CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Kim Hin Industry Berhad ("The Board") acknowledges the application of the Principles set out in The Malaysian Code on Corporate Governance 2017 (**"MCCG"**), which is essential to promote greater internalization of corporate governance culture.

Pursuant to the requirements of Paragraph 15.25(1) of the Main Market Listing Requirements (**"MMLR"**) of Bursa Malaysia Securities Berhad, The Board presents this Corporate Governance Overview Statement to provide shareholders and investors with an overview of the application of **MCCG** 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 detailed application of each Practice as set out in the **MCCG** is disclosed in the Corporate Governance Report which is available on the Corporate website, www.kimhin.com.my.

The Board is committed to the implementation and maintenance of good corporate governance practices in discharging its duties, with a view to enhance business prosperity and long-term value for its shareholders.

THE BOARD OF DIRECTORS

The Board has the overall responsibility for corporate governance, strategic directions, formulation of policies and overseeing the investments and operations of the Company.

A BOARD LEADERSHIP AND EFFECTIVENESS

PART I – BOARD RESPONSIBILITIES

1. Board's Leadership

1.1 Strategic aims, objectives, values and standards

The Board leads and has effective controls over the Group whereby collective decision and close monitoring are conducted on issues relating to strategy, performance, resources, standards of conduct and financial matters.

The Board is also responsible for oversight and overall management of the Company. To ensure the effective discharge of its function and responsibilities, the Board established Authority Chart for the Group, which clearly sets out relevant matters reserved for the Board's approval, as well as those which the Board may delegate to the relevant Executive Directors, the Group Managing Director and Senior Management.

Some of the key responsibilities of the Board are as follows:

(i) Promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;
(ii) Review, challenge and decide on management's proposals for the Company, and monitor its implementation by management;
(iii) Ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
(iv) Supervise and assess management performance to determine whether the business is being properly managed;
(v) Ensure there is a sound framework for internal controls and risk management;
(vi) Understand the principal risks of the Group's business and recognise that business decisions involve the taking of appropriate risks;
(vii) Ensure that 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;
(viii) Ensure that the Group has in place procedures to enable effective communication with stakeholders; and
(ix) Ensure the integrity of the Group's financial and non-financial reporting.

1.2 The Chairman

The Chairman holds an Executive position and is primarily responsible for matters pertaining to the Board and the overall conduct of the Group. The Chairman is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

1.3 Chairman and Group Managing Director

There is 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.

1.4 Qualified and competent Company Secretary

The Company Secretary of Kim Hin Industry Berhad is Mdm. Yeo Puay Huang. She holds a Company Secretary Licence and is qualified to act as a Company Secretary under Section 235 of the Companies Act 2016. She has more than 42 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.

1.5 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.

2. Demarcation of responsibilities

2.1 Board Charter

The Board is guided by its Board Charter which sets out the Board's strategic intent, roles and responsibilities of the Directors, Board membership guidelines, leadership development, Board and member evaluations, Directors' remuneration, meeting procedures and Code of Conduct for Directors.

The Board Charter shall be periodically reviewed and updated at such interval the Board deems necessary taking into consideration the needs of the Company and changes in the regulatory requirements that may affect the Directors' duties and responsibilities.

The Board Charter is available on the corporate website, www.kimhin.com.my

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

3. Good business conduct and corporate culture

3.1 Code of Conduct and Ethics

The Code of Conduct and Ethics outlines the principles, policies and rules that govern the activities of the Group, and 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 driving 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.

3.2 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 complaint framework for employees or other stakeholders to raise concerns about illegal or unethical activity that they are aware of through their work, without fear of reprisals or retaliations.

PART II – BOARD COMPOSITION

4. Objective Board's decision

4.1 Composition of the Board

The Board comprises of eight (8) members, three (3) of which are Independent Directors.

The appointment of Mr. Fong Tshu Kwong as the Senior Independent Director, provides an additional channel for the Independent Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board.

4.2 Tenure of Independent Director

Annual shareholders' approval was obtained for Mr. Fong Tshu Kwong, who has served for a cumulative term of nearly **19 years** as an Independent Director since 21 May 2001.

In addition, Mr. Ong Ah Ba, who was appointed as an independent director of the Company on 8 December 2009, has also served for a cumulative term of more than 9 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, experience 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 Director of the Company.

4.3 Independent Director's Tenure Policy

The Company does not have a policy which limits the tenure of its independent 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

4.4 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.

4.5 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.

4.6 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.

4.7 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 all 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 is 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 Director.

Given that the Senior Independent 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 on the corporate website – www.kimhin.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

5. Overall Board effectiveness

5.1 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.

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 2019 and their attendance details are as follows:

Directors	Attendance	Percentage of attendance
Chua Seng Huat	4/5	83%
Chua Seng Guan	5/5	100%
Dato' John Chua Seng Chai	5/5	100%
Pauline Getrude Chua Hui Lin	5/5	100%
Chua Yew Lin	4/5	83%
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. 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 continue to evaluate and determine the training needs of its members 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 2019, the Directors attended the trainings entitled as follows:

1) Sales & Marketing in Digital Era Conference 2019; and
2) "Corporate Liability Act – Defense Mechanisms for Directors, Executives and the Company" on 21 November 2019.

PART III – REMUNERATION

6. Remuneration of Directors and senior management

6.1 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 Board has recently formalised the Directors' Compensation Policy on 25 November 2019. However, the Board has yet to formalise the remuneration policies and procedures for the senior management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board intends to put in place the remuneration policies and procedures for senior management within 3 years' period. 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

6.2 Remuneration Committee

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

The Remuneration Committee responsibilities include to establish compensation strategy, compensation policies and programs, and management development plans.

7. Remuneration of Directors and senior management

7.1 Details of Directors' remuneration

The remuneration of the Directors (group basis) for 2019 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	1,163	765	25	77	346	2,409
Dato' John Chua Seng Chai	33	1,148	765	24	57	353	2,380
Chua Seng Guan	33	1,163	765	24	15	346	2,346
Pauline Getrude Chua Hui Lin	33	384	192	-	19	117	745
Chua Yew Lin	33	384	192	-	17	117	743
Independent *Director*							
Fong Tshu Kwong	33	-	-	-	-	-	33
Ong Ah Ba	33	-	-	-	-	-	33
Yong Lin Lin	33	-	-	-	-	-	33
TOTAL	264	4,242	2,679	73	185	1,279	8,722

Note

^ 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.

7.2 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	1
RM250,001 to RM300,000	3
RM300,001 to RM350,000	-
Rm350,001 to RM400,000	1
Total	5

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I – AUDIT COMMITTEE

8. Effective and independent Audit Committee

8.1 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. The Chairman of the Board is Mr. Chua Seng Huat.

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.

8.2 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.

8.3 Policies and procedures on external auditor

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

8.4 Membership of Audit Committee

The members of the Audit Committee of the Company are all Independent Non-Executive Directors,

8.5 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.

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9. 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.

10. 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. Please refer to the Corporate Governance Report under Practice 10.2 on the details of the resources of the internal audit function.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER

PART I – COMMUNICATION WITH STAKEHOLDERS

11. 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 our 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.

PART II – CONDUCT OF GENERAL MEETINGS

12. 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 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 are ensuring the strategic plan of the Group supports its long-term value creation which includes strategies on economic, environmental and social consideration underpinning sustainability, and succession planning for the Directors and senior management.

Future priorities

The Board aims to establish a formal remuneration policies and procedures for senior management within the next 3 years.

AUDIT COMMITEE 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 2019.

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) 27 February 2019
2) 28 March 2019
3) 27 May 2019
4) 23 August 2019
5) 22 November 2019

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 27 February 2019, 28 March 2019 and 22 November 2019 respectively 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.

SUMMARY OF WORK

During the financial year ended 31 December 2019, 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.

AUDIT COMMITEE REPORT (CONT'D)

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

1. Operational reviews of the Group and major subsidiaries in Malaysia:

   (i) Kim Hin Industry Bhd

   - Recurrent Related Party Transaction (RRPT).

   (ii) Ceramica Indah Sdn. Bhd.

   - Inventory and storage management;
   - Maintenance and production process;
   - Sales and Service Tax Reporting; and
   - Human Resource.

   (iii) Kimgres Marketing Sdn. Bhd.

   - Branch audits for Kuching, Petaling Jaya, Penang and Ipoh;
   - Inventory Management;
   - Customers' Complaints Management;
   - Customers Satisfactory Survey;
   - Suppliers' Evaluation;
   - Customers' credit control/procedure and debt collection;
   - Standard operating procedures for showroom orders and sales;
   - Petty cash management; and
   - Sales and Marketing Strategy.

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 COMMITEE REPORT (CONT'D)

EXTERNAL AUDIT

a. Reviewed with the External Auditors:
   - their Audit Plan and scope of work for the year 2019;
   - 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 three (3) independent meetings with the External Auditors in February 2019, March 2019 and November 2019 respectively, 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 26 February 2020 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 was 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 26 February 2020 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 2020, 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 2019.

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 reassesses and updates its Enterprise Risk Management ("ERM") regularly with the engagement of external consultants to facilitate the process. 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 during the Enterprise Risk Assessment sessions organised in April and May 2019 for both East Malaysia and West Malaysia operations of the Group. 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 and Code of Conducts for Directors;
- Establishment of Employee's Handbook and Code of Conduct and Ethics;
- 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.

During the financial year under review, the Group's Internal Auditors have performed audits covering the various business processes of the Group, which includes review of the Group's recurrent related party transactions, and the Sales and Services Tax reporting for its Malaysian manufacturing entities.

Business processes involving human resource, inventory and storage management, maintenance and production of the Group's manufacturing facility in Malaysia were covered during operational reviews conducted during the financial year under review.

The Internal Auditors also covered focus areas of the Group's marketing operation such as suppliers' evaluation, customers' complaint management, customers' satisfaction survey, customers' credit control and sales orders processing. In addition, branch audits were conducted for the Group's marketing offices located at Kuching, Petaling Jaya, Penang and Ipoh as part of the audit plan. Among the areas audited under branch audits were inventory management, customers' credit control procedure and debts collection, Standard Operating Procedure for showroom orders and sales, and petty cash management.

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 2019 was in the region of RM80,000.

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 2019, 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 19 June 2020.

SUSTAINABILITY STATEMENT

INTRODUCTION

Kim Hin Group of Companies ("Kim Hin") perceived corporate sustainability as an integral part of the organization. We strive to strengthen and enhance our business operations locally and globally in alignment with our commitments to increase long-term value of our stakeholders and society.

