. The registered office of the Company is located at 4½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak, Malaysia.

The holding company is Kim Hin (Malaysia) Sdn. Bhd., a company incorporated and domiciled in Malaysia, with its registered office located at 4½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak.

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 16. There have been no significant changes in the nature of the principal activities during the financial year.

### 2. Basis of preparation and summary of significant accounting policies

#### 2.1 Basis of preparation

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 also been prepared on the historical cost basis except otherwise disclosed in the accounting policies below. The Group and the Company adhere to the same accounting policies below unless otherwise stated.

These financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

#### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2020, the Company adopted the applicable new and amended MFRSs and Annual Improvements (collectively known as "pronouncement"), which are mandatory for annual financial periods beginning on or after 1 January 2020.

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to MFRS 3: Definition of a Business | 1 January 2020 |
| Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform | 1 January 2020 |
| Amendments to MFRS 101 and MFRS 108: Definition of Material | 1 January 2020 |
| Revised Conceptual Framework for Financial Reporting | 1 January 2020 |
| Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9 | Immediately |

The adoption of these pronouncements did not have a material financial impact on the financial statements of the Group and of the Company, except as disclosed below:

**(a) Amendments to MFRS 101 and MFRS 108: Definition of Material**

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**2. Basis of preparation and summary of significant accounting policies (contd.)**

**2.2 Changes in accounting policies (contd.)**

**(b) Revised Conceptual Framework for Financial Reporting**

On 30 April 2018, MASB issued a revised Conceptual Framework for Financial Reporting. The purpose of the Conceptual Framework is, amongst others, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows:

- Reintroduces the concept of stewardship and the information needed to assess management's stewardship;
- Reintroduces the concept of prudence;
- Defines the concept of measurement uncertainty;
- Reinstates an explicit reference to the need to "faithfully represent the substance of the phenomena that it purports to represent"; and
- Made changes to the definitions of an asset and a liability.

**2.3 Standards issued but not yet effective**

The standards and interpretations (collectively referred to as "pronouncements") that are issued but not yet effective up to the date of issuance of the Group and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these pronouncements, if applicable, when they become effective.

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments 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 |
| Annual improvements to MFRS Standards 2018-2020 Cycle: | |
| (i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards | 1 January 2022 |
| (ii) Amendments to MFRS 9: Financial Instruments | 1 January 2022 |
| (iii) Amendments to MFRS 16: Illustrative Example 13, Leases | 1 January 2022 |
| (iv) Amendments to MFRS 141: Agriculture | 1 January 2022 |
| Amendments to MFRS 3: Business Combinations - 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 |
| 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 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 2. Basis of preparation and summary of significant accounting policies (contd.)

#### 2.3 Standards issued but not yet effective (contd.)

Initial application of these pronouncements are not expected to have any material impact on the financial statements of the Group and of the Company, except as disclosed below:

**(a) Amendments to MFRS 101: Classification of Liabilities as Current or Non-Current**

The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendment are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group and the Company do not expect the clarifications of the above would result in any material changes when determining whether a liability is current or non-current.

**(b) Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use**

The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group and the Company.

#### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 2. Basis of preparation and summary of significant accounting policies (contd.)

#### 2.4 Basis of consolidation (contd.)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 2. Basis of preparation and summary of significant accounting policies (contd.)

#### 2.4 Basis of consolidation (contd.)

**Business combinations and goodwill (contd.)**

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### 2.5 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**2. Basis of preparation and summary of significant accounting policies (contd.)**

**2.6 Foreign currencies**

The Group's consolidated financial statements are presented in RM, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

**(i) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in other comprehensive income.

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

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group and the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group and the Company determine the transaction date for each payment or receipt of advance consideration.

**(ii) Group companies**

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**2. Basis of preparation and summary of significant accounting policies (contd.)**

**2.7 Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment except for freehold land are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciates them, accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is depreciated over the residual lease period. Capital work-in-progress is not depreciated as these assets are not yet available for use.

Depreciation of other property, plant and equipment is provided on a straight-line basis over the estimated useful lives of the assets, at the following annual rates:

| | |
|---|---|
| Buildings, drainage and roads | 2% to 10% |
| Plant, machinery and equipment | 5% to 50% |
| Motor vehicles | 20% |
| Furniture, fittings and office equipment | 8% to 30% |

A contract which involves the use of an item of property, plant and equipment that meets the definition of a lease is recognised as a right-of-use asset.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

**2.8 Investment properties**

Investment properties, which are properties that are held either to earn rental income or for capital appreciation or both, are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses (if any). Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the Group loses control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in MFRS 15.

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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**2. Basis of preparation and summary of significant accounting policies (contd.)**

**2.9 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. MFRS 38.88 Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statements of profit or loss when the asset is derecognised.

**2.10 Subsidiaries**

A subsidiary is an entity controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

**2.11 Impairment of non-financial assets**

The Group and the Company assess, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the assets are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 2. Basis of preparation and summary of significant accounting policies (contd.)

#### 2.11 Impairment of non-financial assets (contd.)

The Group and the Company base their impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's and the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years or more. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the statements of profit or loss in expense categories consistent with the function of the impaired asset.

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

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

#### 2.12 Financial assets

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the practical expedient has been applied, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the practical expedient has been applied are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's and the Company'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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**2. Basis of preparation and summary of significant accounting policies (contd.)**

**2.12 Financial assets (contd.)**

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**(a) Financial assets at amortised cost (debt instruments)**

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

**(b) Financial assets at fair value through OCI (debt instruments)**

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group has no debt instruments that are designated as financial assets at fair value through OCI.

**(c) Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group or the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has no equity instruments that are designated as financial assets at fair value through OCI.

**(d) Financial assets at fair value through profit or loss**

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**2. Basis of preparation and summary of significant accounting policies (contd.)**

**2.12 Financial assets (contd.)**

**Subsequent measurement (contd.)**

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group or the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**2.13 Impairment of financial assets**

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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 or the Company expects 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 receivables, 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, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**2. Basis of preparation and summary of significant accounting policies (contd.)**

**2.14 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group or the Company.

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

**2.15 Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's and the Company's cash management.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**2. Basis of preparation and summary of significant accounting policies (contd.)**

**2.16 Inventories and work-in-progress**

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials, spare parts and sundry inventories: cost is determined on a weighted average basis, which approximates actual costs and includes cost of purchase and other directly attributable costs of acquisition.

- Finished goods and work-in-progress: cost is determined on standard cost basis and includes cost of direct materials and labour and appropriate proportion of manufacturing overheads.

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

**2.17 Provisions**

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**2.18 Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all conditions attached will be complied with. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group or the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 2. Basis of preparation and summary of significant accounting policies (contd.)

#### 2.19 Financial liabilities

**Initial recognition and measurement**

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

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

Financial liabilities include trade and other payables, loans and borrowings, derivative liabilities and lease liabilities.

**Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statements of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied.

The Group has not designated any financial liability as at fair value through profit or loss.

**(b) Financial liabilities at amortised cost (loans and borrowings)**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

**Derecognition**

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

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position 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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

## 2. Basis of preparation and summary of significant accounting policies (contd.)

### 2.20 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 because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs when the likelihood of default by the debtors is more than probable. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group or the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

### 2.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.22 Employee benefits

#### (a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and 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 leave are recognised when the absences occur.

#### (b) Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees' Provident Fund in Malaysia, a defined contribution pension scheme. The Group's foreign subsidiaries also make contribution to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the period in which the related service is performed.

#### (c) Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liabilities for leave is recognised for services rendered by employees up to the reporting date.

### 2.23 Leases

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

#### (a) Group as a lessee

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

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**2. Basis of preparation and summary of significant accounting policies (contd.)**

**2.23 Leases (contd.)**

**(a) Group as a lessee (contd.)**

***(i) Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses (if any), and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | |
|---|---|
| Other equipment | 5 years |
| Leasehold land | 5 to 91 years |
| Plant and machinery | 3 years |
| Buildings | 1 to 3 years |

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

***(ii) Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

***(iii) Short-term leases and leases of low-value assets***

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

## 2. Basis of preparation and summary of significant accounting policies (contd.)

### 2.23 Leases (contd.)

#### (b) Group as a lessor

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

### 2.24 Revenue and other income

#### (a) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

**Sale of goods**

Revenue from sale of goods consists of a single performance obligation and is recognised at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods or collection by customers.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

**(i) Variable consideration**

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

*Volume rebates*

One of the Group's foreign subsidiaries provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

The Group has determined that its refund liability is not contract liability.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**2. Basis of preparation and summary of significant accounting policies (contd.)**

**2.24 Revenue and other income (contd.)**

**(a) Revenue from contracts with customers (contd.)**

**(ii) Significant financing component**

A foreign subsidiary of the Group receives short-term advances from its customers. Using the practical expedient in MFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

**(b) Assets and liabilities arising from right of return**

**(i) Right of return assets**

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

**(ii) Refund liabilities**

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of the financial year.

**(c) Interest income**

Interest income is recognised on effective interest rate basis unless collectability is in doubt.

**(d) Dividend income**

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

**(e) Management fees**

Management fees are recognised when services are rendered.

**(f) Rental income**

Rental income is accounted for 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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 2. Basis of preparation and summary of significant accounting policies (contd.)

#### 2.25 Taxes

**(a) Current income tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- in respect of deductible temporary differences associated with investment in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**2. Basis of preparation and summary of significant accounting policies (contd.)**

**2.25 Taxes (contd.)**

**(b) Deferred tax (contd.)**

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**(c) Sales and Service Tax ("SST")**

Revenue is recognised net of the amount of SST as it is payable to the taxation authority. SST payable to the taxation authority is included as part of payables in the statements of financial position.

When SST is incurred, SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

**2.26 Segment reporting**

For management purposes, the Group is organised into operating segments based on geographical areas which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segments' managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

**2.27 Share capital and share issuance expenses**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and 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. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

**2.28 Treasury shares**

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share capital.

**2.29 Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 3. Significant accounting judgements and estimates

The preparation of these 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.

#### 3.1 Critical judgements made in applying accounting policies

The management makes critical judgment in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in these financial statements.

#### 3.2 Key sources of estimation uncertainty

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

**(a) Impairment of intangible assets**

Intangible assets are tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which intangible assets are allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of intangible assets are disclosed in Note 18.

**(b) Impairment of property, plant and equipment and right-of-use assets**

Property, plant and equipment and right-of-use assets are tested for impairment when there is an indication that they may be impaired. The recoverable amounts of the property, plant and equipment and right-of-use assets are estimated based on the higher of value in use and fair value less costs to sell.

When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or the cash-generating unit and choose a suitable discount rate in order to calculate the present value of these cash flows. Such estimates are often subject to volatility and the recoverable amount will vary significantly when actual results do not coincide with estimates made. The Group impaired certain property, plant and equipment and right-of-use assets of its subsidiaries during the financial year. Further details on the key assumptions applied are disclosed in Note 13.

**(c) Net realisable value of inventories**

The Group reviews the adequacy of write-down/(reversal) of inventories at each reporting date to ensure that the inventories are stated at lower of cost and net realisable value. In assessing the extent of write-down/(reversal) for slow moving inventories, all unsold inventories in excess of 3 years have been written down to RMNil.

**(d) Impairment assessment of investment in subsidiaries**

In performing impairment review over certain of the Company's subsidiaries, the Company also carried out impairment tests on the carrying values of investment in those subsidiaries. The Company estimates the recoverable amounts of the investment based on value in use. Further details of the impairment losses are disclosed in Note 16.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 4. Revenue

The significant categories of revenue during the year are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue from contracts with customers | | | | |
| - sales of goods | 336,503 | 378,476 | - | - |
| <u>Other revenue</u> | | | | |
| Dividend income | | | | |
| - unquoted securities in Malaysia | 159 | 112 | 159 | 112 |
| - subsidiaries | - | - | 2,589 | 8,186 |
| Management fees from subsidiaries | - | - | 1,056 | 1,056 |
| | 336,662 | 378,588 | 3,804 | 9,354 |

All revenue from contracts with customers is recognised at a point in time. The performance obligation arising from sale of goods is satisfied upon delivery of goods and payment is generally due within 30 to 120 days from delivery. Returns from customers and refund liabilities arising from return rebates are not material. There is no material remaining performance obligations to be recognised within or more than one year, whether unsatisfied or partially unsatisfied.

### 5. Other income

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Amortisation of deferred capital grant (Note 30) | 192 | 203 | - | - |
| Fumigation charges received | 574 | 587 | - | - |
| Gain on disposal of other investments | 25 | - | 25 | - |
| Gain on disposal of property, plant and equipment | 148 | 299 | - | 48 |
| Gain on fair value changes on instruments at fair value through profit or loss | | | | |
| - derivatives (Note 27) | 769 | 941 | - | - |
| - other investments | 3,557 | 3,213 | 3,557 | 3,213 |
| Gain on foreign exchange | | | | |
| - realised | 71 | 8 | - | - |
| - unrealised | 1,893 | 700 | 151 | 159 |
| Interest income | | | | |
| - subsidiaries | - | - | 3,045 | 3,593 |
| - others | 598 | 459 | 481 | 191 |
| Reversal of credit losses on trade receivables | 23 | 12 | - | - |
| Rental income | 1,313 | 852 | 227 | 227 |
| Reversal of write-down on inventories | 375 | 2,644 | - | - |
| Compensation from a foreign government relating to compulsory acquisition of right-of-use assets (Note 14) | 31,401 | - | - | - |
| Miscellaneous | 4,620 | 4,115 | 6 | - |
| | 45,559 | 14,033 | 7,492 | 7,431 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 6. Finance costs

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| Interest expense on: | | |
| Bank overdraft | 28 | 8 |
| Banker acceptance | 39 | - |
| Lease liabilities | 1,002 | 1,238 |
| Term loan | 834 | 1,274 |
| | 1,903 | 2,520 |

### 7. (Loss)/profit before tax

The following amounts have been included in arriving at (loss)/profit before tax:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Auditors' remunerations: | | | | |
| Statutory audit | | | | |
| - current year | 613 | 620 | 85 | 85 |
| - over provision in previous years | - | (4) | - | - |
| Other services | 114 | 151 | 19 | 19 |
| Bad debts written off | 69 | 29 | - | - |
| Expected credit losses on amount due from subsidiaries, net (Note 20) | - | - | 1,837 | - |
| Expected credit losses on trade receivables, net (Note 20) | 197 | 577 | - | - |
| Depreciation of investment properties (Note 15) | 349 | 349 | 349 | 349 |
| Depreciation of property, plant and equipment (Note 13) | 18,241 | 21,467 | 599 | 692 |
| Depreciation of right-of-use assets (Note 14) | 11,943 | 11,333 | 744 | 745 |
| Employee benefits expense (Note 8) | 82,474 | 87,162 | 3,981 | 4,635 |
| Impairment loss on investment in subsidiaries (Note 16) | - | - | 17,730 | 10 |
| Impairment loss on property, plant and equipment (Note 13) | 5,010 | 4,800 | - | - |
| Impairment loss on right-of-use assets (Note 14) | 950 | - | - | - |
| Inventories written-down | 5,568 | 755 | - | - |
| Inventories written off | 64 | 83 | - | - |
| Loss on disposal of property, plant and equipment | - | 146 | - | - |
| Loss on fair value changes on instruments at fair value through profit or loss | | | | |
| - other investments | - | 6 | - | 6 |
| Loss on foreign exchange - realised | 181 | 1,599 | - | 174 |
| - unrealised | 203 | - | - | - |
| Non-executive directors' remuneration (Note 9) | 113 | 99 | 113 | 99 |
| Property, plant and equipment written off | 920 | 69 | - | - |
| Expense relating to short-term leases | 1,534 | 578 | - | - |
| Expense relating to leases of low-value assets | 101 | 42 | 7 | - |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 8. Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Wages and salaries | 69,618 | 73,847 | 3,366 | 3,893 |
| Defined contribution plan | 7,534 | 8,393 | 593 | 681 |
| Social security contributions | 701 | 667 | 12 | 11 |
| Other staff related costs | 4,621 | 4,255 | 10 | 50 |
| | 82,474 | 87,162 | 3,981 | 4,635 |

Included in employee benefits expense of the Group and of the Company are Executive Directors' remunerations, excluding benefits-in-kind amounting to RM7,302,000 (2019: RM8,438,000) and RM3,162,000 (2019: RM3,694,000), respectively, as further disclosed in Note 9.

### 9. Directors' remunerations

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Executive Directors' remunerations** | | | | |
| Fees | 165 | 165 | 165 | 165 |
| Other emoluments | 7,137 | 8,273 | 2,997 | 3,529 |
| | 7,302 | 8,438 | 3,162 | 3,694 |
| **Non-Executive Directors' remunerations** | | | | |
| Fees | 113 | 99 | 113 | 99 |
| **Total directors' remunerations** | 7,415 | 8,537 | 3,275 | 3,793 |
| Estimated monetary value of benefits-in-kind | 152 | 185 | 29 | 59 |
| **Total directors' remunerations including benefits-in-kind** | 7,567 | 8,722 | 3,304 | 3,852 |

The details of remunerations receivable by directors of the Group and of the Company during the year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Executive:** | | | | |
| Salaries and bonuses | 6,045 | 6,994 | 2,490 | 2,937 |
| Defined contribution plan | 1,088 | 1,275 | 505 | 589 |
| Social security contributions | 4 | 4 | 2 | 3 |
| | 7,137 | 8,273 | 2,997 | 3,529 |
| Fees | 165 | 165 | 165 | 165 |
| | 7,302 | 8,438 | 3,162 | 3,694 |
| Estimated monetary value of benefits-in-kind | 152 | 185 | 29 | 59 |
| | 7,454 | 8,623 | 3,191 | 3,753 |
| **Non-Executive (Note 7):** | | | | |
| Fees | 113 | 99 | 113 | 99 |
| | 7,567 | 8,722 | 3,304 | 3,852 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 10. Income tax expense

The major components of income tax expense for the years ended 31 December 2020 and 2019 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Statements of profit or loss and other comprehensive income:** | | | | |
| Current income tax: | | | | |
| Malaysian income tax | 80 | 792 | 80 | 395 |
| Foreign tax | 8,954 | 1,749 | - | - |
| Under/(over) provision in previous years: | | | | |
| Malaysian income tax | 20 | 95 | 4 | (11) |
| Foreign tax | (264) | 167 | - | - |
| | 8,790 | 2,803 | 84 | 384 |
| Deferred income tax (Note 26): | | | | |
| Relating to origination and reversal of temporary differences | (386) | (1,033) | (19) | 17 |
| Under/(over) provision in previous years | 58 | (86) | (7) | 1 |
| | (328) | (1,119) | (26) | 18 |
| Income tax expense recognised in profit or loss | 8,462 | 1,684 | 58 | 402 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable loss for the year.

Income tax for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions. The reconciliation below is prepared by aggregating separate reconciliations for each national jurisdiction.

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate are as follows:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| Accounting loss before tax | (786) | (29,762) |
| Tax at Malaysian statutory tax rate of 24% (2019: 24%) | (189) | (7,143) |
| Effect of different tax rates in other countries | 547 | (184) |
| Effect of non-deductible expenses for tax purpose | 2,477 | 4,682 |
| Effect of income not subject to tax | (1,405) | (76) |
| Deferred tax assets not recognised | 8,555 | 7,339 |
| Deferred tax assets recognised on previously unrecognised deferred tax assets | (1,337) | (3,188) |
| Claw back on previously recognised reinvestment allowance | - | 78 |
| (Over)/under provision of income tax in respect of previous years | (244) | 262 |
| Under/(over) provision of deferred tax in respect of previous years | 58 | (86) |
| Income tax expense recognised in profit or loss | 8,462 | 1,684 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 10. Income tax expense (contd.)

| | Company | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| Accounting (loss)/profit before tax | (15,457) | 8,227 |
| Tax at Malaysian statutory tax rate of 24% (2019: 24%) | (3,710) | 1,975 |
| Effect of income not subject to tax | (1,556) | (1,992) |
| Effect of non-deductible expenses for tax purpose | 5,596 | 693 |
| Effect of utilisation of group loss relief | (269) | (264) |
| Under/(over) provision of income tax in respect of previous years | 4 | (11) |
| (Over)/under provision of deferred tax in respect of previous years | (7) | 1 |
| Income tax expense recognised in profit or loss | 58 | 402 |

The Group has the following tax losses and incentives which are available for offset against the future taxable profits subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| Unutilised tax losses - Malaysian | 35,253 | 19,395 |
| Unutilised tax losses - Other countries | 158,691 | 158,271 |
| Unabsorbed capital allowances | 29,714 | 25,847 |
| Unutilised incentive allowances | 2,992 | 2,992 |
| Unabsorbed reinvestment allowances | 33,540 | 33,540 |
| Others | 76,803 | 66,612 |
| | 336,993 | 306,657 |

Pursuant to Section 44(5F) of the Income Tax Act, 1967, the unutilised tax losses of the Group's subsidiaries in Malaysia can only be carried forward until the following year of assessment:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| Unutilised tax losses to be carried forward until: | | |
| - Year of assessment 2025 | 4,617 | 4,913 |
| - Year of assessment 2026 | 14,728 | 14,482 |
| - Year of assessment 2027 | 15,908 | - |
| | 35,253 | 19,395 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 11. Loss per share (sen)

**Basic**

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

The following table reflects the loss and share data used in the computation of basic loss per share for the years ended 31 December:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| Loss net of tax attributable to owners of the parent (RM'000) | (14,363) | (32,449) |
| Number of ordinary shares in issuance as of 1 January ('000) | 155,616 | 155,616 |
| Number of treasury shares ('000) | (15,377) | (15,377) |
| Weighted average number of ordinary shares for basic earnings per share computation ('000) | 140,239 | 140,239 |
| Basic loss per share (sen) | (10.24) | (23.14) |

The diluted loss per share is the same as the basic loss per share as there are no dilutive potential ordinary shares outstanding.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

### 12. Dividends

| | Group and Company | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| **Declared and paid:** | | |
| Dividends on ordinary shares: | | |
| Interim dividend for 2020: | | |
| 2.0 sen per ordinary share, tax exempt (2.0 sen net per ordinary share) | 2,805 | - |
| | 2,805 | - |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 13. Property, plant and equipment

| | Freehold land, buildings, drainage and roads RM'000 | Plant, machinery and equipment RM'000 | Motor vehicles RM'000 | Furniture, fittings and office equipment RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **At 31 December 2020** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2020 | 189,272 | 365,438 | 18,557 | 38,705 | 3,991 | 615,963 |
| Additions | 4,119 | 6,901 | 208 | 853 | 2,627 | 14,708 |
| Disposals/write-off | (7,951) | (4,500) | (276) | (573) | (23) | (13,323) |
| Reclassification | 483 | - | - | - | (483) | - |
| Translation differences | 2,088 | 2,300 | 188 | 902 | 18 | 5,496 |
| At 31 December 2020 | 188,011 | 370,139 | 18,677 | 39,887 | 6,130 | 622,844 |
| **Accumulated depreciation and impairment** | | | | | | |
| At 1 January 2020 | 105,363 | 336,213 | 15,684 | 28,225 | - | 485,485 |
| Depreciation charge for the year (Note 7) | 3,215 | 10,670 | 1,015 | 3,341 | - | 18,241 |
| Impairment during the year (Note 7) | 2,746 | 1,225 | - | 1,039 | - | 5,010 |
| Disposals/write-off | (7,143) | (3,537) | (267) | (454) | - | (11,401) |
| Translation differences | 1,621 | 1,816 | 151 | 568 | - | 4,156 |
| At 31 December 2020 | 105,802 | 346,387 | 16,583 | 32,719 | - | 501,491 |
| **Net carrying amount** | | | | | | |
| At 31 December 2020 | 82,209 | 23,752 | 2,094 | 7,168 | 6,130 | 121,353 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 13. Property, plant and equipment (contd.)

| Group (contd.) | Freehold land, buildings, drainage and roads RM'000 | Short-term leasehold land RM'000 | Long-term leasehold land RM'000 | Plant, machinery and equipment RM'000 | Motor vehicles RM'000 | Furniture, fittings and office equipment RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | | | | |
| **Cost** | | | | | | | | |
| At 1 January 2019 | 189,851 | 49,121 | 19,501 | 365,782 | 18,790 | 37,815 | 568 | 681,428 |
| Effect of adoption of MFRS 16 | - | (49,121) | (19,501) | - | - | - | - | (68,622) |
| As restated 1 January 2019 | 189,851 | - | - | 365,782 | 18,790 | 37,815 | 568 | 612,806 |
| Additions | 500 | - | - | 6,014 | 475 | 2,470 | 4,225 | 13,684 |
| Disposals/write-off | (986) | - | - | (4,963) | (502) | (1,345) | (15) | (7,811) |
| Reclassification | 1,062 | - | - | (175) | (111) | (7) | (769) | - |
| Translation differences | (1,155) | - | - | (1,220) | (95) | (228) | (18) | (2,716) |
| At 31 December 2019 | 189,272 | - | - | 365,438 | 18,557 | 38,705 | 3,991 | 615,963 |
| **Accumulated depreciation and impairment** | | | | | | | | |
| At 1 January 2019 | 100,299 | 19,236 | 6,424 | 325,029 | 15,150 | 26,159 | - | 492,297 |
| Effect of adoption of MFRS 16 | - | (19,236) | (6,424) | - | - | - | - | (25,660) |
| As restated 1 January 2019 | 100,299 | - | - | 325,029 | 15,150 | 26,159 | - | 466,637 |
| Depreciation charge for the year (Note 7) | 3,791 | - | - | 13,074 | 1,170 | 3,432 | - | 21,467 |
| Impairment during the year (Note 7) | 2,400 | - | - | 2,400 | - | - | - | 4,800 |
| Disposals/write-off | (371) | - | - | (3,478) | (489) | (1,249) | - | (5,587) |
| Reclassification | 48 | - | - | 38 | (97) | 11 | - | - |
| Translation differences | (804) | - | - | (850) | (50) | (128) | - | (1,832) |
| At 31 December 2019 | 105,363 | - | - | 336,213 | 15,684 | 28,225 | - | 485,485 |
| **Net carrying amount** | | | | | | | | |
| At 31 December 2019 | 83,909 | - | - | 29,225 | 2,873 | 10,480 | 3,991 | 130,478 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 13. Property, plant and equipment (contd.)