The statement is prepared in accordance with Paragraph 29, Part A of Appendix 9C and Practices Note 9 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Sustainability Reporting Guilde-2nd Edition published by Bursa Securities.

The Board of Directors' acknowledge their responsibilities to promote and embed sustainability in the Group's business strategy and emphasis on developing a good governance culture which underlying foundations that underpin the focus on performance along the Economic, Environmental and Social ("EES") dimensions.

OUR VISION

Our vision is 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.

OUR MISSION

- Achieving responsible and balanced commercial success;
- Satisfying customers' needs;
- Enhancing shareholders' values and to provide fair returns to shareholders;
- Providing rewarding careers to employees;
- Having mutually beneficial relationship with business associates; and
- Participating and contributing effectively towards nation building.

OUR CORPORATE VALUE

- As a role model and a good corporate citizen;
- Provide the highest quality products and values to customers;
- Commitment to employees' welfare and wellbeing;
- To instill a culture of discipline, integrity, teamwork and proactivity amongst staff.

This sustainability goal has becoming the blueprint for Kim Hin and the subsidiaries to pave their way towards a brighter and sustainable future for all generations. This goal is currently embedded into our culture, vision and mission statement within the organization.

The Board of Directors of Kim Hin set business strategies to embed sustainability across the organization with supportive culture and strong leadership. Kim Hin has expanded its operations globally with its business strategies on sustainable growth. The Board is mindful that sustainability practices in Kim Hin is essential because it helps to identify, evaluate and manage the material EES risks and opportunities in order to meet the global market change.

THE EXPORT MARKETS OF KIM HIN INDUSTRY BERHAD

SUSTAINABILITY STATEMENT (CONT'D)

The outbreak of pandemic COVID-19 all over the world has disturbed the political, social, economic, and financial structures of the whole world. The pandemic outbreak and government regulations such as the government's implementation of Movement Control Order (MCO), had greatly affected the business operations and financial performance of Kim Hin Group. The Group's total sales percentage rate had dropped by 40% compared to the same period in year 2019.

Kim Hin Group is experiencing unprecedented challenges from COVID-19 and now the Group has to continue the business operations in an uncertain environment. With the Company's strong Corporate Vision, Mission, and Governance Strategies, the Board is confident that Kim Hin Group could turn the massive challenges into strength and meaningful business developments and, shall navigate the Company's financial and operational challenges of coronavirus while rapidly addressing the needs of the Company's people, customers and suppliers.

With the COVID-19 crisis, fundamental changes in consumer behavior, supply chains, and routes to market, are knocking the Company off balance. The continuously updated and adjusted government restrictions and policies, the slowing down of construction projects and the delay of overseas material supply have disrupted the production and sales of the Company as a whole. However, adequate management control procedures and actions had been carried out within the Group to ensure that the Company's business operations are performing well and continue in achieving future growth. Under the COVID-19 pandemic situation, every deferred decision of the Board has real consequences for customers, the workforce and the business. Time is of the essence.

Kim Him Group endeavours on our Corporate Mission and Corporate Value, which prioritises on protecting our people from unnecessary risks, as they are the most important asset of the Company. Km Hin Group had implemented important guidelines for the employees when performing their duties as below:

- Implementing business Dealing Restrictions.
- Proactively monitoring the developing situation and managing our staff members to stay healthy and keep customers' interest safeguard.
- Provide health alert and personal hygiene practice at the workplace.
- Circulation of the information on Novel Coronavirus (nCoV) and list of referral hospitals to all employees.
- Temperature monitoring of all employees and mask distribution.
- Adding more frequent cleaning, sanitation services to ensure a hygienic, safe and healthy workplace.

The Board tends to support our customers and suppliers with our quality products, effective communications, addressing supply chain disruption, stabilizing revenues and aligning businesses with evolving demand.

The sudden emergence of COVID-19 requires our Sales Team to have proper and effective communication with our customers, to serve our customers locally or globally with our brands products while caring for our employees with compassion.

Investors and other stakeholders need high-quality financial information more than ever during the COVID-19 pandemic crisis. Kim Hin Group will see lower revenue resulting in less cash flow, along with delayed receivables collection, as needs grow to step up payables to important suppliers. The Management shall become much more nimble in managing inventory given the uncertainty in the supply chain, which will also place demands on working capital.

An assessment of available cash and liquidity headroom is paramount for Kim Hin Group to safeguard the business operations and development. Analysis of cash flows for the Group were prepared regularly in order to assess the liquidity position of Kim Hin Group. The Management place emphasis on the awareness of cash reserve and shortages to identify the opportunities, to monitor and improve the Group's cash flow position.

Economic	Environmental	Social
• Compliance with Government regulatory requirements • Engagement with stakeholders • Investment management • Resources management • Business communication and connection with customers	• Compliance with Government regulatory requirements • Environmental preservation • Water recycling management • Production waste management • LED light energy saving	• Compliance with Government regulatory requirements • Occupational health and safety • Implementation of Standard Operating Procedures to combat with COVID-19 pandemic • Ethics and integrity • Accountability and transparency • Employee training and development • Employee welfare

SUSTAINABILITY STATEMENT (CONT'D)

STAKEHOLDER ENGAGEMENT

The engagement of stakeholder is crucial for the organisation. Kim Hin group of companies have a clear vision derived from a robust strategic planning process, and an effective strategic plan or marketing plan which comes from stakeholder engagement. We believe effective engagement with stakeholder helps to identify strategies to gain competitive advantage and translate stakeholder needs into organisational goals and creates the basis of effective strategy development.

The stakeholders of Kim Hin consist of investors, government, regulators, customers, suppliers, employees and local communities. They play an important role in the Group's business generation by providing business opportunities and the opportunities in identifying the Group's sustainability risk locally and globally.

The Board is ultimately responsible in ensuring that the Group adheres to high standards of ethics and corporate governance in accordance with the Code of Conduct which is applicable to directors, officers and employees of the Group. The Corporate Disclosure Policy and Procedures outlines the policies and processes for communications with shareholders, analysts and investors. This is to ensure developing an effective corporate governance and compliance with the applicable laws, rules and regulations.

The initiatives, measures and actions plan in response to the material sustainability matters undertaken by the Board are as below:

ECONOMIC

The Board of Directors is the highest authority accountable for the Group's sustainability strategy and performance. The Board is supported by the Sustainability Committee that oversees the Group's principles, policies, objectives and environment in addition to factors that affect the achievement of the Group's business objectives.

The objective of the materiality assessment may include, among others, the following:

- Identifying relevant sustainability issues, considering their impacts and associated risks and opportunities;
- Identifying material sustainability matters that need to be managed and included in sustainability disclosures (for communication with internal and external stakeholders);
- Identifying future trends that may affect the organisation or its business strategy;
- Identifying areas for target setting to improve business and sustainability performance;
- Informing the development or revision of business strategies including sustainability considerations; and
- Facilitating effective engagements with internal and/or external stakeholders, with particular focus on addressing their concerns.

Kim Hin Group takes initiatives and proper measures in enhancing the value and reputation of their brands, which are Kimgres, Durogres, Vitrogres, Johnson and Amber. The Group aims to retain its existing customers and to attract new customers for business growth. Besides producing and delivering quality products to meet customers' satisfaction, the Group is focusing on upgrading the designs of ceramic tiles to meet the high expectations of customers.

Certification is a crucial requirement and to improve the quality products. All our manufacturing plants in Malaysia are certified with ISO 9001:2015 Quality Management System, and 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.

Business risks which have great impact on the Group's business performance, such as risk of price increase in raw materials and gas are measured and monitored. Foreign exchange risks are also analysed. The Group is determined to perform proper analysis and take into considerations towards investment risk when dealing with investment matters.

Business risks which have great impact on the Group's business performance, such as risk of increasing raw materials prices, the prices of gas, are measured and monitored, whilst foreign exchange risks are also analysed. The Group is determined to perform proper analysis and take into considerations towards investment risk when dealing with investment matters.

We endeavour to improve the Group's financial performance by optimising the capital expenditure, reducing operational costs and implementing stronger operating margin towards the business operations.

SUSTAINABILITY STATEMENT (CONT'D)

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.

ENVIRONMENT

Kim Hin is committed to preserving the environment and to this end, we have been applying best practices and operating strategies to minimise environmental impact. We develop and cultivate our culture of maintaining a clean, safe and healthy environment.

Kim Hin endeavours to promote environmental initiatives across all activities.

Trees are planted 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.

The Management practice a good housekeeping culture 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.

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

OUR ENVIRONMENT POLICY

We are committed to a sustainable earth and 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.

GREENGUARD AND ECO-LABEL CERTIFICATION

People spend 90% of their time indoors and are exposed to indoor air pollutants. The US Environmental Protection Agency (USEPA) estimates that the average person receives 72% of their chemical exposure at home. Paradoxically, what we consider the safest place has the greatest amount of potentially hazardous pollutants. These pollutants come from activities, products and materials we use every day. Chemical emissions are the most harmful as they contribute to a wide range of health effects.

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

We are conscious that being environmental 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.

LOWER CARBON FOOTPRINT

Green-house gases are emitted into the atmosphere from companies burning fuel for their production processes and activities. Close to 60% of our gas emissions are from LPG which emits minimal amounts of carbon dioxide per amount of heat produced. According to a source [1], it is not a green-house gas.

Source [1]: Atlantic Consulting ,2009, LPG's carbon footprint relative to other fuels. A Scientific Review.

SUSTAINABILITY STATEMENT (CONT'D)

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.

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.

Our company strives at utmost best to conserve energy and natural resources, to be economically viable, to provide a safe and healthy workplace for our workers in achieving sustainable manufacturing. Evidence can be traced to our efforts as follows:

1) in optimizing usage of the cleanest fuel, LPG, in our firing processes;
2) recycle all our rejected green and fired products;
3) year on year 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 nil emissions of pollutants over the life cycle of our finished product.

SOCIAL

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.

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.

SUSTAINABILITY STATEMENT (CONT'D)

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.

Medical 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.