| | Buildings, drainage and roads RM'000 | Plant, machinery and equipment RM'000 | Motor vehicles RM'000 | Furniture, fittings and office equipment RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **31 December 2020** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2020 | 15,491 | 1,078 | 1,257 | 6,545 | 13 | 24,384 |
| Additions | - | - | - | 33 | - | 33 |
| At 31 December 2020 | 15,491 | 1,078 | 1,257 | 6,578 | 13 | 24,417 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2020 | 9,514 | 1,078 | 1,064 | 5,946 | - | 17,602 |
| Depreciation charge for the year (Note 7) | 248 | - | 164 | 187 | - | 599 |
| At 31 December 2020 | 9,762 | 1,078 | 1,228 | 6,133 | - | 18,201 |
| **Net carrying amount** | | | | | | |
| At 31 December 2020 | 5,729 | - | 29 | 445 | 13 | 6,216 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

13. **Property, plant and equipment (contd.)**

| | Buildings, drainage and roads RM'000 | Short-term leasehold land RM'000 | Long-term leasehold land RM'000 | Plant, machinery and equipment RM'000 | Motor vehicles RM'000 | Furniture, fittings and office equipment RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Company (contd.)** | | | | | | | | |
| **31 December 2019** | | | | | | | | |
| **Cost** | | | | | | | | |
| At 1 January 2019 | 16,113 | 27,808 | 115 | 1,078 | 1,257 | 6,544 | 13 | 52,928 |
| Effect of adoption of MFRS 16 | - | (27,808) | (115) | - | - | - | - | (27,923) |
| As restated 1 January 2019 | 16,113 | - | - | 1,078 | 1,257 | 6,544 | 13 | 25,005 |
| Additions | - | - | - | - | - | 27 | - | 27 |
| Disposals/write-off | (622) | - | - | - | - | (26) | - | (648) |
| At 31 December 2019 | 15,491 | - | - | 1,078 | 1,257 | 6,545 | 13 | 24,384 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2019 | 9,316 | 12,153 | 114 | 1,078 | 900 | 5,692 | - | 29,253 |
| Effect of adoption of MFRS 16 | - | (12,153) | (114) | - | - | - | - | (12,267) |
| As restated 1 January 2019 | 9,316 | - | - | 1,078 | 900 | 5,692 | - | 16,986 |
| Depreciation charge for the year (Note 7) | 248 | - | - | - | 164 | 280 | - | 692 |
| Disposals/write-off | (50) | - | - | - | - | (26) | - | (76) |
| At 31 December 2019 | 9,514 | - | - | 1,078 | 1,064 | 5,946 | - | 17,602 |
| **Net carrying amount** | | | | | | | | |
| At 31 December 2019 | 5,977 | - | - | - | 193 | 599 | 13 | 6,782 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 13. Property, plant and equipment (contd.)

Included in buildings of the Group are assets with a net carrying amount of RM27,781,056 (2019: RM28,246,347) which are pledged as security for the Group's loans and borrowings as disclosed in Note 25.

During the financial year, the Group conducted impairment review of property, plant and equipment ("PPE") for subsidiaries in Malaysia which were incurring losses. The following assumptions were used in the determination of the recoverable amounts of PPE for entities in Malaysia:

**(i) Budgeted gross margin**

The budgeted gross margin is based on actual historical trends for the past 4 years. The range of gross margin used were 4% to 15% (2019: 6% to 13%) depending on products sold.

**(ii) Growth rate**

The Group did not impute any growth rate for these entities reviewed.

**(iii) Operating costs**

Forecast of operating costs is based on actual costs incurred in the preceding year and adjusted for inflation rate of 2.5% (2019: 2.5%).

**(iv) Discount rate**

The discount rate used is 9% (2019: 11%). The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC took into account both debt and equity.

Arising from this review, the Group provided impairment loss of RM5,010,000 on plant and equipment belonging to two subsidiaries based on recoverable amounts of RM5,058,000 derived using their estimated value in use.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 14. Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

| | Short-term leasehold land RM'000 | Long-term leasehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Motor vehicles RM'000 | Other equipment RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **Cost** | | | | | | | |
| As at 1 January 2020 | 48,718 | 19,501 | 29,846 | 1,578 | 177 | 8,623 | 108,443 |
| Additions | - | - | 4,421 | 400 | - | - | 4,821 |
| Compulsory acquisition by a foreign government | (1,057) | - | - | - | - | - | (1,057) |
| Modification of lease terms | - | - | (2,007) | (1) | - | (900) | (2,908) |
| Translation differences | 718 | - | 1,601 | 103 | 13 | 553 | 2,988 |
| As at 31 December 2020 | 48,379 | 19,501 | 33,861 | 2,080 | 190 | 8,276 | 112,287 |
| **Accumulated depreciation** | | | | | | | |
| As at 1 January 2020 | 20,304 | 6,667 | 7,600 | 265 | 28 | 1,985 | 36,849 |
| Depreciation (Note 7) | 1,213 | 218 | 8,137 | 381 | 44 | 1,950 | 11,943 |
| Compulsory acquisition by a foreign government | (312) | - | - | - | - | - | (312) |
| Impairment (Note 7) | - | - | 950 | - | - | - | 950 |
| Modification of lease terms | - | - | (44) | - | - | - | (44) |
| Translation differences | 240 | - | 702 | 33 | 5 | 259 | 1,239 |
| As at 31 December 2020 | 21,445 | 6,885 | 17,345 | 679 | 77 | 4,194 | 50,625 |
| **Net carrying amount** | | | | | | | |
| As at 31 December 2020 | 26,934 | 12,616 | 16,516 | 1,401 | 113 | 4,082 | 61,662 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 14. Right-of-use assets (contd.)

Set out below are the carrying amounts of right-of-use assets recognised and their movements during the year:

| | Short-term leasehold land RM'000 | Long-term leasehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Motor vehicles RM'000 | Other equipment RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **Cost** | | | | | | | |
| As at 1 January 2019 | - | - | - | - | - | - | - |
| Effect of adoption of MFRS 16 | 49,121 | 19,501 | 19,815 | 1,216 | - | 8,736 | 98,389 |
| Adjusted balances at 1 January 2019 | 49,121 | 19,501 | 19,815 | 1,216 | - | 8,736 | 98,389 |
| Additions | - | - | 10,031 | 362 | 177 | 38 | 10,608 |
| Translation differences | (403) | - | - | - | - | (151) | (554) |
| As at 31 December 2019 | 48,718 | 19,501 | 29,846 | 1,578 | 177 | 8,623 | 108,443 |
| **Accumulated depreciation** | | | | | | | |
| As at 1 January 2019 | - | - | - | - | - | - | - |
| Effect of adoption of MFRS 16 | 19,236 | 6,424 | - | - | - | - | 25,660 |
| Adjusted balances at 1 January 2019 | 19,236 | 6,424 | - | - | - | - | 25,660 |
| Depreciation (Note 7) | 1,199 | 243 | 7,609 | 265 | 28 | 1,989 | 11,333 |
| Translation differences | (131) | - | (9) | - | - | (4) | (144) |
| As at 31 December 2019 | 20,304 | 6,667 | 7,600 | 265 | 28 | 1,985 | 36,849 |
| **Net carrying amount** | | | | | | | |
| As at 31 December 2019 | 28,414 | 12,834 | 22,246 | 1,313 | 149 | 6,638 | 71,594 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 14. Right-of-use assets (contd.)

Included in right-of-use assets of the Group are assets with a net carrying amount of RM12,107,866 (2019: RM12,343,692) which are pledged as security for the Group's loans and borrowings as disclosed in Note 25.

A portion of leasehold land belonging to a foreign subsidiary was compulsorily acquired by the foreign government for an amount of approximately RM32,146,275. The compulsory acquisition resulted in a gain of RM31,401,141 to the Group.

| | Short-term leasehold land RM'000 | Long-term leasehold land RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| **Cost** | | | |
| As at 1 January 2019 | - | - | - |
| Effect of adoption of MFRS 16 | 27,808 | 115 | 27,923 |
| As at 1 January 2019 and 31 December 2019 and 31 December 2020 | 27,808 | 115 | 27,923 |
| **Accumulated depreciation** | | | |
| As at 1 January 2019 | - | - | - |
| Effect of adoption of MFRS 16 | 12,153 | 114 | 12,267 |
| As restated at 1 January 2019 | 12,153 | 114 | 12,267 |
| Depreciation (Note 7) | 745 | - | 745 |
| As at 31 December 2019 | 12,898 | 114 | 13,012 |
| Depreciation (Note 7) | 744 | - | 744 |
| As at 31 December 2020 | 13,642 | 114 | 13,756 |
| **Net carrying amount** | | | |
| As at 31 December 2020 | 14,166 | 1 | 14,167 |
| As at 31 December 2019 | 14,910 | 1 | 14,911 |

During the financial year, the Group conducted impairment review of ROU assets where the indicator of impairment exists as referred to in Note 13. The assumptions used in the determination of the recoverable amounts of ROU assets for entities in Malaysia, which carrying amounts approximate 6% of the Group's total assets, are similar to those mentioned in Note 13.

Arising from this review, the Group provided impairment loss of RM950,000 to fully impair the ROU assets which has no recoverable amounts.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 15. Investment properties

| | Freehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **At 31 December 2020** | | | |
| **Cost** | | | |
| At 1 January | 4,160 | 24,905 | 29,065 |
| Addition | - | 9,260 | 9,260 |
| Translation differences | - | 391 | 391 |
| 31 December | 4,160 | 34,556 | 38,716 |
| **Accumulated depreciation** | | | |
| At 1 January | - | 2,081 | 2,081 |
| Depreciation charge for the year (Note 7) | - | 349 | 349 |
| At 31 December | - | 2,430 | 2,430 |
| **Net carrying amount** | 4,160 | 32,126 | 36,286 |
| **Estimated fair value of investment properties** | | | 47,965 |
| **At 31 December 2019** | | | |
| **Cost** | | | |
| At 1 January | 4,160 | 25,126 | 29,286 |
| Translation differences | - | (221) | (221) |
| 31 December | 4,160 | 24,905 | 29,065 |
| **Accumulated depreciation** | | | |
| At 1 January | - | 1,732 | 1,732 |
| Depreciation charge for the year (Note 7) | - | 349 | 349 |
| At 31 December | - | 2,081 | 2,081 |
| **Net carrying amount** | 4,160 | 22,824 | 26,984 |
| **Estimated fair value of investment properties** | | | 42,346 |

## 15. Investment properties (contd.)

| | Freehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| **31 December 2020** | | | |
| **Cost** | | | |
| At 1 January and 31 December 2020 | 4,160 | 17,437 | 21,597 |
| **Accumulated depreciation** | | | |
| At 1 January | - | 2,081 | 2,081 |
| Depreciation charge for the year (Note 7) | - | 349 | 349 |
| At 31 December | - | 2,430 | 2,430 |
| **Net carrying amount** | 4,160 | 15,007 | 19,167 |
| **Estimated fair value of investment properties** | | | 29,428 |
| **31 December 2019** | | | |
| **Cost** | | | |
| At 1 January and 31 December 2019 | 4,160 | 17,437 | 21,597 |
| **Accumulated depreciation** | | | |
| At 1 January | - | 1,732 | 1,732 |
| Depreciation charge for the year (Note 7) | - | 349 | 349 |
| At 31 December | - | 2,081 | 2,081 |
| **Net carrying amount** | 4,160 | 15,356 | 19,516 |
| **Estimated fair value of investment properties** | | | 33,000 |

The estimated fair value of the properties is based on directors' valuation derived using recent transacted dealings of comparable properties within the vicinity of the properties.

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Direct operating expenses that did not generate rental income | (478) | (450) | (478) | (450) |

The Group and the Company have no restriction on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value hierarchy disclosures for investment properties are disclosed in Note 35.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 16. Investment in subsidiaries

| | Company | |
|---|---|---|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Unquoted shares, at cost | 194,567 | 181,047 |
| Less: accumulated impairment | (17,900) | (170) |
| | 176,667 | 180,877 |

During the financial year, the Company increased its investments in several wholly-owned subsidiaries by way of capitalisation of amount due from these subsidiaries totalling RM13,520,000. Effective equity interest in these subsidiaries remained unchanged.