OCCUPATIONAL SAFETY AND HEALTH

The details of safety and health trainings in 2019:

Date	Types of trainings/courses	No. of participants
9.4.2019	Forklift Operators' & Safety Training	15
10.4.2019	Forklift Operators' & Safety Training	15
11.4.2019	Forklift Operators' & Safety Training	15
16.6.2019	Briefing Forklift Safety	18
18-19.6.2019	Safety & Health at Work	2
28.6.2019	Occupational Safety & Health (Noise Exposure) Regulation 2019	1
8.8.2019	Hearing Protection Training	24
15-16.10.2019	6th Borneo Conference & Exhibition on Occupational Safety & Health (BOSH) 2019	1
5-7.11.2019	CLASS Regulations 2013 for Classifier (Chemicals Substance & Mixture)	5
14-15.02.2020	First Aid Training and Basic CPR	30
	Total:	**126**

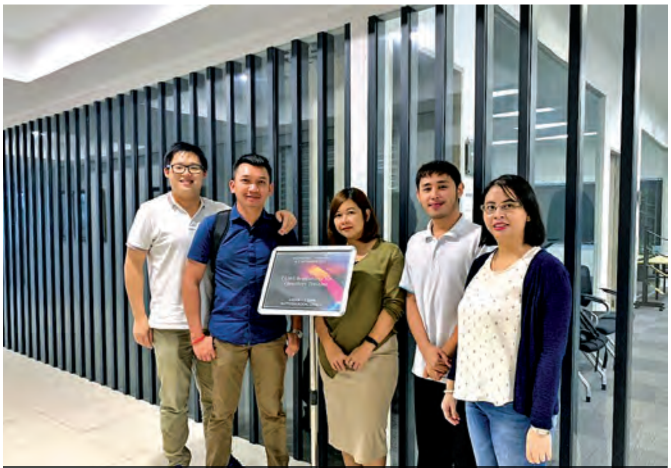
The details of safety and health trainings in 2018:

Date	Types of trainings/courses	No. of participants
07.05.2018	Seminar On Clean Air Regulation 2014	1
08.06.2018	Presentation of CHRA	16
11.07.2018	Control of Industrial Major Hazard (CIMAH)	19
20.09.2018	Managing OSH Among Vendors and Entrepreneur (MOVE)	1
21.09.2018	Ceramah Keselamatan Kebakaran & Demonsterasi Penggunaan Pemadam Api	30
25.10.2018	Awareness And Safety Of Machinery	34
05 & 06.11.2018	Workplace Inspection Training	2
07.12.2018	Presentation of Report on Chemical Exposure Monitoring	6
10.12.2018	Compliance To Rules & Regulations Under Occupational Safety & Health Act (OSHA) 1994	1
12.12.2018	PPE Awareness Training	40
	Total:	**150**

SUSTAINABILITY STATEMENT (CONT'D)

The details of accident incidents and lost days:

Types	2019	2018
Fatalities	0 incident	0 incident
Injuries	7 incidents	3 incidents
Lost time injuries	105 days	86 days

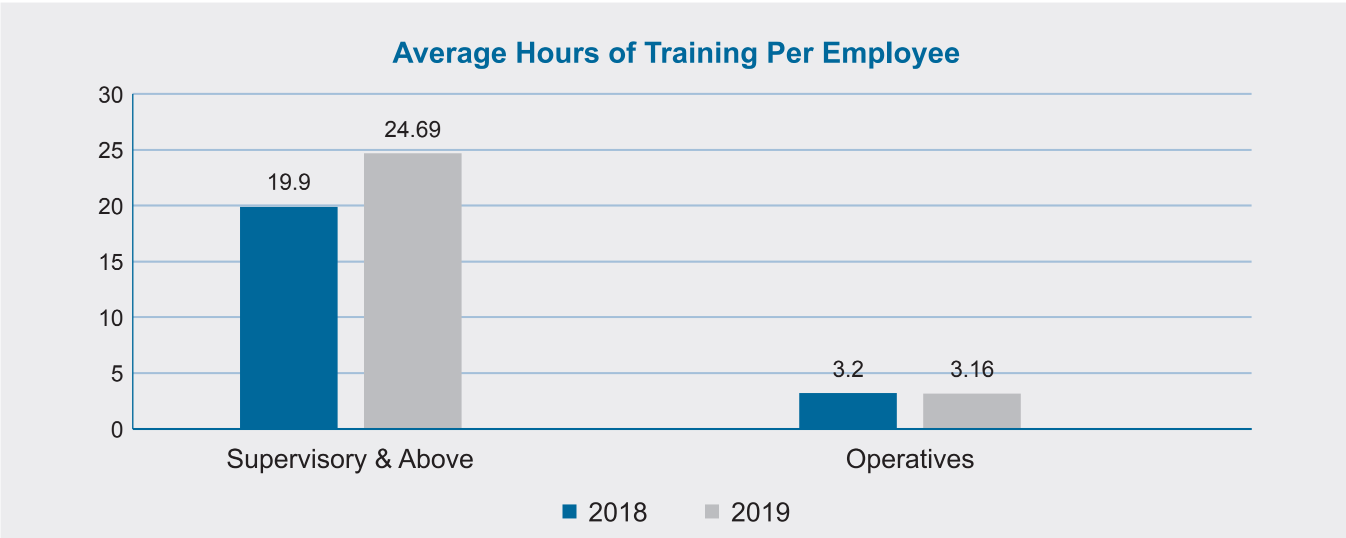


CLASS Regulation 2013 Training

Hearing Protection Training

LABOUR PRACTICES

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-the-job training and learning via internal and external courses for the retention and maintenance of skilled labour.



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

HUMAN RIGHTS

In accordance with the United Nations Universal Declaration on Human Rights, human rights are defined as to include the right to:

- not to be discriminated against;
- not be enslaved;
- be treated with dignity;
- to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay; and
- have freedom of opinion and expression.

SUSTAINABILITY STATEMENT (CONT'D)

Kim Hin has a responsibility to respect all human rights. To respect human rights means, in the first place, to not infringe the rights of others. As our commitment, we have made provisions in our Code of Conduct and Ethics to reflect our policies and procedures in managing human rights issues. We proactively manage the following human rights issues:

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 pregnancy status. Beyond legal compliance, we strive to create an environment that is considerate and respectful towards one another.

Child labour

We comply with all applicable child labour laws including those related to hiring, wages, work hours, overtime and working condition.

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.

Freedom of association

We respect employees' right to join or form trade union of their choice, and to bargain collectively.

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 Directors. 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 2019 and 2018 for Kuching Headquarters

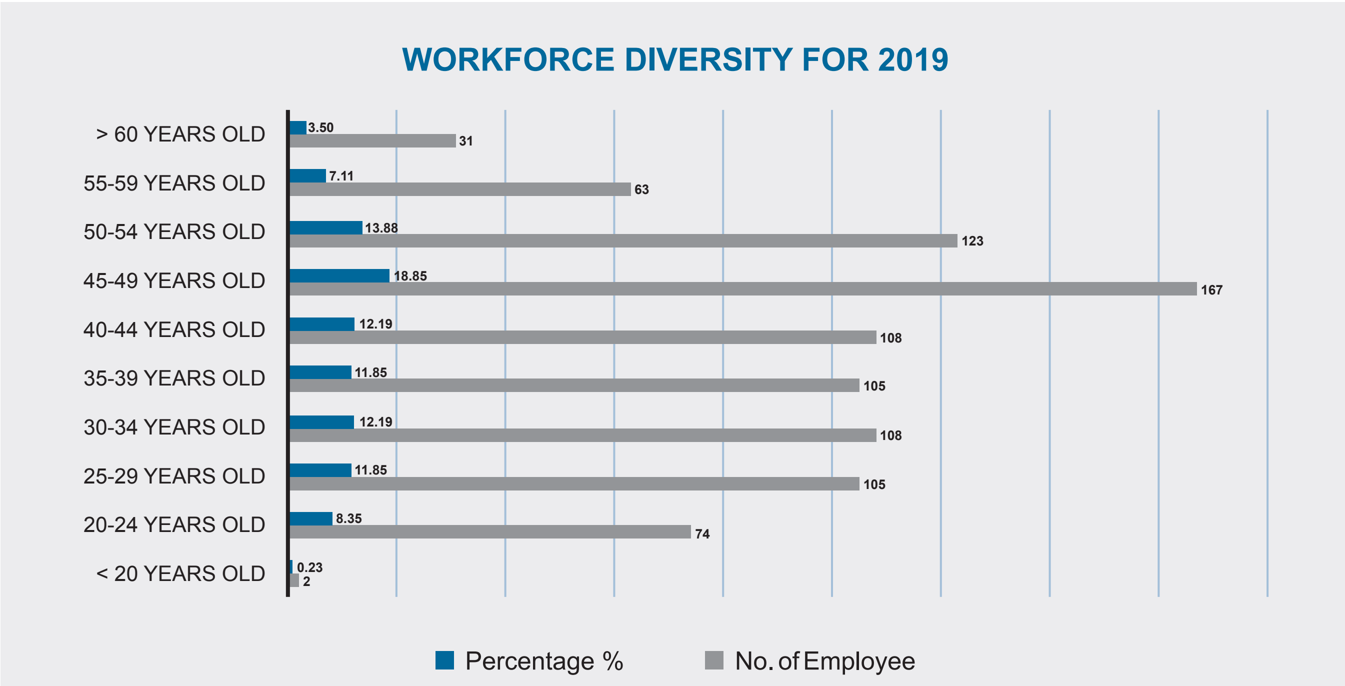
Ethnicity	Total number of employee		Management*		Non-management		Ethnicity Percentage (%)	
	2019	2018	2019	2018	2019	2018	2019	2018
Bumiputera	706	722	13	10	693	712	79.69	80.13
Chinese	179	178	64	58	116	120	20.20	19.76
Indian	0	-	0	-	0	-	0.00	0.00
Non-Malaysian	1	1	0	1	0	-	0.11	0.11
Total	**886**	**901**	**77**	**69**	**809**	**832**	**100.00**	**100.00**