There were no new business combinations during the financial year.

The events mentioned in Note 13 have led the Company to conduct impairment review of the recoverable amount of certain of its investment in subsidiaries. The review gave rise to the recognition of an impairment loss on investment in subsidiaries of RM17,730,000 (2019: RM10,000) as disclosed in Note 7. The recoverable amount of these subsidiary is estimated at RM88,224,000 (2019: RM118,927,000) derived using value in use. The key assumptions used are similar to that used in the assessment of impairment of PPE in Note 13. Any unfavourable changes to the budgeted margin, operating cost and discount rate used in the key assumptions would result in further impairment.

Details of the subsidiaries are as follows:

| Names of subsidiaries | Principal activities | Country of incorporation | Proportion of ownership interest 2020 | 2019 |
|---|---|---|---|---|
| **Held by the Company:** | | | | |
| Ceramica Indah Sdn. Bhd.* | Manufacture and sale of ceramic floor, homogeneous and monoporosa tiles | Malaysia | 100% | 100% |
| Kimgres Marketing Sdn. Bhd.* | Trading in building materials | Malaysia | 100% | 100% |
| Kim Hin Ceramic (Seremban) Sdn. Bhd.* | Manufacture and sale of ceramic tiles | Malaysia | 100% | 100% |
| Kim Hin Ceramics (Shanghai) Co. Ltd.** | Manufacture and sale of ceramic tiles | People's Republic of China | 79.5% | 79.5% |
| Kim Hin Properties Sdn. Bhd.* | Property and investment holding | Malaysia | 100% | 100% |
| Kim Hin Investment Pty. Ltd.*** | Property letting | Australia | 100% | 100% |
| Tileworld Sdn. Bhd.* | Investment holding | Malaysia | 100% | 100% |
| Refined Koalin Industries Sdn. Bhd.* | Inactive | Malaysia | 100% | 100% |
| Unicorn Ceramics Sdn. Bhd.* | Inactive | Malaysia | 100% | 100% |
| World Ceramics International Sdn. Bhd.* | Property letting | Malaysia | 100% | 100% |
| Johnson Tiles Malaysia Sdn. Bhd.* | Trading in building materials | Malaysia | 100% | 100% |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 16. Investment in subsidiaries (contd.)

Details of the subsidiaries are as follows: (contd.)

| Names of subsidiaries | Principal activities | Country of incorporation | Proportion of ownership interest 2020 | 2019 |
|---|---|---|---|---|
| **Held through Ceramica Indah Sdn. Bhd.:** | | | | |
| Amber Franchising Pty. Ltd.*** | Inactive | Australia | 100% | 100% |
| Australian Tiles Pty. Ltd.** | Inactive | Australia | 100% | 100% |
| Kimgres Australia Pty. Ltd.*** | Wholesaler and retailer of ceramic tiles | Australia | 100% | 100% |
| **Held through Australian Tiles Pty. Ltd.:** | | | | |
| Outset Holdings Pty. Ltd.** | Investment holding | Australia | 100% | 100% |
| **Held through Outset Holdings Pty. Ltd.:** | | | | |
| Amber Group Australia Pty. Ltd.** | Wholesaler and retailer of pavers, tiles, natural stone and retaining walls | Australia | 100% | 100% |
| **Held through Amber Group Australia Pty. Ltd.:** | | | | |
| Norcorp Pty. Ltd.** | Retailer of pavers, tiles, natural stone and retaining walls | Australia | 100% | 100% |
| **Held through Kimgres Marketing Sdn. Bhd.:** | | | | |
| Kimgres Vietnam Trading Co. Ltd.*** | Trading in building materials | Vietnam | 70% | 70% |
| **Held through Kim Hin Ceramics (Shanghai) Co. Ltd.:** | | | | |
| Shanghai Kuching Realty Co. Ltd.*** | Investment holding | People's Republic of China | 100% | 100% |
| **Held through Tileworld Sdn. Bhd.:** | | | | |
| Kim Hin Australia Pty. Ltd.*** | Investment holding | Australia | 100% | 100% |
| **Held through Kim Hin Australia Pty. Ltd.:** | | | | |
| Johnson Tiles Pty. Ltd.*** | Importing and distributing of ceramic wall and floor tiles | Australia | 100% | 100% |
| **Held through Johnson Tiles Pty. Ltd.:** | | | | |
| Coramic Australia Pty. Ltd.*** | Inactive | Australia | 100% | 100% |

* Audited by Ernst & Young PLT, Malaysia
** Audited by member firms of Ernst & Young Global in the respective countries
*** Audited by firms other than Ernst & Young PLT

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 16. Investment in subsidiaries (contd.)

**Summarised financial information of Kim Hin Ceramics (Shanghai) Co. Ltd. and Kimgres Vietnam Trading Co. Ltd.**

The Group's material non-controlling interests relate to its subsidiaries, Kim Hin Ceramics (Shanghai) Co. Ltd. and Kimgres Vietnam Trading Co. Ltd.. Hence, the summarised financial information of the two companies, before elimination of any intra-group transactions, are presented below:

**(i) Summarised statements of financial position**

| | Kim Hin Ceramics (Shanghai) Co. Ltd. | | Kimgres Vietnam Trading Co. Ltd. | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Non-current assets | 36,635 | 34,798 | 80 | 120 | 36,715 | 34,918 |
| Current assets | 62,443 | 35,500 | 3,595 | 3,635 | 66,038 | 39,135 |
| Total assets | 99,078 | 70,298 | 3,675 | 3,755 | 102,753 | 74,053 |
| Current liabilities | (15,625) | (10,680) | (2,212) | (2,146) | (17,837) | (12,826) |
| Net assets | 83,453 | 59,618 | 1,463 | 1,609 | 84,916 | 61,227 |
| Equity attributable to owners of the Company | 66,345 | 47,415 | 1,024 | 1,126 | 67,369 | 48,541 |
| Non-controlling interests | 17,108 | 12,203 | 439 | 483 | 17,547 | 12,686 |
| | 83,453 | 59,618 | 1,463 | 1,609 | 84,916 | 61,227 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 16. Investments in subsidiaries (contd.)

**Summarised financial information of Kim Hin Ceramics (Shanghai) Co. Ltd. and Kimgres Vietnam Trading Co. Ltd. (contd.)**

**(ii) Summarised statements of profit or loss and other comprehensive income**

| | Kim Hin Ceramics (Shanghai) Co. Ltd. | | Kimgres Vietnam Trading Co. Ltd. | | Total | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 30,875 | 46,712 | 4,260 | 6,767 | 35,135 | 53,479 |
| Profit/(loss) for the year | 25,161 | 4,142 | (143) | 512 | 25,018 | 4,654 |
| Other comprehensive income for the year | 2,383 | (1,795) | (4) | (44) | 2,379 | (1,839) |
| Total comprehensive income for the year | 27,544 | 2,347 | (147) | 468 | 27,397 | 2,815 |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the Company | 21,897 | 1,866 | (103) | 328 | 21,794 | 2,194 |
| Non-controlling interests | 5,647 | 481 | (44) | 140 | 5,603 | 621 |
| | 27,544 | 2,347 | (147) | 468 | 27,397 | 2,815 |
| Profit/(loss) for the year attributable to non-controlling interests | 5,158 | 849 | (43) | 154 | 5,115 | 1,003 |
| Dividend paid to non-controlling interests | 742 | 573 | - | - | 742 | 573 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**16. Investments in subsidiaries (contd.)**

**Summarised financial information of Kim Hin Ceramics (Shanghai) Co. Ltd. and Kimgres Vietnam Trading Co. Ltd. (contd.)**

**(iii) Summarised statements of cash flows**

| | Kim Hin Ceramics (Shanghai) Co. Ltd. | | Kimgres Vietnam Trading Co. Ltd. | | Total | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Net cash generated from/(used in) operating activities | 35,836 | 12,189 | (250) | 227 | 35,586 | 12,416 |
| Net cash (used in)/generated from investing activities | (4,235) | 210 | 1 | 1 | (4,234) | 211 |
| Net cash used in financing activities | (3,619) | (23,656) | - | - | (3,619) | (23,656) |
| Net increase/(decrease) in cash and cash equivalents | 27,982 | (11,257) | (249) | 228 | 27,733 | (11,029) |
| Effect of foreign exchange rate changes | 286 | (239) | 3 | (17) | 289 | (256) |
| Cash and cash equivalents at beginning of the year | 18,321 | 29,817 | 418 | 207 | 18,739 | 30,024 |
| Cash and cash equivalents at end of the year | 46,589 | 18,321 | 172 | 418 | 46,761 | 18,739 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 17. Other investments

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Financial assets measured at fair value through profit or loss** | | | | |
| Unit trusts, at fair value: | | | | |
| Unquoted securities in Malaysia | 31,627 | 22,087 | 31,627 | 22,087 |
| Unquoted securities outside Malaysia | 4,703 | 3,439 | 4,703 | 3,439 |
| **Total other investments** | 36,330 | 25,526 | 36,330 | 25,526 |
| **Fair value as at 31 December:** | | | | |
| Unquoted securities | 36,330 | 25,526 | 36,330 | 25,526 |

### 18. Intangible assets

| | **Goodwill** | **Arrangements with franchisee** | **Brand** | **Total** |
|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Group** | | | | |
| **Cost** | | | | |
| At 1 January 2019 | 9,838 | 10,892 | 4,857 | 25,587 |
| Additions in 2019 | - | 894 | - | 894 |
| At 31 December 2019 and 31 December 2020 | 9,838 | 11,786 | 4,857 | 26,481 |
| **Accumulated impairment** | | | | |
| At 1 January and 31 December | 9,838 | - | - | 9,838 |
| **Net carrying amount** | | | | |
| At 31 December 2020 | - | 11,786 | 4,857 | 16,643 |
| At 31 December 2019 | - | 11,786 | 4,857 | 16,643 |

**Impairment testing of intangible assets**

For impairment testing, arrangements with franchisee and brand acquired through business combinations with indefinite useful lives are allocated to a CGU, Outset Holdings Pty. Ltd..

Outset Holdings Pty. Ltd. ("OHPL") is primarily involved in wholesale and retail of tiles, pavers, natural stone and retaining walls in Australia.

| | OHPL | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| Arrangements with franchisee | 11,786 | 11,786 |
| Brand | 4,857 | 4,857 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 18. Intangible assets (contd.)

**Impairment testing of intangible assets (contd.)**

The following assumptions were used in the determination of the recoverable amounts:

(a) **Budgeted gross margin**

The budgeted gross margin is based on actual historical trends for the past 5 years. The gross margin used was 38% (2019: 33%).

(b) **Growth rate**

The forecasted growth rate is 3% (2019: 3%) based on the Group's estimates and do not exceed the long-term average growth rate for the industry relevant to the CGU.

(c) **Discount rate**

The discount rate used is 12% (2019: 12%). The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity.

As the recoverable amount of RM25,681,692 derived using their estimated value in use is higher than the carrying amount of the intangible assets allocated to this CGU, no impairment loss was recognised during the year.

### 19. Inventories

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| **At cost** | | |
| Raw materials | 20,756 | 22,411 |
| Work-in-progress | 4,245 | 3,588 |
| Finished goods | 86,102 | 83,127 |
| Packing materials | 2,934 | 2,584 |
| Spare parts and stores | 10,615 | 10,331 |
| | 124,652 | 122,041 |
| **At net realisable value** | | |
| Finished goods | 3,682 | 12,499 |
| | 128,334 | 134,540 |

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM173,388,000 (2019: RM172,260,000).

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 20. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Trade receivables** | | | | |
| Third parties | 72,961 | 73,779 | - | - |
| Less: Allowances for credit losses | (3,970) | (3,863) | - | - |
| | 68,991 | 69,916 | - | - |
| **Other receivables** | | | | |
| Amounts due from subsidiaries | | | | |
| - Interest bearing | - | - | 82,467 | 88,800 |
| - Non-interest bearing | - | - | 21,337 | 15,730 |
| | - | - | 103,804 | 104,530 |
| Less: Allowances for credit losses | - | - | (1,837) | - |
| | - | - | 101,967 | 104,530 |
| Sundry receivables | 1,837 | 3,451 | 108 | 844 |
| Deposits | 1,497 | 2,308 | 123 | 124 |
| | 3,334 | 5,759 | 102,198 | 105,498 |
| Total trade and other receivables | 72,325 | 75,675 | 102,198 | 105,498 |

**(a) Trade receivables**

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to group of debtors except as disclosed in Note 38(a).

The Group's normal trade credit term ranges from 30 to 90 days (2019: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss ("ECL"). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 365 days past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

**Ageing analysis of trade receivables**

The ageing analysis of the Group's trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| Neither past due nor impaired | 48,032 | 22,213 |
| 1 to 30 days past due not impaired | 8,634 | 14,235 |
| 31 to 60 days past due not impaired | 5,348 | 13,386 |
| 61 to 90 days past due not impaired | 5,723 | 11,281 |
| 91 to 120 days past due not impaired | 9 | 3,884 |
| More than 121 days past due but not impaired | 1,245 | 4,917 |
| | 20,959 | 47,703 |
| Impaired | 3,970 | 3,863 |
| | 72,961 | 73,779 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 20. Trade and other receivables (contd.)

#### (a) Trade receivables (contd.)

**Receivables that are neither past due nor impaired**

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables have been renegotiated during the financial year.

**Receivables that are past due but not impaired**

The Group has trade receivables amounting to RM20,959,000 (2019: RM47,703,000) that are past due at the reporting date but not impaired.

**Receivables that are impaired**

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record credit losses are as follows:

| | Group Individually impaired | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| Trade receivables - nominal amounts | 3,970 | 3,863 |
| Less: Allowance for expected credit losses | (3,970) | (3,863) |
| | - | - |

Movement in allowance for expected credit losses:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| At 1 January | 3,863 | 3,612 |
| Provided for the year (Note 7) | 504 | 589 |
| Reversal of expected credit losses (Note 7) | (307) | (12) |
| Written off | (69) | (161) |
| Translation differences | (21) | (165) |
| At 31 December | 3,970 | 3,863 |

#### (b) Amounts due from subsidiaries

The amounts due from subsidiaries that are impaired at the reporting date and the movement of the allowance accounts used to record credit losses are as follows:

| | Company Individually impaired | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| Amount due from subsidiaries - nominal amounts | 1,837 | - |
| Less: Allowance for expected credit losses | (1,837) | - |
| | - | - |

Movement in allowance for expected credit losses:

| | Company | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| At 1 January | - | - |
| Provided for the year (Note 7) | 1,837 | - |
| At 31 December | 1,837 | - |

These amounts are unsecured and repayable on demand. The interest-bearing portion bore interest ranging at rates ranging from 3.00% to 4.25% (2019: 4.25% to 4.50%) per annum during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 21. Other current assets

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Prepayments | 3,680 | 2,494 | 10 | 9 |

### 22. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash on hand and at banks | 65,233 | 45,121 | 926 | 6,911 |
| Deposits with financial institutions | 5,066 | 17,524 | - | 15,060 |
| **Total cash and bank balances** | 70,299 | 62,645 | 926 | 21,971 |

Deposits with financial institutions at the reporting date earned interest at rates ranging from 0.30% to 1.95% (2019: 0.50% to 3.8%) per annum. The tenure of the deposits at the reporting date are between 180 days to 1 year (2019: 30 days to 1 year).

For the purpose of cash flow statement, cash and cash equivalents comprise the following at reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and bank balances | 70,299 | 62,645 | 926 | 21,971 |
| Less: Short-term deposits with maturity more than 3 months | (5,066) | (17,524) | - | (15,060) |
| Cash and cash equivalents | 65,233 | 45,121 | 926 | 6,911 |

### 23. Share capital and treasury shares

| | Number of ordinary shares | | Amount | |
|---|---|---|---|---|
| | **Share capital (Issued and fully paid)** | **Treasury shares** | **Share capital (Issued and fully paid)** | **Treasury shares** |
| | '000 | '000 | RM'000 | RM'000 |
| **Group and Company** | | | | |
| At 1 January 2020 and 31 December 2020 | 155,616 | (15,377) | 206,658 | (24,309) |

**Treasury shares**

Treasury shares relate to ordinary shares of the Company that are held by the Company. This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance. During the financial year, the Company has not purchased any of its own shares. Of the total 155,616,013 (2019: 155,616,013) issued and fully paid ordinary shares as at 31 December 2020, 15,376,900 (2019: 15,376,900) are held as treasury shares by the Company. As at 31 December 2020, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (2019: 140,239,113) ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 24. Other reserves

| | Group 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|
| **Reserve and Enterprise Expansion Funds** | | |
| At 1 January | 4,791 | 4,593 |
| Transfer from retained earnings | 2,019 | 198 |
| At 31 December | 6,810 | 4,791 |
| **Translation adjustment account** | | |
| At 1 January | 5,553 | 7,403 |
| Translation difference in subsidiaries | 2,884 | (1,850) |
| At 31 December | 8,437 | 5,553 |
| **Total other reserves** | 15,247 | 10,344 |

The nature and purpose of each category of reserve are as follows:

**(a) Reserve and Enterprise Expansion Funds**

The Reserve and Enterprise Expansion Funds are maintained in compliance with the regulation issued by the governing authority of the People's Republic of China ("PRC") for a subsidiary incorporated in the PRC.

**(b) Translation adjustment account**

The translation adjustment account represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### 25. Loans and borrowings

| | Maturity | Group 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|---|
| **Current** | | | |
| Unsecured: | | | |
| Trade facilities | On demand | 4,491 | 3,984 |
| Secured: | | | |
| Term loan: | | | |
| RM loan at BLR - 2.2% p.a. | 2021 | 1,426 | 1,199 |
| RM loan at BLR - 1.75% p.a. | 2021 | 2,050 | 1,886 |
| | | 7,967 | 7,069 |
| **Non-current** | | | |
| Term loan: | | | |
| RM loan at BLR - 2.2% p.a. | 2022 - 2023 | 2,740 | 3,718 |
| RM loan at BLR - 1.75% p.a. | 2022 - 2026 | 11,253 | 12,128 |
| | | 13,993 | 15,846 |
| **Total loans and borrowings** | | 21,960 | 22,915 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 25. Loans and borrowings (contd.)

The remaining maturities of the loans and borrowings are as follows:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| On demand or not later than 1 year | 7,967 | 7,069 |
| Later than 1 year and not later than 2 years | 3,609 | 3,240 |
| Later than 2 years and not later than 5 years | 8,224 | 9,061 |
| Later than 5 years | 2,160 | 3,545 |
| | 21,960 | 22,915 |

**Term loans**

The term loans are secured by way of fixed charge over landed properties of a subsidiary as disclosed in Note 13 and Note 14 and corporate guarantees from the Company.

**Trade facilities**

The Group have bankers' acceptances facilities with terms range from 34 days to 118 days (2019: 180 days). The facility effective interest rate is range from 2.05% to 3.29% per annum (2019: 0.80% per annum) and are repayable on its maturity date.

### 26. Deferred tax (assets)/liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 461 | 1,525 | 88 | 70 |
| Recognised in profit or loss (Note 10) | (328) | (1,119) | (26) | 18 |
| Translation differences | (62) | 55 | - | - |
| At 31 December | 71 | 461 | 62 | 88 |

Presented after appropriate offsetting as follows:

| | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|
| Deferred tax assets | (4,716) | (4,352) | - | - |
| Deferred tax liabilities | 4,787 | 4,813 | 62 | 88 |
| | 71 | 461 | 62 | 88 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**26. Deferred tax (assets)/liabilities (contd.)**

The components and movements of deferred tax (assets)/liabilities during the financial year are as follows:

**Deferred tax (assets)/liabilities of the Group:**

| | Unutilised reinvestment and capital allowances RM'000 | Unutilised business losses RM'000 | Provisions RM'000 | Property, plant and equipment RM'000 | Intangible assets RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| At 1 January 2019 | (8,295) | - | (2,533) | 7,628 | 4,725 | 1,525 |
| Recognised in profit or loss | (18) | (13) | 1,064 | (2,152) | - | (1,119) |
| Translation differences | - | - | 19 | 36 | - | 55 |
| At 31 December 2019 | (8,313) | (13) | (1,450) | 5,512 | 4,725 | 461 |
| Recognised in profit or loss | 3,807 | (180) | (2,983) | (972) | - | (328) |
| Translation differences | - | - | 143 | (205) | - | (62) |
| At 31 December 2020 | (4,506) | (193) | (4,290) | 4,335 | 4,725 | 71 |

Presented after appropriate offsetting as follows:

| | Unutilised reinvestment and capital allowances RM'000 | Unutilised business losses RM'000 | Provisions RM'000 | Property, plant and equipment RM'000 | Intangible assets RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| Deferred tax assets | (8,313) | (13) | (1,450) | 5,424 | - | (4,352) |
| Deferred tax liabilities | - | - | - | 88 | 4,725 | 4,813 |
| | (8,313) | (13) | (1,450) | 5,512 | 4,725 | 461 |
| **2020** | | | | | | |
| Deferred tax assets | (4,506) | (193) | (4,290) | 4,273 | - | (4,716) |
| Deferred tax liabilities | - | - | - | 62 | 4,725 | 4,787 |
| | (4,506) | (193) | (4,290) | 4,335 | 4,725 | 71 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 26. Deferred tax (assets)/liabilities (contd.)

**Deferred tax liability of the Company**

| | **Property, plant and equipment** RM'000 |
|---|---|
| At 1 January 2019 | 70 |
| Recognised in profit or loss (Note 10) | 18 |
| At 31 December 2019 | 88 |
| Recognised in profit or loss (Note 10) | (26) |
| At 31 December 2020 | 62 |

At the reporting date, deferred tax assets were not recognised in respect of the following as it is not probable that future taxable profits will be available against which the following can be utilised:

| | **2020** RM'000 | **2019** RM'000 |
|---|---|---|
| Unutilised tax losses | 193,140 | 177,667 |
| Unabsorbed capital allowances | 25,551 | 20,689 |
| Unabsorbed incentive allowances | 2,992 | 2,992 |
| Unabsorbed reinvestment allowances | 18,929 | 14,109 |
| Others | 57,028 | 51,792 |
| | 297,640 | 267,249 |
| Deferred tax asset at 24%, if recognised | 71,434 | 64,140 |

### 27. Derivative assets

| | **Group** | | | |
|---|---|---|---|---|
| | **2020** | | **2019** | |
| | **Contract/ notional amount** RM'000 | **Assets** RM'000 | **Contract/ notional amount** RM'000 | **Assets** RM'000 |
| **Non-hedging derivatives:** | | | | |
| **Current** | | | | |
| Forward currency contracts | 20,743 | 769 | 13,851 | 6 |

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

At 31 December 2020, forward currency contracts were used to hedge the Group's sales commitments denominated in USD and AUD (Note 38(d)).

As at 31 December 2020, the Group recognised a net gain of RM769,000 (2019: RM941,000) arising from fair value changes of derivative instruments. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 28. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Trade payables** | | | | |
| Third parties | 52,474 | 41,381 | - | - |
| **Other payables** | | | | |
| Sundry payables | 15,466 | 16,417 | 79 | 221 |
| Payroll expenses | 5,125 | 6,777 | 1,275 | 1,851 |
| Other accruals | 5,948 | 3,772 | 64 | 61 |
| | 26,539 | 26,966 | 1,418 | 2,133 |
| **Total trade and other payables** | 79,013 | 68,347 | 1,418 | 2,133 |

**(a) Trade payables**

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 120 days (2019: 30 to 120 days) terms.

**(b) Sundry payables**

Sundry payables are normally settled on an average term of 30 days (2019: 30 days) and are generally non-interest bearing. An amount of RM1,792,623 (2019: RM912,403) included in the sundry payables represents Marketing Fund of Amber Group Australia Pty. Ltd. ("the Fund"). The Fund receives contributions from franchisees based on a percentage of store sales and is used for the advertising and marketing of products under Amber brand.

### 29. Provisions

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Long service leave and annual leave** | | | | |
| At 1 January | 4,274 | 4,128 | 82 | 73 |
| Provided during the year | 1,255 | 1,397 | 40 | 35 |
| Utilised during the year | (1,499) | (1,152) | (40) | (26) |
| Unused amounts forfeited | (21) | (43) | - | - |
| Translation differences | 235 | (56) | - | - |
| At 31 December | 4,244 | 4,274 | 82 | 82 |
| Analysed as: | | | | |
| Current | 3,868 | 3,872 | 82 | 82 |
| Non-current | 376 | 402 | - | - |
| At 31 December | 4,244 | 4,274 | 82 | 82 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 30. Deferred capital grant

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | RM'000 | RM'000 |
| **Cost:** | | |
| At 1 January and 31 December 2020 | 1,085 | 1,085 |
| **Accumulated amortisation**: | | |
| At 1 January | 893 | 690 |
| Amortisation (Note 5) | 192 | 203 |
| At 31 December | 1,085 | 893 |
| **Net carrying amount:** | | |
| Current | - | 192 |
| Non-current | - | - |
| At 31 December | - | 192 |

Deferred capital grant relates to the foreign government grant received by the Group's subsidiary in the People Republic of China for undertaking and implementing environmentally friendly plant and machineries. There are no unfulfilled conditions or contingencies attached to these grants.