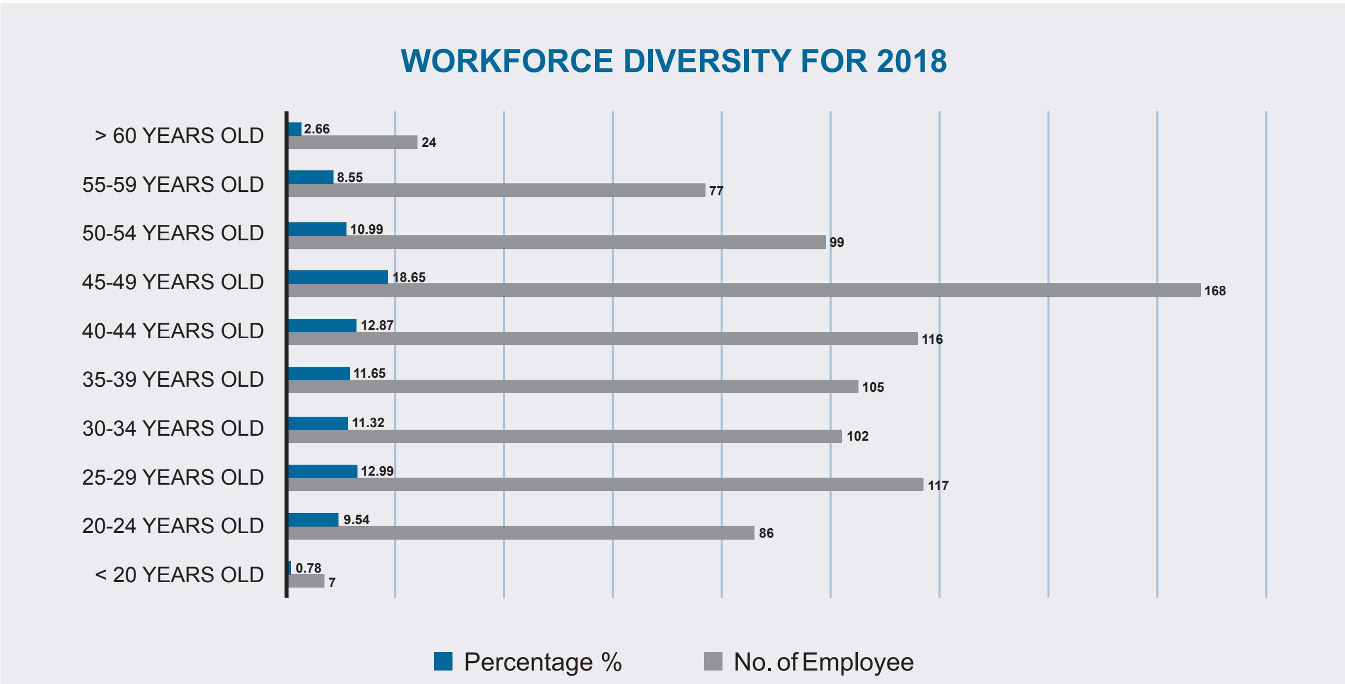
SUSTAINABILITY STATEMENT (CONT'D)

Gender	Total number of employee		Management*		Non-management		Gender Percentage (%)	
	2019	2018	2019	2018	2019	2018	2019	2018
Male	592	622	34	34	558	588	66.82	69.03
Female	294	279	43	35	251	244	33.18	30.97
Total	**886**	**901**	**77**	**69**	**809**	**832**	**100.00**	**100.00**

Note
* Management denotes Executive level and above

The diagram below shows the workforce diversity for 2018 and 2019 of our Kuching Headquarters.





SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL ENGAGEMENTS

Charitable

On 15 September 2019, Kimgres Club members organised a visit to Home of Peace in Kuching. The event started with members having their breakfast with the residents and staff. Then members helped to sweep and clean the compound, trimmed the plants and cleared drains of debris. Whilst these activities were going on, members have arranged for the residents to watch some movies. Members also organised to have lunch together with them and had some very good chit-chats with the residents. Besides the activities, members also donated many food and personal items.

The Spirit of Giving

Kimgres Club donated bathroom necessities to residents of Home of Peace which is under the management of Catholic Home Management. Members of Kimgres Club handed over the items on 18 December 2019.

SUSTAINABILITY STATEMENT (CONT'D)

EDUCATIONAL

Quality Assurance Manager Madam Cecilia Ting was speaking at Universiti Sarawak Malaysia (UNIMAS) on 26 November 2019 at the invitation of the Faculty of Built Environment. The topic was Product Talk Series: Wall and Floor Tiles under module BEQ1023 Construction Technology for Building Works. The 2-hour lecture was well attended by course students. The faculty's Dean, Professor Ar Nurakmal Abdullah Goh was present as well and gifted us with a souvenir.

Christmas Potluck Party

Sales & Marketing, Distribution & Logistics held a potluck and gift-exchange party on 20 December 2019 in Kuching.

PROFILE OF DIRECTORS

CHUA SENG HUAT
Executive Chairman

59 years of age / Malaysian / 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 four (4) out of five (5) Board Meetings held during the financial year ended 31 December 2019.

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

62 years of age / Malaysian / 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 2019.

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

62 years of age / Malaysian / 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 2019.

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

58 years of age / Malaysian / 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 2019.

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

57 years of age / Malaysian / 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 four (4) out of five (5) Board Meetings held during the financial year ended 31 December 2019.

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

62 years of age / Malaysian / 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 2019.

PROFILE OF DIRECTORS (CONT'D)

ONG AH BA

Independent Non-Executive Director

62 years of age / Malaysian / 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 2019.

YONG LIN LIN

Independent Non-Executive Director

60 years of age / Malaysian / 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 – 2008.

In 2008, he was appointed as a director of Tenaga Suria Hybrid Sdn Bhd.

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 2019.

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

Nationality / age / gender:
Malaysian / 56 / Female

Date of appointment:
1 October 2015

Academic / professional qualification(s):
- Master in International Business

Present Directorship:
Listed entity: Nil
Other public companies: Nil

Working experience:
- Worked in H&R Johnson for 3 years (1989-1992)
- Joined Kimgres Marketing Sdn Bhd since 1993

2. PETER CHIAM TAU MIEN
• Chief Financial Officer, Kim Hin Industry Berhad

Nationality / age / gender:
Malaysian / 48 / Male

Date of appointment:
1 January 2014

Academic / professional qualification(s):
- Chartered Accountant (Malaysia)
- Fellow of Association of Chartered Certified Accountants (“ACCA”) (UK)

Present Directorship:
Listed entity: Nil
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.
- 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

Nationality / age / gender:
Malaysian / 66 / 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
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.
- Joined Kim Hin Industry Berhad in 1974.

4. WINNIE HO
• Personal Assistant to Group Managing Director, Kim Hin Industry Berhad

Nationality / age / gender:
Malaysian / 53 / Female

Date of appointment:
1 October 2006

Academic / professional qualification(s):
- Master of Business Administration

Present Directorship:
Listed entity: Nil
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.
- 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.

Nationality / age / gender: Chinese / 51 / Female	Academic / professional qualification(s): • University graduate Family relationship with any director and/or major shareholder • She is the cousin of the Executive Directors*
Date of appointment: 1995	Present Directorship: Listed entity: Nil Other public companies: Nil Working experience: • Has 26 years of experience in the ceramic tiles industry

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

Nationality / age / gender: Malaysian / 30 / Female	Academic / professional qualification(s): • Bachelor of Commerce (Accounting & Finance) • Certified Public Accountants (Australia) Family relationship with any director and/or major shareholder
Date of appointment: 2016	• She is the daughter of Mdm. Pauline Getrude Chua Hui Lin Present Directorship: Listed entity: Nil Other public companies: Nil Working experience: • Has joined Kimgres Australia Pty Ltd ("KA") since 2012 • appointed as CEO/General Manager of KA in 2013 and oversees the entire operations of KA. • 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 2019.

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 2019 are set out below:

	Company RM'000	Group RM'000
Fees paid/payable to Messrs Ernst & Young PLT & its affiliates		
• Statutory Audit	85	370
• Non-audit services including tax services	19	40
Fees paid/payable to other auditors		
• Statutory Audit	-	246
• Non-audit services including tax services	-	111
Total	104	767

MATERIAL CONTRACTS

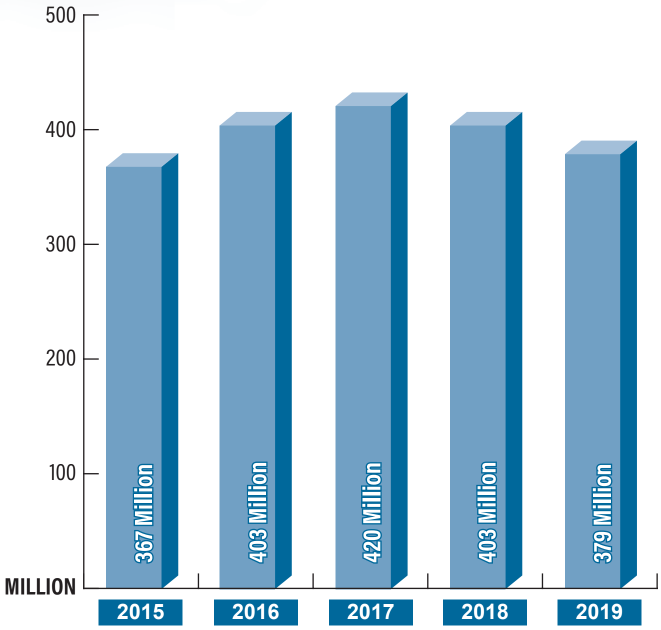
There was no material contract entered into by the Company and its subsidiary companies involving the directors and major shareholders' interest during the financial year.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

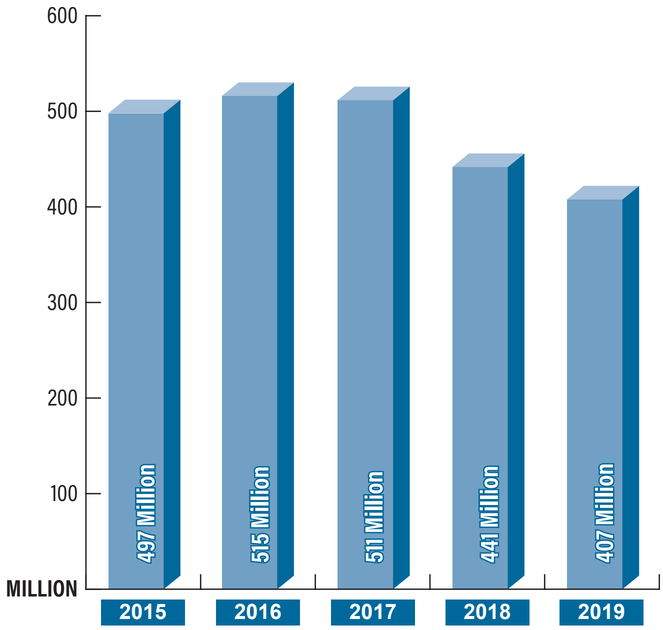
Please refer to Note 32 of the Audited Financial Statement on page 127 for the breakdown of the aggregate value of Recurrent Related Party Transactions conducted during the financial year ended 31 December 2019 pursuant to the Shareholders' mandate.

FINANCIAL HIGHLIGHTS

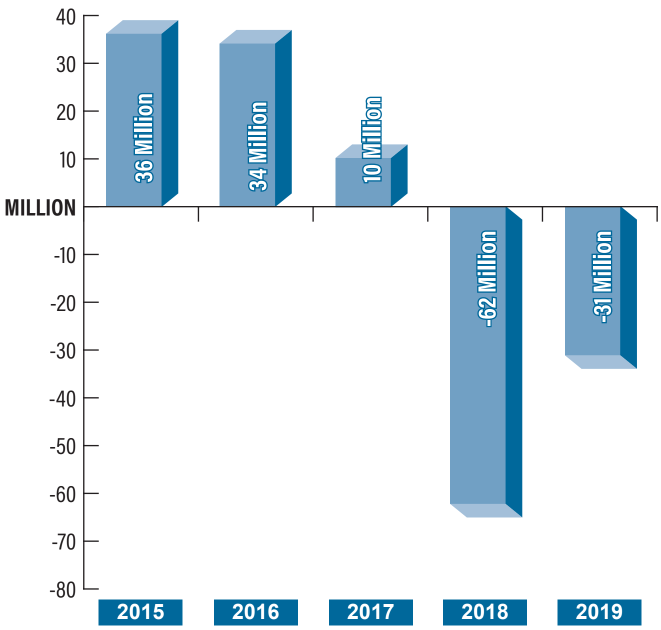
REVENUE



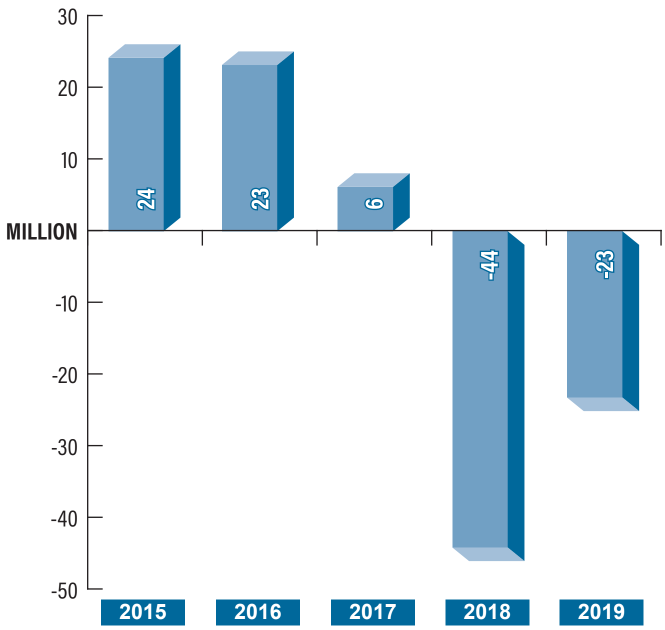
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT



PROFIT NET OF TAX



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




WHITE MARBLE
SILVER
NEW ENGLAND
ILLUSION
SKYTECH
MARBLE
STONEWAY

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FINANCIAL STATEMENTS

Directors' Report and Audited Financial Statements For the Financial Year Ended 31 December 2019

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 2019.

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 15 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)/profit net of tax	(31,446)	7,825
(Loss)/profit attributable to:		
Owners of the parent	(32,449)	7,825
Non-controlling interests	1,003	-
	(31,446)	7,825

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.

Dividends

No dividends have been paid or declared since the end of the previous financial year. The directors do not recommend any dividend payment 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)

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
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 32 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 1.1.2019 and 31.12.2019
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 1.1.2019 and 31.12.2019**
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, 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.

Subsequent event

The outbreak of Covid-19 pandemic globally and in Malaysia has led to the implementation of Movement Control Order nationwide by the Malaysian Government since 18 March 2020. This unprecedented event has seriously affected businesses and economic activities in Malaysia. The Group and the Company continues to monitor the impact of Covid-19 pandemic and its impact on the Group and the Company and its stakeholders. Details of further assessment is disclosed in Note 40 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 19 June 2020.

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 61 to 138 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performances and their cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 June 2020.

Chua Seng Huat

Chua Seng Guan

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 61 to 138 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 19 June 2020

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 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows 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 61 to 138.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the 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. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group 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.

Impairment review of property, plant and equipment ("PPE")

The slowdown in the construction and property development sector in Malaysia has provided indications that the carrying amount of the PPE of a subsidiary may be impaired. The carrying amount of PPE of this subsidiary, prior to current year impairment review, was RM10.5 million which represented 8% of the Group's total PPE. As disclosed in Note 7, the subsidiary has provided an additional impairment loss of RM4,800,000 on these PPE during the financial year.

The Group has determined the recoverable amount of these PPE based on their value-in-use ("VIU") which is computed based on the discounted future net operating cash flows estimated to be generated by the related cash generating unit. The carrying amount of these PPE is significant to our audit due to their quantum and significant judgement and estimates used in determining their recoverable amounts. Accordingly, the impairment review of PPE of this subsidiary has been identified as a key audit matter.

We have assessed the reasonableness of the key assumptions used, in particular, sale prices, operating costs and the discount rate used. In assessing the discount rate, we have considered the appropriateness of specific inputs such as the risk-free rate, equity risk premium and beta, along with gearing and cost of debt. We have also considered the sensitivity of these key assumptions and the adequacy of the disclosures provided in Notes 3.2 (b) and 13 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 2019, the Group's inventories amounted to RM134.5 million represent approximately 24% of the Group's total assets and during the current financial year, the Group recorded a net reversal of write-down on inventories of RM1.9 million as disclosed in Note 5 and Note 7 to the financial statements. We focused on this area because of the quantum involved and the significant judgement involved in determining the amount of write-down/(reversal) required.

Our audit procedures included the evaluation of analyses and assessments made by management with respect to slow moving inventories and management's assumptions and method in calculating the write-down/(reversal). We have tested the net realisable value of the inventories on a sampling basis by comparing their carrying amount to their selling prices based on actual sales made near or subsequent to 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 Notes 3.2 (c) and 18 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.

Responsibilities of the directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT 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

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.

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.

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

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 15 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
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Kuching, Malaysia.
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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	4	378,588	402,726	9,354	11,350
Cost of sales		(287,183)	(294,469)	-	-
Gross profit		91,405	108,257	9,354	11,350
Other income	5	14,033	6,637	7,431	5,422
Selling and distribution costs		(44,218)	(52,095)	-	-
Administrative expenses		(85,062)	(102,133)	(8,368)	(8,212)
Other expenses		(3,400)	(14,517)	(190)	(4,024)
Operating (loss)/profit		(27,242)	(53,851)	8,227	4,536
Finance costs	6	(2,520)	(1,265)	-	-
(Loss)/profit before tax	7	(29,762)	(55,116)	8,227	4,536
Income tax expense	10	(1,684)	(6,431)	(402)	(433)
(Loss)/profit net of tax		(31,446)	(61,547)	7,825	4,103
Other comprehensive loss:					
Other comprehensive loss that will be reclassified to profits or loss in subsequent periods (net of tax):					
Exchange translation differences on foreign subsidiaries		(2,232)	(4,888)	-	-
Other comprehensive loss for the year, net of tax		(2,232)	(4,888)	-	-
Total comprehensive (loss)/income for the year		(33,678)	(66,435)	7,825	4,103
(Loss)/profit attributable to:					
Owners of the parent		(32,449)	(62,292)	7,825	4,103
Non-controlling interests		1,003	745	-	-
		(31,446)	(61,547)	7,825	4,103
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(34,299)	(66,719)	7,825	4,103
Non-controlling interests		621	284	-	-
		(33,678)	(66,435)	7,825	4,103
Loss per share attributable to owners of the parent (sen):					
- Basic / Diluted	11	(23.14)	(44.42)		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	130,478	189,131	6,782	23,675
Right-of-use assets	30	71,594	-	14,911	-
Investment properties	14	26,984	27,554	19,516	19,865
Investment in subsidiaries	15	-	-	180,877	197,371
Other investments	16	25,526	22,170	25,526	22,170
Intangible assets	17	16,643	15,749	-	-
Deferred tax assets	25	4,352	3,270	-	-
		275,577	257,874	247,612	263,081
Current assets					
Inventories	18	134,540	165,244	-	-
Trade and other receivables	19	75,675	78,489	105,498	96,528
Other current assets	20	2,494	4,642	9	9
Tax recoverable		2,709	4,434	15	1,415
Derivative assets	26	6	-	-	-
Cash and bank balances	21	62,645	53,817	21,971	6,083
		278,069	306,626	127,493	104,035
TOTAL ASSETS		553,646	564,500	375,105	367,116

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

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	22	206,658	206,658	206,658	206,658
Treasury shares	22	(24,309)	(24,309)	(24,309)	(24,309)
Other reserves	23	10,344	11,996	-	-
Retained earnings		214,156	246,803	190,453	182,628
		406,849	441,148	372,802	364,977
Non-controlling interests		12,686	16,914	-	-
Total equity		419,535	458,062	372,802	364,977
Non-current liabilities					
Loans and borrowings	24	15,846	18,963	-	-
Lease liabilities	30	20,998	-	-	-
Deferred tax liabilities	25	4,813	4,795	88	70
Provisions	28	402	427	-	-
Deferred capital grant	29	-	192	-	-
		42,059	24,377	88	70
Current liabilities					
Loans and borrowings	24	7,069	4,018	-	-
Lease liabilities	30	10,323	-	-	-
Trade and other payables	27	68,347	71,572	2,133	1,996
Provisions	28	3,872	3,701	82	73
Derivative liabilities	26	-	930	-	-
Deferred capital grant	29	192	203	-	-
Tax payable		2,249	1,637	-	-
		92,052	82,061	2,215	2,069
Total liabilities		134,111	106,438	2,303	2,139
TOTAL EQUITY AND LIABILITIES		553,646	564,500	375,105	367,116

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 2019

	Attributable to equity holders of the Company							
	Share capital (Note 22) RM'000	Treasury shares (Note 22) RM'000	Reserve and enterprise expansion funds (Note 23) RM'000	Translation adjustment account (Note 23) 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