### 31. Leases liabilities

**Group as a lessee**

The Group has lease contracts for various items of property, plant, machinery and other equipment used in its operations. Leases of property generally have lease terms between 1 and 5 years, while plant and machinery and other equipment generally have lease terms of 3 and 5 years respectively. The Group's obligations under these leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of lease liabilities and the movements during the year:

| | **Buildings** | **Plant and machinery** | **Motor vehicles** | **Other equipment** | **Total** |
|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Group** | | | | | |
| As at 1 January 2019 | - | - | - | - | - |
| Effect of adoption of MFRS 16 | 19,815 | 1,216 | - | 8,736 | 29,767 |
| Addition | 10,031 | 362 | 177 | 38 | 10,608 |
| Accretion of interest | 870 | 52 | 4 | 312 | 1,238 |
| Payment | (7,746) | (290) | (29) | (2,078) | (10,143) |
| Translation differences | (1) | - | - | (148) | (149) |
| As at 31 December 2019 | 22,969 | 1,340 | 152 | 6,860 | 31,321 |
| Addition | 4,421 | 400 | - | - | 4,821 |
| Accretion of interest | 738 | 55 | 5 | 204 | 1,002 |
| Modification of lease terms | (2,066) | (1) | - | (931) | (2,998) |
| Payment | (8,828) | (432) | (51) | (2,189) | (11,500) |
| Translation differences | 1,319 | 90 | 11 | 437 | 1,857 |
| As at 31 December 2020 | 18,553 | 1,452 | 117 | 4,381 | 24,503 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 31. Leases liabilities (contd.)

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| **Group** | | |
| Current | 9,013 | 10,323 |
| Non-current | 15,490 | 20,998 |
| | 24,503 | 31,321 |

The maturity analysis of lease liabilities is disclosed in Note 38 (b).

The table below describes the nature of the Group's leasing activities by type of right-of-use assets recognised on the statements of financial position:

| | 2020 | 2019 |
|---|---|---|
| No. of right-of-use assets leased | 44 | 42 |
| No. of leases with extension option | 25 | 22 |

The following are the amounts recognised in profit or loss:

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| **Group** | | |
| Depreciation expense of right-of-use assets | 11,943 | 11,333 |
| Interest expense on lease liabilities | 1,002 | 1,238 |
| Expense relating to short-term leases (included in cost of sales and administrative expenses) | 1,534 | 578 |
| Expense relating to leases of low-value assets (included in administrative expenses) | 101 | 42 |
| **Total amount recognised in profit or loss** | 14,580 | 13,191 |
| **Company** | | |
| Depreciation expense of right-of-use assets | 744 | 745 |
| Expense relating to leases of low-value assets (included in administrative expenses) | 7 | - |
| **Total amount recognised in profit or loss** | 751 | 745 |

The Group had total cash outflows for leases of RM13,135,000 in 2020 (2019: RM10,763,000). The Group also had non-cash additions to right-of-use assets and lease liabilities of RM4,821,000 in 2020 (2019: RM10,608,000).

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The Group has not exercised any of these termination options.

The discounted potential future lease payments arising from termination and extension options in certain lease contracts are not included in the lease liabilities due to uncertainties as to whether the options will or will not be exercised.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 31. Leases liabilities (contd.)

**Group as a lessor**

The Group has entered into operating leases on its buildings consisting of showroom, factory and two residential properties. These leases are negotiated for terms ranging from one to ten years. All leases include a clause to enable upward revision of the rental charge on an annual basis or renewal/extension according to prevailing market conditions.

The future minimum rental receivable under non-cancellable operating leases contracted for at the reporting period are as follows:

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| **Group** | | |
| Not later than one year | 1,304 | 852 |
| Later than one year and not later than five years | 5,216 | 3,408 |
| Later than five years | 1,304 | 852 |
| | 7,824 | 5,112 |
| **Company** | | |
| Not later than one year | 227 | 227 |
| Later than one year and not later than five years | 907 | 908 |
| Later than five years | 227 | 227 |
| | 1,361 | 1,362 |

### 32. Capital commitments

| | Group | |
|---|---|---|
| | 2020<br>RM'000 | 2019<br>RM'000 |
| Property, plant and equipment: | | |
| Authorised and contracted for | 1,030 | 7,950 |
| Authorised but not contracted for | 5,384 | 5,942 |

### 33. Related party disclosures

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions entered into between the Group and related parties took place at terms agreed between the parties during the financial year:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| **(a) Transactions with directors and/or companies in which certain directors and their close family members have substantial financial interest:** | | | | |
| **Income:** | | | | |
| (i) Sale of ceramic tiles: | | | | |
| Pan Chyi Construction & Development Sdn. Bhd. | - | 32 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 33. Related party disclosures (contd.)

| | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|
| **(a) Transactions with directors and/or companies in which certain directors and their close family members have substantial financial interest:** | | | | |
| **Expenditure:** | | | | |
| (i) Rental of office and warehouses: | | | | |
| Kim Hin (Malaysia) Sdn. Bhd. | 1,996 | 1,996 | - | - |
| (ii) Purchases of sanitaryware for resale: | | | | |
| Kam Kam Sanitaryware Sdn. Bhd. | 942 | 972 | - | - |
| (iii) Renovation and maintenance costs: | | | | |
| Pan Chyi Construction and Development Sdn. Bhd. | 302 | 205 | 1 | 20 |
| (iv) Insurance commission earned as insurance agent: | | | | |
| Kim Hin (Malaysia) Sdn. Bhd. | 105 | 106 | 7 | 7 |
| (v) Purchase of ceramic tiles for resale: | | | | |
| Shanghai Kim Hin United Buildings Materials Co. Ltd. | 117 | 91 | - | - |

**(b) Transactions with subsidiaries:**

| | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|
| Dividend income | 2,589 | 8,186 |
| Management fees | 1,056 | 1,056 |
| Rental income | 227 | 227 |
| Interest income | 3,045 | 3,593 |

**(c) Compensation of key management personnel**

The remuneration of directors and other members of key management during the year were as follows:

| | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|
| Wages and salaries | 18,584 | 18,605 | 3,054 | 3,493 |
| Social security costs | 37 | 38 | 6 | 5 |
| Defined contribution plan | 2,290 | 2,452 | 560 | 643 |
| Benefits-in-kind | 200 | 240 | 29 | 59 |
| | 21,111 | 21,335 | 3,649 | 4,200 |
| Included in the total remuneration of key management personnel are: | | | | |
| Executive directors' remuneration (Note 9) | 7,302 | 8,438 | 3,162 | 3,694 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 34. Fair value of financial instruments

**Determination of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

| | Note |
|---|---|
| Trade and other receivables (current) | 20 |
| Cash and bank balances | 22 |
| Loans and borrowings | 25 |
| Derivative assets | 27 |
| Trade and other payables (current) | 28 |
| Lease liabilities | 31 |

**(i) Cash and bank balances, other receivables and other payables**

The carrying amounts of these balances approximate their fair values due to the short-term nature.

**(ii) Trade receivables and trade payables**

The carrying amounts of these trade receivables and trade payables approximate their fair value because they are subject to normal trade credit terms.

**(iii) Loans and borrowings**

The carrying value of bank borrowings and term loans approximate their fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

**(iv) Derivatives**

The fair values of forward currency contracts are the amounts that would be payable or receivable on termination of the outstanding position arising and are determined by reference to the contracted rate and forward exchange rates at the reporting date.

**(v) Lease liabilities**

The fair values of leases are estimated by discounting expected future cash flows at market incremental lending rate of similar types of lending, borrowings or leasing arrangements at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 35. Fair value measurement

**Fair value hierarchy**

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities.

**Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2020**

| | Note | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Assets measured at fair value** | | | | | |
| Unquoted unit trusts | 17 | - | 36,330 | - | 36,330 |
| Derivative assets | 27 | - | 769 | - | 769 |
| **Assets for which fair values are disclosed** | | | | | |
| Investment properties | 15 | - | - | 47,965 | 47,965 |
| **Company** | | | | | |
| **Assets measured at fair value** | | | | | |
| Unquoted unit trusts | 17 | - | 36,330 | - | 36,330 |
| **Assets for which fair values are disclosed** | | | | | |
| Investment properties | 15 | - | - | 29,428 | 29,428 |

**Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2019**

| | Note | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Assets measured at fair value** | | | | | |
| Unquoted unit trusts | 17 | - | 25,526 | - | 25,526 |
| Derivative assets | 27 | - | 6 | - | 6 |
| **Assets for which fair values are disclosed** | | | | | |
| Investment properties | 15 | - | - | 42,346 | 42,346 |
| **Company** | | | | | |
| **Assets measured at fair value** | | | | | |
| Unquoted unit trusts | 17 | - | 25,526 | - | 25,526 |
| **Assets for which fair values are disclosed** | | | | | |
| Investment properties | 15 | - | - | 33,000 | 33,000 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 36. Categories of financial instruments

The table below provides an analysis of the Group's financial instruments as at 31 December 2020 and 2019, categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")

| | Group | | Company | |
|---|---|---|---|---|
| | **AC** | **FVTPL** | **AC** | **FVTPL** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **31 December 2020** | | | | |
| **Financial assets** | | | | |
| Trade and other receivables | 72,325 | - | 102,198 | - |
| Other investments | - | 36,330 | - | 36,330 |
| Cash and bank balances | 70,299 | - | 926 | - |
| Derivative assets | - | 769 | - | - |
| | 142,624 | 37,099 | 103,124 | 36,330 |
| **Financial liabilities** | | | | |
| Loans and borrowings | 21,960 | - | - | - |
| Trade and other payables | 79,013 | - | 1,418 | - |
| Lease liabilities | 24,503 | - | - | - |
| | 125,476 | - | 1,418 | - |
| **31 December 2019** | | | | |
| **Financial assets** | | | | |
| Trade and other receivables | 75,675 | - | 105,498 | - |
| Other investments | - | 25,526 | - | 25,526 |
| Cash and bank balances | 62,645 | - | 21,971 | - |
| Derivative assets | - | 6 | - | - |
| | 138,320 | 25,532 | 127,469 | 25,526 |
| **Financial liabilities** | | | | |
| Loans and borrowings | 22,915 | - | - | - |
| Trade and other payables | 68,347 | - | 2,133 | - |
| Lease liabilities | 31,321 | - | - | - |
| | 122,583 | - | 2,133 | - |

### 37. Changes in liabilities arising from financing activities

| | **2020** | **2019** |
|---|---|---|
| | RM'000 | RM'000 |
| **Group's borrowings and lease liabilities** | | |
| At 1 January | 54,236 | 21,858 |
| Effect of adoption of MFRS 16 | - | 29,767 |
| Acquisition of right-of-use assets | 4,821 | 10,608 |
| Repayment of borrowings | (5,490) | (2,926) |
| Repayment of principal portion of lease liabilities | (10,498) | (8,905) |
| Drawdown of trade facilities | 4,491 | 3,983 |
| Translation differences | (1,097) | (149) |
| At 31 December | 46,463 | 54,236 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 38. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, market price risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

The Group has not undertaken any derivatives throughout the current and previous financial year except for the use of forward currency contracts. The Group does not apply hedge accounting.

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

**(a) Credit risk**

Customer credit risk is managed by each entity in the Group and is subject to establish policy, procedures and control. Outstanding customer receivables are regularly monitored and major shipments are generally covered by letters of credit or other forms of collaterals. As at 31 December 2020, the Group had 33 customers (2019: 24) that owed more than RM500,000 each and accounted for approximately 57% (2019: 43%) of receivables outstanding. There were two (2019: 2) customers with balances greater than RM3,000,000 accounting for about 17% (2019: 10%) of total trade receivables.

Impairment reviews are performed regularly and at the reporting date using the simplified approach. Generally, trade receivables are provided for expected credit loss when past due for more than one year. The letters of credits and other forms of collaterals are integral part of trade receivables and considered in the calculation of impairment.

**Exposure to credit risk**

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.

- A nominal amount of RM21,960,000 (2019: RM22,915,000) relating to corporate guarantees provided by the Company to banks for bank borrowings granted to certain subsidiaries of the Company.

**Credit risk concentration profile**

The Group does not have any significant or concentration of credit risk that may arise from exposures to a single debtor or to groups of related debtors.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 38. Financial risk management objectives and policies (contd.)