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

		Attributable to equity holders of the Company							
	Note	**Share capital** (Note 22) RM'000	**Treasury shares** (Note 22) RM'000	**Reserve and enterprise expansion funds** (Note 23) RM'000	**Translation adjustment account** (Note 23) RM'000	**Retained earnings** RM'000	**Total** RM'000	**Non-controlling interests** RM'000	**Total equity** RM'000
At 1 January 2018		206,658	(24,309)	4,219	11,842	312,262	510,672	17,870	528,542
Loss net of tax		-	-	-	-	(62,292)	(62,292)	745	(61,547)
Other comprehensive income		-	-	-	(4,427)	-	(4,427)	(461)	(4,888)
Total comprehensive income		-	-	-	(4,427)	(62,292)	(66,719)	284	(66,435)
Transactions with owners									
Dividends	12	-	-	-	-	(2,805)	(2,805)	-	(2,805)
Dividend paid to non-controlling interests		-	-	-	-	-	-	(1,240)	(1,240)
Transfer between reserves		-	-	374	(12)	(362)	-	-	-
At 31 December 2018		206,658	(24,309)	4,593	7,403	246,803	441,148	16,914	458,062

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 2019

	Note	Share capital (Note 22) RM'000	Treasury shares (Note 22) RM'000	Retained earnings RM'000	Total equity RM'000
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
At 1 January 2018		206,658	(24,309)	181,330	363,679
Profit net of tax, representing total comprehensive income for the year		-	-	4,103	4,103
Transactions with owners					
Dividends	12	-	-	(2,805)	(2,805)
At 31 December 2018		206,658	(24,309)	182,628	364,977

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 2019

	Note	2019 RM'000	2018 RM'000
Operating activities			
Loss before tax		(29,762)	(55,116)
Adjustments for:			
Amortisation of deferred capital grant	5	(203)	(203)
Bad debts written off	7	29	-
Credit losses on receivables, net	7	577	380
Depreciation of property, plant and equipment	7	21,467	23,431
Depreciation of right-of-use assets	7	11,333	-
Depreciation of investment properties	7	349	349
Dividend income	4	(112)	(564)
Gain on disposal of other investments	5	-	(126)
Gain on disposal of property, plant and equipment, net	5, 7	(153)	(791)
Impairment loss on intangible assets	7	-	9,218
Impairment loss on property, plant and equipment	7	4,800	19,200
Interest expense	6	2,520	1,265
Interest income	5	(459)	(276)
(Reversal)/write-down of inventories, net	5, 7	(1,889)	5,171
Inventories written off	7	83	47
(Gain)/loss on fair value changes on instruments at fair value through profit or loss	5, 7	(4,148)	4,198
Property, plant and equipment written off	7	69	5
Unrealised (gain)/loss on foreign exchange, net	5, 7	(700)	1,494
Operating profit before working capital changes		3,801	7,682
Changes in working capital:			
Inventories		32,510	6,503
Receivables		2,529	23,960
Other current assets		2,148	476
Payables		(3,061)	(10,880)
Provision		146	(176)
Cash generated from operations		38,073	27,565
Interest paid		(2,520)	(1,265)
Taxes paid, net of refund		(466)	(8,709)
Net cash generated from operating activities		35,087	17,591
Investing activities			
Acquisition of investment properties	14	-	(7,689)
Acquisition of intangible assets	17	(894)	-
Acquisition of property, plant and equipment	13	(13,684)	(13,407)
Acquisition of other investments		(787)	(1,557)
(Placement)/withdrawal in short-term deposits with maturity more than 3 months		(6,700)	2,480
Interest received		459	276
Proceeds from disposal of other investments		750	7,417
Proceeds from disposal of property, plant and equipment		2,308	1,694
Net cash used in investing activities		(18,548)	(10,786)

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

	Note	2019 RM'000	2018 RM'000
Financing activities			
Capital reduction paid to non-controlling interests		(4,276)	-
Dividend paid		-	(2,805)
Dividend paid to non-controlling interests		(573)	(1,240)
Drawdown of trade facilities		3,983	-
Payment of principal portion of lease liabilities		(8,905)	-
Repayment of term loans		(2,926)	(2,780)
Net cash used in financing activities		(12,697)	(6,825)
Net increase/(decrease) in cash and cash equivalents		3,842	(20)
Net foreign exchange difference		(591)	(3,196)
Cash and cash equivalents at the beginning of the year		41,870	45,086
Cash and cash equivalents at the end of the year	21	45,121	41,870

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 2019

	Note	2019 RM'000	2018 RM'000
Operating activities			
Profit before tax		8,227	4,536
Adjustments for:			
Depreciation of property, plant and equipment	7	692	1,464
Depreciation of right-of-use assets	7	745	-
Depreciation of investment properties	7	349	349
Dividend income	4	(8,298)	(10,294)
Gain on disposal of other investments	5	-	(126)
Gain on disposal of property, plant and equipment	5	(48)	(173)
Impairment loss on investments in subsidiaries	7	10	160
Interest income	5	(3,784)	(4,895)
(Gain)/loss on fair value changes on instruments at fair value through profit or loss	5, 7	(3,207)	2,847
Unrealised (gain)/loss on foreign exchange	5, 7	(159)	583
Operating loss before working capital changes		(5,473)	(5,549)
Changes in working capital:			
Other receivables		(8,970)	173
Other current assets		-	(3)
Other payables		137	(5,094)
Provision		9	2
Cash used in operating activities		(14,297)	(10,471)
Taxes paid, net of refund		1,016	(492)
Net cash used in operating activities		(13,281)	(10,963)
Investing activities			
Acquisition of property, plant and equipment	13	(27)	(70)
Acquisition of other investments		(787)	(1,557)
Acquisition of shares in subsidiaries		(100)	-
Capital reduction received from subsidiary		16,584	-
Dividends received		8,186	9,730
Placement in short-term deposits with maturity more than 3 months	21	(15,060)	-
Interest received		3,784	4,895
Proceeds from disposal of other investments		750	5,000
Proceeds from disposal of property, plant and equipment		620	994
Net cash generated from investing activities		13,950	18,992
Financing activity			
Dividend paid	12	-	(2,805)
Net increase in cash and cash equivalents		669	5,224
Net foreign exchange difference		159	(208)
Cash and cash equivalents at the beginning of the year		6,083	1,067
Cash and cash equivalents at the end of the year	21	6,911	6,083

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 2019

1. Corporate information

The Company is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of 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 15. 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.

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 for the following new and amended MFRSs and Annual Improvements (collectively referred to as "pronouncements"), which are effective for annual financial periods beginning on or after 1 January 2019 as set out below:

Description	Effective for annual periods beginning on or after
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
MFRS 16: Leases	1 January 2019
Annual improvements to MFRS Standards 2015-2017 Cycle:	
(i) Amendments to MFRS 3: Business Combination	1 January 2019
(ii) Amendments to MFRS 11: Joint Arrangements	1 January 2019
(iii) Amendments to MFRS 112: Income Taxes	1 January 2019
(iv) Amendments to MFRS 123: Borrowing Costs	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 119: Plan Amendments, curtailment or settlement	1 January 2019

The adoption of these pronouncements did not have any material effect on the financial performance or position of the Group and of the Company except as discussed below:

MFRS 16: Leases

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

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

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

2.2 Changes in accounting policies (contd.)

MFRS 16 Leases (contd.)

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

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

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

	Group RM'000	Company RM'000
Assets		
Right-of-use assets	72,729	15,656
Property, plant and equipment – leasehold land	(42,962)	(15,656)
Liabilities		
Lease liabilities	29,767	-

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of MFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. The Group does not have any finance lease.

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

(a) Leases previously classified as finance leases

The initial carrying amounts of recognised assets at the date of initial application for leases previously classified as finance leases did not changed (i.e., the right-of-use assets equal the lease assets recognised under MFRS 117). The requirements of MFRS 16 were applied to these leases from 1 January 2019. The Group did not have any finance lease as at 31 December 2018.

(b) Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Group has applied incremental borrowing rate of ranging from 3.80% to 4.00% at the date of initial application.

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

2.2 Changes in accounting policies (contd.)

MFRS 16 Leases (contd.)

(b) Leases previously accounted for as operating leases (contd.)

The Group also applied the available practical expedients wherein it:

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

Based on the above, as at 1 January 2019:

- Right-of-use assets of the Group and of the Company amounting to RM72,729,000 and RM15,656,000 respectively were recognised and presented separately in the statements of financial position. This includes the lease assets recognised previously under finance leases that were reclassified from Property, plant and equipment.

- Additional lease liabilities of the Group of RM29,767,000 were recognised.

The lease liabilities as at 1 January 2019 of the Group and of the Company can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group RM'000	Company RM'000
Operating lease commitments as at 31 December 2018	12,987	9,600
Discounted at the incremental borrowing rate	3.80% to 4%	-
Discounted operating lease commitments as at 1 January 2019	30,620	9,600
Less:		
Commitments relating to short-term leases	(765)	-
Commitments relating to leases of low-value assets	(88)	(9,600)
Add:		
Commitments relating to leases previously classified as finance leases	-	-
Lease liabilities as at 1 January 2019	29,767	-

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

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

2.3 Standards issued but not yet effective

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

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
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

These pronouncements are not expected to have any material impact to the financial statements of the Group and of the Company.

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

The amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 align the definition of 'material' across the standards and clarify certain aspects of the definition. The new definition states that, '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, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

The amendments replaced the threshold 'could influence', which suggests that any potential influence of users must be considered, with 'could reasonably be expected to influence' in the definition of 'material'. In the amended definition, therefore, it is clarified that the materiality assessment will need to take into account only reasonably expected influence on economic decisions of primary users.

Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.

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

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

2.3 Standards issued but not yet effective (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"
- Made changes to the definitions of an asset and a liability

(c) 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 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.

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.

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.

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

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

2.4 Basis of consolidation (contd.)

Profit or loss and each component of other comprehensive income 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.

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.

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.

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

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

2.5 Current versus non-current classification

The Group presents assets and liabilities in the statements 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.

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).

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

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

2.6 Foreign currencies (contd.)

(i) Transactions and balances (contd.)

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.

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.

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

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

2.7 Property, plant and equipment (contd.)

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.

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.

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.

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

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

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.

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, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date 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.

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

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

2.12 Financial assets (contd.)

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 while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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.

The Group's financial assets include cash and bank balances, trade and other receivables, other investments and derivative assets.

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)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest 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.

Interest income and foreign currency gains or losses are recognised in profit or loss.

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

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

2.12 Financial assets (contd.)

Subsequent measurement (contd.)

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

Debt instruments are measured at fair value through OCI if both of the following conditions are met:

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

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

All other financial assets not classified as measured at amortised cost or fair value through OCI as described above are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

Dividends on investment securities are also recognised as other income in profit or loss when the right of payment has been established.

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

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

2.12 Financial assets (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 2019 (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 2019 (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.

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.

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

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

2.19 Financial liabilities (contd.)

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)

This is the category most relevant to the Group. 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 statement 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 2019 (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.

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

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

2.23 Leases

Current financial year

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.

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
Property	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.

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

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

2.23 Leases (contd.)

Current financial year (contd.)

(a) Group as a lessee (contd.)

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.

(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.

Previous financial year

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

(a) As a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group or the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statements of profit or loss.

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

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statements of profit or loss on a straight-line basis over the lease term.

(b) As a lessor

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

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

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

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.

(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.

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

2.24 Revenue and other income (contd.)

(b) Assets and liabitilies arising from rights 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 an accrual 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.

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.

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

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

2.25 Taxes (contd.)

(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.

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.

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

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

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.

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 did not make any 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.

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

3. Significant accounting judgements and estimates (contd.)

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 and sensitivity analysis to changes in the assumptions are disclosed in Note 17.

(b) Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment when there is an indication that they may be impaired. The recoverable amounts of the property, plant and equipment 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 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. 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 of a subsidiary during the financial year. Further details on the key assumptions applied and sensitivity analysis 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, the management, having considered all available information including the subsequent realisable prices of these inventories, are of the opinion that these goods can be realised in the ordinary course of business.

(d) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for entities that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the entity's functional currency). The Group estimates IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the entity's stand-alone credit rating).

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

4. Revenue

The significant categories of revenue during the year are analysed as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers				
- sales of goods	378,476	402,162	-	-
<u>Other revenue</u>				
Dividend income				
- unquoted securities in Malaysia	112	564	112	564
- subsidiaries	-	-	8,186	9,730
Management fees from subsidiaries	-	-	1,056	1,056
	378,588	402,726	9,354	11,350

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 obligation to be recognised within or more than one year, whether unsatisfied or partially unsatisfied.

5. Other income

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Amortisation of deferred capital grant (Note 29)	203	203	-	-
Fumigation charges received	587	688	-	-
Gain on disposal of other investments	-	126	-	126
Gain on disposal of property, plant and equipment	299	793	48	173
Gain on fair value changes on instruments at fair value through profit or loss				
- derivatives (Note 26)	941	-	-	-
- other investments	3,213	-	3,213	-
Gain on foreign exchange - realised	8	1,584	-	-
- unrealised	700	127	159	-
Interest income - subsidiaries	-	-	3,593	4,791
- others	459	276	191	104
Reversal of credit losses on trade receivables (Note 19)	12	21	-	-
Rental income	852	710	227	227
Reversal of write-down on inventories	2,644	114	-	-
Miscellaneous	4,115	1,995	-	1
	14,033	6,637	7,431	5,422

6. Finance costs

	Group	
	2019	**2018**
	RM'000	RM'000
Interest expense on:		
Bank overdraft	8	45
Lease liabilities	1,238	-
Term loan	1,274	1,220
	2,520	1,265

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

7. (Loss)/profit before tax

The following amounts have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2019 RM'000	**2018** RM'000	**2019** RM'000	**2018** RM'000
Auditors' remunerations:				
Statutory audit				
- current year	620	615	85	85
- over provision in previous years	(4)	(1)	-	-
Other services	151	136	19	19
Bad debts written off	29	-	-	-
Expected credit losses on trade receivables, net (Note 19)	577	380	-	-
Depreciation of investment properties (Note 14)	349	349	349	349
Depreciation of property, plant and equipment (Note 13)	21,467	23,431	692	1,464
Depreciation of right-of-use assets (Note 30)	11,333	-	745	-
Employee benefits expense (Note 8)	87,162	86,023	4,635	4,669
Hiring of plant and machinery	-	19	-	-
Impairment loss on investment in subsidiaries	-	-	10	160
Impairment loss on intangible assets	-	9,218	-	-
Impairment loss on property, plant and equipment (Note 13)	4,800	19,200	-	-
Inventories written down	755	5,285	-	-
Inventories written off	83	47	-	-
Loss on disposal of property, plant and equipment	146	2	-	-
Loss on fair value changes on instruments at fair value through profit or loss				
- derivatives (Note 26)	-	1,351	-	-
- other investments	6	2,847	6	2,847
Loss on foreign exchange - realised	1,599	1,612	174	434
- unrealised	-	1,621	-	583
Non-executive directors' remuneration (Note 9)	99	99	99	99
Property, plant and equipment written off	69	5	-	-
Rental expense	-	8,109	-	-
Expense relating to short-term leases	578	-	-	-
Expense relating to low-value assets	42	-	-	-

8. Employee benefits expense

	Group		Company	
	2019 RM'000	**2018** RM'000	**2019** RM'000	**2018** RM'000
Wages and salaries	73,847	72,830	3,893	3,914
Defined contribution plan	8,393	7,788	681	690
Social security contributions	667	692	11	12
Other staff related costs	4,255	4,713	50	53
	87,162	86,023	4,635	4,669

Included in employee benefits expense of the Group and of the Company are Executive Directors' remunerations, excluding benefits-in-kind amounting to RM8,438,000 (2018: RM8,447,000) and RM3,694,000 (2018: RM3,694,000), respectively, as further disclosed in Note 9.

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

9. Directors' remunerations

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Executive Directors' remunerations				
Fees	165	165	165	165
Other emoluments	8,273	8,282	3,529	3,529
	8,438	8,447	3,694	3,694
Non-Executive Directors' remunerations				
Fees	99	99	99	99
Total directors' remunerations	8,537	8,546	3,793	3,793
Estimated monetary value of benefits-in-kind	185	197	59	77
Total directors' remunerations including benefits-in-kind	8,722	8,743	3,852	3,870

The details of remunerations receivable by directors of the Group and of the Company during the year are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and bonuses	6,994	7,004	2,937	2,937
Defined contribution plan	1,275	1,274	589	589
Social security contributions	4	4	3	3
	8,273	8,282	3,529	3,529
Fees	165	165	165	165
	8,438	8,447	3,694	3,694
Estimated monetary value of benefits-in-kind	185	197	59	77
	8,623	8,644	3,753	3,771
Non-Executive (Note 7):				
Fees	99	99	99	99
	8,722	8,743	3,852	3,870

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

10. Income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are as follows:

	Group		Company	
	2019 RM'000	**2018** RM'000	**2019** RM'000	**2018** RM'000
Statements of profit or loss and other comprehensive income:				
Current income tax:				
Malaysian income tax	792	1,234	395	671
Foreign tax	1,749	3,243	-	-
Under/(over) provision in previous years:				
Malaysian income tax	95	(106)	(11)	(231)
Foreign tax	167	(1,540)	-	-
	2,803	2,831	384	440
Deferred income tax (Note 25):				
Relating to origination and reversal of temporary differences	(1,033)	(1,791)	17	(7)
(Over)/under provision in previous years	(86)	5,391	1	-
	(1,119)	3,600	18	(7)
Income tax expense recognised in profit or loss	1,684	6,431	402	433

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 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:

	2019 RM'000	**2018** RM'000
Group		
Accounting loss before tax	(29,762)	(55,116)
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	(7,143)	(13,228)
Effect of different tax rates in other countries	(184)	449
Effect of non-deductible expenses for tax purpose	4,682	6,044
Effect of income not subject to tax	(76)	(436)
Deferred tax assets not recognised	7,339	9,981
Deferred tax assets recognised	(3,188)	-
Utilisation of current year reinvestment allowance	-	(124)
Claw back on previously recognised reinvestment allowance	78	-
Under/(over) provision of income tax in respect of previous years	262	(1,646)
(Over)/under provision of deferred tax in respect of previous years	(86)	5,391
Income tax expense recognised in profit or loss	1,684	6,431

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

10. Income tax expense (contd.)

	2019 RM'000	2018 RM'000
Company		
Accounting profit before tax	8,227	4,536
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	1,975	1,089
Effect of income not subject to tax	(1,992)	(2,599)
Effect of non-deductible expenses for tax purpose	693	2,402
Effect of utilisation of group loss relief	(264)	(228)
Over provision of income tax in respect of previous years	(11)	(231)
Over provision of deferred tax in respect of previous years	1	-
Income tax expense recognised in profit or loss	402	433

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	
	2019 RM'000	2018 RM'000
Unutilised tax losses – Malaysian	19,367	4,885
Unutilised tax losses – Other countries	158,271	154,381
Unabsorbed capital allowances	25,504	21,033
Unutilised incentive allowances	2,992	2,992
Unabsorbed reinvestment allowances	33,540	33,867
Others	38,788	37,258
	278,462	254,416

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	
	2019 RM'000	2018 RM'000
Unutilised tax losses to be carried forward until:		
- Year of assessment 2025	4,885	4,885
- Year of assessment 2026	14,482	-
	19,367	4,885

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (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	
	2019	**2018**
	RM'000	RM'000
Loss net of tax attributable to owners of the parent (RM'000)	(32,449)	(62,292)
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)	(23.14)	(44.42)

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	
	2019	**2018**
	RM'000	RM'000
Declared and paid:		
Dividends on ordinary shares:		
Interim dividend for 2018: 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 2019 (CONT'D)

13. Property, plant and equipment

	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
Group								
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 2019 (CONT'D)

13. Property, plant and equipment (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
Group								
At 31 December 2018								
Cost								
At 1 January 2018	186,518	49,574	19,501	359,388	18,948	35,809	5,685	675,423
Additions	918	-	-	5,060	1,062	2,912	3,455	13,407
Disposals/write-off	(1,375)	-	-	(44)	(1,073)	(691)	(47)	(3,230)
Reclassification	5,085	-	-	2,837	-	576	(8,498)	-
Translation differences	(1,295)	(453)	-	(1,459)	(147)	(791)	(27)	(4,172)
At 31 December 2018	189,851	49,121	19,501	365,782	18,790	37,815	568	681,428
Accumulated depreciation and impairment								
At 1 January 2018	97,774	18,170	6,178	293,616	15,059	23,740	-	454,537
Depreciation charge for the year (Note 7)	3,981	1,201	246	13,471	1,251	3,281	-	23,431
Impairment during the year (Note 7)	-	-	-	19,200	-	-	-	19,200
Disposals/write-off	(554)	-	-	(25)	(1,073)	(670)	-	(2,322)
Reclassification	-	-	-	(169)	-	169	-	-
Translation differences	(902)	(135)	-	(1,064)	(87)	(361)	-	(2,549)
At 31 December 2018	100,299	19,236	6,424	325,029	15,150	26,159	-	492,297
Net carrying amount								
At 31 December 2018	89,552	29,885	13,077	40,753	3,640	11,656	568	189,131

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (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								
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 2019 (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								
31 December 2018								
Cost								
At 1 January 2018	16,958	27,808	115	1,078	1,257	6,474	13	53,703
Additions	-	-	-	-	-	70	-	70
Disposals	(845)	-	-	-	-	-	-	(845)
At 31 December 2018	16,113	27,808	115	1,078	1,257	6,544	13	52,928
Accumulated depreciation								
At 1 January 2018	9,060	11,409	114	1,078	736	5,416	-	27,813
Depreciation charge for the year (Note 7)	280	744	-	-	164	276	-	1,464
Disposals	(24)	-	-	-	-	-	-	(24)
At 31 December 2018	9,316	12,153	114	1,078	900	5,692	-	29,253
Net carrying amount								
At 31 December 2018	6,797	15,655	1	-	357	852	13	23,675

Included in buildings of the Group are assets with a net carrying amount of RM28,246,347 (2018: RM41,300,564) which are pledged as security for the Group's loans and borrowings as disclosed in Note 24.