#### (b) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

**Analysis of financial instruments by remaining contractual maturities**

The table below summarises the maturity profile of the Group's liabilities at the reporting date based on contractual undiscounted repayment obligations.

| | On demand or within one year RM'000 | One to five years RM'000 | Over five years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Financial liabilities** | | | | |
| **2020** | | | | |
| Trade and other payables | 79,013 | - | - | 79,013 |
| Loans and borrowings | 8,607 | 13,055 | 2,201 | 23,863 |
| Lease liabilities | 9,636 | 16,146 | 484 | 26,266 |
| Total undiscounted financial liabilities | 97,256 | 29,201 | 2,685 | 129,142 |
| **2019** | | | | |
| Trade and other payables | 68,347 | - | - | 68,347 |
| Loans and borrowings | 8,179 | 14,198 | 3,685 | 26,062 |
| Lease liabilities | 10,474 | 21,234 | 2,309 | 34,017 |
| Total undiscounted financial liabilities | 87,000 | 35,432 | 5,994 | 128,426 |
| **Company** | | | | |
| **Financial liabilities** | | | | |
| **2020** | | | | |
| Other payables | 1,418 | - | - | 1,418 |
| Financial guarantees* | 21,960 | - | - | 21,960 |
| Total undiscounted financial liabilities | 23,378 | - | - | 23,378 |
| **2019** | | | | |
| Other payables | 2,133 | - | - | 2,133 |
| Financial guarantees* | 22,915 | - | - | 22,915 |
| Total undiscounted financial liabilities | 25,048 | - | - | 25,048 |

* Based on the maximum that can be called for under the financial guarantee contracts.

#### (c) Interest rate risk

Interest rate 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 interest rates.

The Group's exposure to market risk for changes in interest rates arises primarily from its long-term debt obligations with floating interest rates. Interest rate exposure is managed by maintaining a balanced mix of fixed and floating rate borrowings and regular reviews of its debt portfolio.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**38. Financial risk management objectives and policies (contd.)**

**(c) Interest rate risk (contd.)**

Information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

**Sensitivity analysis for interest rate risk**

At the reporting date, it is estimated that a ten (10) basis points increase in interest rate, with all other variables held constant, would decrease the Group's profit net of tax by approximately RM1,903 (2019: RM2,520), arising mainly as a result of higher interest expense on net floating borrowing position. A decrease in interest rate would have had equal but opposite effect on the aforesaid amount, on the basis that all other variables remained constant.

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

**(d) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Ringgit Malaysia ("RM"), Australian Dollar ("AUD") and Renminbi ("RMB"). The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD"), AUD and EURO ("EUR").

The Group uses forward currency contracts to eliminate the currency exposures after it has entered into a firm commitment for a sale. The forward currency contracts must be in the same currency as the hedged item.

At 31 December 2020, the Group hedged 67% (2019: 20%) of its foreign currency denominated sales, for which firm commitments extended to December 2021.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, the Group's foreign currency balances denominated in AUD, EURO and USD amounted to RM3,339 (2019: RM6,510,960) for its Malaysian operations.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including People's Republic of China, Australia and Vietnam.

**Sensitivity analysis for foreign currency risk**

The following table demonstrates the sensitivity of the Group's and the Company's profit net of tax to a reasonably possible strengthening/weakening of the USD, AUD and EUR exchange rates against the functional currency of the Group and of the Company, with all other variables held constant.

| | | Group Profit net of tax | | Company Profit net of tax | |
|---|---|---|---|---|---|
| | | **2020** | **2019** | **2020** | **2019** |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| USD | - Strengthen 11% (2019: 15%) | 1,493 | 261 | - | 147 |
| | - Weaken 28% (2019: 9%) | (4) | (96) | - | (49) |
| AUD | - Strengthen 1% (2019: 8%) | 90 | 150 | 36 | 104 |
| | - Weaken 19% (2019: 2%) | (1,956) | (100) | (669) | (52) |
| EUR | - Strengthen 3% (2019: 3%) | (10) | (27) | - | - |
| | - Weaken 9% (2019: 6%) | 107 | 9 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 39. Capital management

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business and enhance its shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, risk inherent in its business operations or expansion plan of the Group. The initiatives in maintaining the Group's capital structure include issuance of shares, adjusting dividend payment to shareholders, or returning capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019.

As disclosed in Note 24(a), a subsidiary of the Group is required by the Foreign Enterprise Law of the People's Republic of China to contribute to and maintain a non-distributable reserve fund whose utilisation is subject to the approval by the relevant foreign authority. This externally imposed capital requirement has been complied with by the subsidiary for the financial years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, loans and borrowings and lease liabilities, less cash and bank balances. Capital includes equity attributable to the owners of the parent less translation adjustment account, and the above-mentioned restricted reserve fund.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2020** RM'000 | **2019** RM'000 | **2020** RM'000 | **2019** RM'000 |
| Trade and other payables | 28 | 79,013 | 68,347 | 1,418 | 2,133 |
| Loans and borrowings | 25 | 21,960 | 22,915 | - | - |
| Lease liabilities | 31 | 24,503 | 31,321 | - | - |
| Less: Cash and cash balances | 22 | (70,299) | (62,645) | (926) | (21,971) |
| Net debt/(cash) | | 55,177 | 59,938 | 492 | (19,838) |
| Equity attributable to equity holder of the Company | | 392,565 | 406,849 | 354,482 | 372,802 |
| Less: Other reserves | 24 | (15,247) | (10,344) | - | - |
| Capital | | 377,318 | 396,505 | 354,482 | 372,802 |
| Net debt/(cash) | | 55,177 | 59,938 | 492 | (19,838) |
| Capital | | 377,318 | 396,505 | 354,482 | 372,802 |
| Total capital plus net debt | | 432,495 | 456,443 | 354,974 | 352,964 |
| Gearing ratio | | 12.76% | 13.13% | 0.14% | - |

### 40. Segmental reporting

The Group operates principally in one industry and is organised into four operating segments according to geographical locations based on information reported internally.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on profit or loss net of tax and non-controlling interests.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between business segments are set on mutually agreed terms. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**40. Segmental reporting (contd.)**

| 31 December 2020 | Malaysia operation RM'000 | China operation RM'000 | Australia operation RM'000 | Vietnam operation RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Total sales | 188,182 | 33,062 | 139,895 | 4,260 | 365,399 |
| Less: Inter-segment sales | (26,550) | (2,187) | - | - | (28,737) |
| | 161,632 | 30,875 | 139,895 | 4,260 | 336,662 |
| **Results** | | | | | |
| Segment operating (loss)/profit | (31,907) | 33,508 | (396) | (88) | 1,117 |
| Finance costs | (1,003) | - | (900) | - | (1,903) |
| (Loss)/profit before tax | (32,910) | 33,508 | (1,296) | (88) | (786) |
| Income tax expense | (117) | (8,347) | 57 | (55) | (8,462) |
| (Loss)/profit for the year | (33,027) | 25,161 | (1,239) | (143) | (9,248) |
| Non-controlling interests | - | (5,158) | - | 43 | (5,115) |
| (Loss)/profit attributable to owners of parent | (33,027) | 20,003 | (1,239) | (100) | (14,363) |
| **Assets** | | | | | |
| Segment assets | 287,154 | 97,547 | 106,331 | 3,676 | 494,708 |
| Other investments | 36,330 | - | - | - | 36,330 |
| Intangible assets | - | - | 16,643 | - | 16,643 |
| Tax recoverable | 1,619 | - | - | - | 1,619 |
| Deferred tax assets | 1,084 | 502 | 3,130 | - | 4,716 |
| Total assets | 326,187 | 98,049 | 126,104 | 3,676 | 554,016 |
| **Liabilities** | | | | | |
| Segment liabilities | 38,224 | 6,228 | 38,621 | 184 | 83,257 |
| Loans and borrowings | 21,960 | - | - | - | 21,960 |
| Lease liabilities | 5,277 | - | 19,226 | - | 24,503 |
| Tax payable | - | 9,397 | - | - | 9,397 |
| Deferred tax liabilities | 62 | - | 4,725 | - | 4,787 |
| Total liabilities | 65,523 | 15,625 | 62,572 | 184 | 143,904 |
| **Other information** | | | | | |
| Bad debts written off | - | - | 69 | - | 69 |
| Depreciation | 18,106 | 2,439 | 9,947 | 41 | 30,533 |
| Impairment loss on property, plant and equipment and right-of-use assets | 5,960 | - | - | - | 5,960 |
| Inventories written down | 5,442 | 126 | - | - | 5,568 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

**40. Segmental reporting (contd.)**

| | Malaysia operation RM'000 | China operation RM'000 | Australia operation RM'000 | Vietnam operation RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **31 December 2019** | | | | | |
| **Revenue** | | | | | |
| Total sales | 212,533 | 46,711 | 146,654 | 6,767 | 412,665 |
| Less: Inter-segment sales | (32,676) | (1,401) | - | - | (34,077) |
| | 179,857 | 45,310 | 146,654 | 6,767 | 378,588 |
| **Results** | | | | | |
| Segment operating (loss)/profit | (27,483) | 5,530 | (5,930) | 641 | (27,242) |
| Finance costs | (1,224) | - | (1,296) | - | (2,520) |
| (Loss)/profit before tax | (28,707) | 5,530 | (7,226) | 641 | (29,762) |
| Income tax expense | (1,002) | (1,388) | 833 | (127) | (1,684) |
| (Loss)/profit for the year | (29,709) | 4,142 | (6,393) | 514 | (31,446) |
| Non-controlling interests | - | (849) | - | (154) | (1,003) |
| (Loss)/profit attributable to owners of parent | (29,709) | 3,293 | (6,393) | 360 | (32,449) |
| **Assets** | | | | | |
| Segment assets | 327,481 | 69,262 | 103,918 | 3,755 | 504,416 |
| Other investments | 25,526 | - | - | - | 25,526 |
| Intangible assets | - | - | 16,643 | - | 16,643 |
| Tax recoverable | 2,204 | - | 505 | - | 2,709 |
| Deferred tax assets | 839 | 644 | 2,869 | - | 4,352 |
| Total assets | 356,050 | 69,906 | 123,935 | 3,755 | 553,646 |
| **Liabilities** | | | | | |
| Segment liabilities | 39,542 | 8,291 | 24,588 | 200 | 72,621 |
| Loans and borrowings | 18,931 | - | 3,984 | - | 22,915 |
| Lease liabilities | 5,040 | - | 26,281 | - | 31,321 |
| Tax payable | - | 2,197 | - | 52 | 2,249 |
| Deferred tax liabilities | 88 | - | 4,725 | - | 4,813 |
| Deferred capital grant | - | 192 | - | - | 192 |
| Total liabilities | 63,601 | 10,680 | 59,578 | 252 | 134,111 |
| **Other information** | | | | | |
| Bad debts written off | - | - | 29 | - | 29 |
| Depreciation | 21,441 | 2,462 | 9,193 | 53 | 33,149 |
| Impairment loss on property, plant and equipment | 4,800 | - | - | - | 4,800 |
| Inventories written down | 65 | 690 | - | - | 755 |
| Loss on fair value changes on instruments at fair value through profit or loss, net - other investments | 6 | - | - | - | 6 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

### 41. Significant event

The novel coronavirus ("COVID-19") pandemic has affected many businesses and the Malaysian economy as a whole. On 16 March 2020, the Malaysian Government issued the Movement Control Order ("MCO") from 18 March 2020 to 12 May 2020 as a preventive measure against the spread of COVID-19 which requires the closure of all government and private premises except for those involved in the provision of essential services. The MCO was subsequently followed by the implementation of various phases of MCO such as Conditional MCO, Extended MCO and then, Recovery MCO. Similar measures including lockdowns and social distancing were also implemented by governments in other countries where the Group operates.

As the situation is fluid and still evolving and given the widespread nature of the outbreak and the unpredictability of future development of COVID-19, it is not practicable to provide a quantitative estimate of the potential financial impact of COVID-19 on the Group's and the Company's financial statements for the financial year ending 31 December 2021 reliably at this juncture.

### 42. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2020 were authorised for issue by the Board in accordance with a resolution of the directors on 30 April 2021.

# STATISTICS ON SHAREHOLDINGS
## AS AT 15 APRIL 2021

**Analysis by Size of Shareholdings as at 15 April 2021**

| | | |
|---|---|---|
| Total number of issued shares | : | 155,616,013 |
| Class of shares | : | Ordinary shares |
| Voting rights | : | One vote per ordinary share |

| Category | No. of Shareholders | % of Shareholders | No. of Shares ♦ | % of Shares ♦ |
|---|---|---|---|---|
| 1 to 99 | 95 | 3.313 | 3,484 | 0.002 |
| 100 to 1,000 | 622 | 21.695 | 445,598 | 0.317 |
| 1,001 to 10,000 | 1,670 | 58.249 | 6,721,281 | 4.792 |
| 10,001 to 100,000 | 417 | 14.544 | 12,750,250 | 9.091 |
| 100,001 to less than 5% issued shares | 61 | 2.127 | 34,128,675 | 24.336 |
| 5% and above of issued shares | 2 | 0.069 | 86,189,825 | 61.459 |
| **TOTAL** | **2,867** | **100.000** | **140,239,113** | **100.000** |

**List of Thirty (30) Largest Shareholders as at 15 April 2021**

| No. | Name | No. of Shares ♦ | % ♦ |
|---|---|---|---|
| 1. | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>CIMB For Kim Hin (Malaysia) Sdn. Bhd. (PB) | 62,254,025 | 44.391 |
| 2. | Kim Hin (Malaysia) Sdn. Bhd. | 23,935,800 | 17.067 |
| 3. | Lim Pei Tiam @ Liam Ahat Kiat | 5,463,000 | 3.895 |
| 4. | Galister International Ltd | 3,900,000 | 2.780 |
| 5. | DB (Malaysia) Nominee (Asing) Sdn. Bhd.<br>Deutsche Bank AG Singapore For Yeoman 3-Rights Value Asia Fund (PTSL) | 3,092,600 | 2.205 |
| 6. | UOBM Nominees (Asing) Sdn. Bhd.<br>United Overseas Bank Nominees (Pte) Ltd For China Cruise Company Ltd | 2,582,400 | 1.841 |
| 7. | CitiGroup Nominees (Asing) Sdn. Bhd.<br>Exempt An For Bank of Singapore Limited (Foreign) | 2,000,000 | 1.426 |
| 8. | Chua Seng Huat | 1,113,225 | 0.793 |
| 9. | HLB Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account For Lim Pay Kaon | 800,000 | 0.570 |
| 10. | CIMB Group Nominees (Asing) Sdn. Bhd.<br>Exempt An for DBS Bank Ltd (SFS) | 734,300 | 0.523 |
| 11. | Kenanga Nominees (Asing) Sdn. Bhd.<br>Exempt An For Phillip Securities Pte Ltd (Client Account) | 681,500 | 0.485 |
| 12. | Tham Kin Foong (John) | 678,100 | 0.483 |
| 13. | Goh Thong Beng | 667,000 | 0.475 |
| 14. | CGS-CIMB Nominees (Asing) Sdn. Bhd.<br>Exempt An For CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients) | 656,100 | 0.467 |
| 15. | Nican Asia Limited | 650,000 | 0.463 |
| 16. | Gan Kho @ Gan Hong Leong | 617,100 | 0.440 |
| 17. | Affin Hwang Nominees (Asing) Sdn. Bhd.<br>DBS Vickers Secs (S) Pte Ltd for Lim Mee Hwa | 600,000 | 0.427 |
| 18. | Tan Aik Choon | 548,700 | 0.391 |
| 19. | Dato' John Chua Seng Chai | 524,650 | 0.374 |

# STATISTICS ON SHAREHOLDINGS (CONT'D)
## AS AT 15 APRIL 2021

| | | | |
|---|---|---|---|
| 20. | Asia Selatan (M) Sdn. Bhd. | 490,000 | 0.349 |
| 21. | Taman Bunga Merlimau Sdn. Bhd. | 486,000 | 0.346 |
| 22. | Maybank Nominees (Tempatan) Sdn. Bhd.<br>Chua Eng Ho Wa'a @ Chua Eng Wah | 447,500 | 0.319 |
| 23. | Liau Keen Yee | 400,000 | 0.285 |
| 24. | Malacca Equity Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account For Ho Kok Kiang | 319,600 | 0.227 |
| 25 | Cheng Kok Sang | 298,000 | 0.212 |
| 26. | Chua Seng Guan | 296,000 | 0.211 |
| 27. | Pauline Getrude Chua Hui Lin | 295,000 | 0.210 |
| 28. | Chua Seng Guan | 270,000 | 0.192 |
| 29. | HLB Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account For Lim Pei Tiam @ Liam Ahat Kiat | 267,800 | 0.190 |
| 30. | CGS-CIMB Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account For Khoo Beng Chuan (Penang-CL) | 250,000 | 0.178 |

**List of Directors' Shareholdings as at 15 April 2021**

| No. | Name | Direct | Indirect |
|---|---|---|---|
| 1. | Chua Seng Huat | 1,113,225 | 86,189,825* |
| 2. | Dato' John Chua Seng Chai | 524,650 | 86,189,825* |
| 3. | Chua Seng Guan | 566,000 | 86,189,825* |
| 4. | Pauline Getrude Chua Hui Lin | 328,900 | 86,204,175* Δ |
| 5. | Chua Yew Lin | 242,400 | 86,189,825* |
| 6. | Fong Tshu Kwong | 20,000 | - |
| 7. | Ong Ah Ba | 10,000@ | - |
| 8. | Yong Lin Lin | - | - |

**List of Substantial Shareholders as at 15 April 2021**

| | | No. of shares | | | |
|---|---|---|---|---|---|
| No. | Name of Substantial Shareholders | Direct | % ♦ | Indirect | % ♦ |
| 1. | Kim Hin (Malaysia) Sdn. Bhd. | 86,189,825^ | 61.459 | - | - |
| 2. | Chua Seng Guan | 566,000 | 0.403 | 86,189,825* | 61.459 |
| 3. | Dato' John Chua Seng Chai | 524,650 | 0.374 | 86,189,825* | 61.459 |
| 4. | Chua Seng Huat | 1,113,225 | 0.793 | 86,189,825* | 61.459 |
| 5. | Pauline Getrude Chua Hui Lin | 328,900 | 0.234 | 86,204,175* Δ | 61.469 |
| 6. | Chua Yew Lin | 242,400 | 0.172 | 86,189,825* | 61.459 |
| 7. | Chua Seng Khoon | - | - | 86,189,825* | 61.459 |

Notes:

♦ Exclude treasury shares of 15,376,900 as at 15 April 2021.

* Deemed interest by virtue of shareholdings in Kim Hin (Malaysia) Sdn. Bhd.

Δ Deemed interested by virtue of 14,350 shares held by her spouse, Mr. Charles Pan Chyi.

^ Shares held through CIMSEC Nominees (Tempatan) Sdn. Bhd.<CIMB for Kim Hin (Malaysia) Sdn. Bhd (PB)> - 62,254,025.

@ Shares held through BHLB Trustee Berhad Exempted – Trust Account for EPF Investment for Member Savings Scheme.

# PARTICULARS OF THE GROUP'S PROPERTIES

Details of the top 10 properties of the Group as at 31 December 2020, all of which are leasehold/freehold properties, set out below:

| No | Location | Description / Existing Use | Year of Revaluation/ Acquisition | Approximate Age Of Building (Year) | Land/Area M2 | Leasehold Expiry Date | NBV '000 (RM) |
|---|---|---|---|---|---|---|---|
| | **SARAWAK** | | | | | | |
| 1 | Lot 2124 Block 226<br>Kuching North Land District<br>(KNLD) | Country Land/<br>Mixed Zone Land,<br>3 Storeys Old<br>Office Block | 1992 | 36 | 60,187 | 13/07/2057 | 10,379 |
| | Lot 96, 929 & 930, Block 226<br>KNLD | Factory Building,<br>Worker Quarters,<br>Warehouse,<br>3 Storeys New Office | 1992 | 29<br>29<br>29<br>25 | 66,330 | 31/12/2038 | |
| | **JOHOR** | | | | | | |
| 2 | PTD No 135903-135906 GM<br>Lot 1284, Batu 8, Jalan Skudai<br>Mukim Pulai, Daerah Johore Bharu | Warehouse/Office/<br>Showroom | 2007 | 14 | 3,554 | freehold | 3,978 |
| 3 | PTD 106708, HS (D) 61844 (Asiatic)<br>Mukim Senai-Kulai<br>Indahpura Industrial Park<br>Johor Bharu | Industrial Vacant<br>Land | 1997 | - | 16,340 | freehold | 4,160 |
| | **NEGERI SEMBILAN** | | | | | | |
| 4 | HS(D) 43950 to HS(D) 43963<br>Lot 10807 To Lot 10820<br>Mukim Rentau<br>District Of Seremban | Industrial Land,<br>Factory and<br>Office Building | 1989 | -<br>31, 10<br>23 | 61,500 | freehold | 25,859 |
| 5 | Lot 10806, GRN 116899<br>Tuanku Jaafar Industrial Estate<br>Sungai Gadut<br>District of Seremban | Industrial Land,<br>Warehouse | 2013 | 25 | 44,456 | freehold | 15,826 |
| 6 | Hakmilik PN229220<br>Lot 1780, Pekan Senawang<br>Daerah Seremban | Industrial Land | 2016 | - | 12,173 | 20/07/2052 | |
| | Hakmilik H.S.(D) 128462<br>P.T. 1329 (Plot 75B)<br>Mukim Ampangan, Daerah Seremban | Industrial Land,<br>Factory and<br>Office Building | 2016 | 33 | 16,187 | 08/07/2080 | 25,265 |
| | Hakmilik PN 48805<br>Lot 61215, Pekan Senawang<br>Daerah Seremban | Industrial Land,<br>Factory and<br>Office Building | 2016 | 41 | 40,000 | 11/12/2074 | |
| | **SINGAPORE** | | | | | | |
| 7 | #08-10 Goodwood Residence<br>263, Bukit Timah Road<br>259704 Singapore | Condominium | 2010 | 7 | 233 | freehold | 13,213 |
| | **THE PEOPLE REPUBLIC OF CHINA** | | | | | | |
| 8 | Zhujing Development Area<br>Jinshan Country, Shanghai | Industrial Land,<br>Factory/Office<br>Building | 1992 | -<br>26 | 199,350 | 05/11/2042 | 18,532 |
| 9 | Unit 610, 5th Floor, No. 108<br>Qibao Wan Xin International Center<br>Lane 1333, Xinlong Road, Shanghai | Office Unit | 2018 | 2 | 250.79 | 2069 | 7,858 |
| | **AUSTRALIA** | | | | | | |
| 10 | Unit 5102 11 Bale Circuit<br>Southbank VIC 3026 | Condominium | 2020 | 1 | 190 | freehold | 9,259 |

**KIM HIN INDUSTRY BERHAD**
Registration No.: 197301003569 (18203-V)
(Incorporated in Malaysia)

| *Shareholding Represented by Proxy* | |
|---|---|

## FORM OF PROXY

I/We .................................................................... (Name in full) ................................................. (IC/Company No.)

of ............................................................................................................................................... (Address) being

a member/members of KIM HIN INDUSTRY BERHAD (“the Company”), hereby appoint ....................................

(Name in full) of .......................................................................................................................... (Address) or failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Forty-Eighth Annual General Meeting (“48th AGM”) of the Company to be held at Kim Hin Industry Berhad’s Conference Room, 4 ½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak, on Tuesday, 15 June 2021, at 2.00 p.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

| NO. | RESOLUTION | FOR | AGAINST |
|---|---|---|---|
| 1. | To approve the payment of Directors’ fees amounting to RM271,000 for the financial year ended 31 December 2020. | | |
| 2. | To re-elect Mr. Chua Seng Huat as Director of the Company. | | |
| 3. | To re-elect Mr. Chua Seng Guan as Director of the Company. | | |
| 4. | To re-elect Mr. Yong Lin Lin as Director of the Company. | | |
| 5. | To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. | | |
| 6. | To authorise Directors to allot and issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016. | | |
| 7. | To approve the proposed renewal of shareholders’ mandate for recurrent related party transactions of a revenue or trading nature (Shareholders’ Mandate”). | | |
| 8. | To approve the retention of Mr. Fong Tshu Kwong as an Independent Non-Executive Director of the Company. | | |
| 9. | To approve the retention of Mr. Ong Ah Ba as an Independent Non-Executive Director of the Company. | | |

Please indicate “X” in the appropriate box against each resolution how you wish your vote to be casted. If no specific direction as to voting is indicated, the proxy will vote or abstain at his/her direction.

...................................................................
Signature of shareholder(s)/common seal

Dated this ……………… day of June 2021.

**Notes**

1. *Only Depositors whose names appear in the General Meeting Record of Depositors as at 8 June 2021 be regarded as Members and shall be entitled to attend, speak and vote at the 48th AGM.*
2. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his/her place. A proxy need not be a member of the Company. Where a holder appoints two or more proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.*
3. *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.*
4. *A corporation which is a member may by resolution of its directors authorise such person as it thinks fit to act as its representative at the meeting pursuant to Section 333 of the Companies Act 2016 and the form of proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney, and the person so appointed may attend and vote at the meeting at which the appointer is entitled to vote.*
6. *The instrument appointing a proxy or representative must be deposited at the registered office at 4 ½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak not less than forty-eight (48) hours before the time for holding the meeting.*

Affix Stamp

The Company Secretary

**Kim Hin Industry Berhad**

Registration No.: 197301003569 (18203-V)

4 $^{1}/_{2}$ Mile, Kung Phin Road,
Off Penrissen Road,
93250 Kuching, Sarawak.

**KIM HIN INDUSTRY BERHAD**
**Registration No.: 197301003569 (18203-V)**

Head Office and Factory
4 1/2 Mile, Kung Phin Road, Off Penrissen Road,
93250 Kuching, Sarawak, Malaysia.
Tel : 082-451567, 458857, 451017
Fax : 082-452135
http : //www.kimhin.com.my
http : //www.kimgres.com