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

13. Property, plant and equipment (contd.)

During the financial year, the Group conducted an impairment review of its property, plant and equipment on subsidiaries which incurred substantial losses. Arising from this review, the Group impaired RM4,800,000 of the carrying amounts of its plant and equipment belonging to a subsidiary, Ceramica Indah Sdn. Bhd. ("CISB"). The carrying amounts of the plant and equipment in CISB has been written down to their estimated recoverable amount of RM1,700,000 using value in use. The significant assumptions used to determine the recoverable amount are as follow:

	2019	2018
Pre-tax discount rate	11%	11%
Growth rate	0%	0%
Budgeted gross margin	6% - 13%	5% - 15%

(i) Budgeted gross margin

The budgeted gross margin is based on historical trends and utilisation of production capacity for the past 4 years.

(ii) Growth rate

CISB did not impute any growth rate.

(iii) Discount rate

The pre-tax discount rate used was 11%. Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. 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.

The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Any further decline in the sales growth rate and margin or increase in the discount rate used will result in further impairment of the plant and equipment. Management is of the opinion that the assumptions used are prudent and reasonable.

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

14. Investment properties

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
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
Fair value of investment properties			42,346
At 31 December 2018			
Cost			
At 1 January	4,160	17,437	21,597
Additions	-	7,689	7,689
31 December	4,160	25,126	29,286
Accumulated depreciation			
At 1 January	-	1,383	1,383
Depreciation charge for the year (Note 7)	-	349	349
At 31 December	-	1,732	1,732
Net carrying amount	4,160	23,394	27,554
Fair value of investment properties			37,500

14. Investment properties (contd.)

	Freehold land RM'000	Buildings RM'000	Total RM'000
Company			
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
Fair value of investment properties			33,000
31 December 2018			
Cost			
At 1 January and 31 December 2019	4,160	17,437	21,597
Accumulated depreciation			
At 1 January	-	1,383	1,383
Depreciation charge for the year (Note 7)	-	349	349
At 31 December	-	1,732	1,732
Net carrying amount	4,160	15,705	19,865
Fair value of investment properties			30,000

The estimated fair value of the properties is based on directors' valuation based on transacted dealings of comparable properties.

	Group		Company	
	2019 RM'000	**2018** RM'000	**2019** RM'000	**2018** RM'000
Direct operating expenses that did not generate rental income	(450)	(461)	(450)	(461)

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 in Note 34.

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

15. Investment in subsidiaries

	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares, at cost	181,047	197,531
Less: accumulated impairment	(170)	(160)
	180,877	197,371

During the financial year, one of the Company's foreign subsidiary completed its capital reduction exercise, which resulted in a decrease in the Company's investment in the said foreign subsidiary. The Company received capital repayment totalling RM16,583,700 during the financial year. The effective equity interest held by the Company in this foreign subsidiary remains unchanged. There were no new business combinations during the financial year.

Details of the subsidiaries are as follows:

Names of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest 2019	Proportion of ownership interest 2018
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%
Held through Ceramica Indah Sdn. Bhd.:				
Amber Franchising Pty. Ltd.***	Inactive	Australia	100%	-
Australian Tiles Pty. Ltd.**	Inactive	Australia	100%	-
Kimgres Australia Pty. Ltd.***	Wholesaler and retailer of ceramic tiles	Australia	100%	100%
Outset Holdings Pty. Ltd.**	Investment holding	Australia	-	100%

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

15. Investment in subsidiaries (contd.)

Details of the subsidiaries are as follows: (contd.)

Names of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest 2019	2018
Held through Australian Tiles Pty. Ltd.:				
Outset Holdings Pty. Ltd.**	Investment holding	Australia	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

15. 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	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current assets	34,798	38,829	120	176	34,918	39,005
Current assets	35,500	52,137	3,635	3,390	39,135	55,527
Total assets	70,298	90,966	3,755	3,566	74,053	94,532
Current liabilities	(10,680)	(10,128)	(2,146)	(2,426)	(12,826)	(12,554)
Net assets	59,618	80,838	1,609	1,140	61,227	81,978
Equity attributable to owners of the Company	47,415	64,267	1,126	797	48,541	65,064
Non-controlling interests	12,203	16,571	483	343	12,686	16,914
	59,618	80,838	1,609	1,140	61,227	81,978

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

15. Investment 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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	46,712	57,180	6,767	6,234	53,479	63,414
Profit for the year	4,142	3,102	512	367	4,654	3,469
Other comprehensive income for the year	(1,795)	(2,258)	(44)	7	(1,839)	(2,251)
Total comprehensive income for the year	2,347	844	468	374	2,815	1,218
Total comprehensive income attributable to:						
Owners of the Company	1,866	673	328	261	2,194	934
Non-controlling interests	481	171	140	113	621	284
	2,347	844	468	374	2,815	1,218
Profit for the year attributable to non-controlling interests	849	634	154	111	1,003	745
Dividend paid to non-controlling interests	573	1,240	-	-	573	1,240

15. Investment 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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash generated from/(used in) operating activities	12,189	2,739	227	(78)	12,416	2,661
Net cash generated from/(used in) investing activities	210	(6,542)	1	1	211	(6,541)
Net cash used in financing activities	(23,656)	(6,052)	-	-	(23,656)	(6,052)
Net (decrease)/increase in cash and cash equivalents	(11,257)	(9,855)	228	(77)	(11,029)	(9,932)
Effect of foreign exchange rate changes	(239)	(599)	(17)	(7)	(256)	(606)
Cash and cash equivalents at beginning of the year	29,817	40,271	207	291	30,024	40,562
Cash and cash equivalents at end of the year	18,321	29,817	418	207	18,739	30,024

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

16. Other investments

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Non-current				
Financial assets measured at fair value through profit or loss				
Unit trusts, at fair value:				
Unquoted securities in Malaysia	22,087	19,402	22,087	19,402
Unquoted securities outside Malaysia	3,439	2,768	3,439	2,768
Total other investments	25,526	22,170	25,526	22,170
Fair value as at 31 December:				
Unquoted securities	25,526	22,170	25,526	22,170

17. Intangible assets

	Goodwill	Arrangements with franchisee	Brand	Total
	RM'000	RM'000	RM'000	RM'000
Group				
Cost				
At 1 January	9,838	10,892	4,857	25,587
Addition	-	894	-	894
At 31 December	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 2019	-	11,786	4,857	16,643
At 31 December 2018	-	10,892	4,857	15,749

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

17. Intangible assets (contd.)

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	
	2019	**2018**
	RM'000	RM'000
Arrangements with franchisee	11,786	10,892
Brand	4,857	4,857

Major assumptions used by OHPL are as follows:

	2019	**2018**
Pre-tax discount rate	12%	12% - 24%
Growth rate	3%	3%
Budgeted gross margin	33%	33%

(a) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the gross margins based on historical trends for the past 5 years. A decrease in demand can lead to a decline in gross margin. A decrease in gross margin by 9 % (2018: 9%) would result in impairment in the CGU.

(b) Growth rate

The forecasted growth rate is 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

Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. 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. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

An increase in pre-tax discount rate to 14% (i.e. + 2%) would result in impairment.

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

18. Inventories

	Group	
	2019	**2018**
	RM'000	RM'000
At cost		
Raw materials	22,411	26,047
Work-in-progress	3,588	3,240
Finished goods	83,127	108,214
Packing materials	2,584	3,208
Spare parts and stores	10,331	11,536
	122,041	152,245
At net realisable value		
Finished goods	12,499	12,999
	134,540	165,244

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM172,260,000 (2018: RM180,422,000).

19. Trade and other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Current				
Trade receivables				
Third parties	73,779	73,514	-	-
Less: Allowances for credit losses	(3,863)	(3,612)	-	-
	69,916	69,902	-	-
Other receivables				
Amounts due from subsidiaries				
- Interest bearing	-	-	88,800	80,299
- Non-interest bearing	-	-	15,730	15,726
	-	-	104,530	96,025
Sundry receivables	3,451	6,086	844	379
Deposits	2,308	2,501	124	124
	5,759	8,587	105,498	96,528
Total trade and other receivables	75,675	78,489	105,498	96,528

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

19. Trade and other receivables (contd.)

(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 37(a).

The Group's normal trade credit term ranges from 30 to 90 days (2018: 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.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, i.e. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off were subject to enforcement activities.

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	
	2019	**2018**
	RM'000	RM'000
Neither past due nor impaired	22,213	39,501
1 to 30 days past due not impaired	14,235	14,111
31 to 60 days past due not impaired	13,386	8,978
61 to 90 days past due not impaired	11,281	4,255
91 to 120 days past due not impaired	3,884	2,046
More than 121 days past due but not impaired	4,917	1,011
	47,703	30,401
Impaired	3,863	3,612
	73,779	73,514

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 RM47,703,000 (2018: RM30,401,000) that are past due at the reporting date but not impaired.

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

19. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

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	
	2019	**2018**
	RM'000	RM'000
Trade receivables - nominal amounts	3,863	3,612
Less: Allowance for expected credit losses	(3,863)	(3,612)
	-	-

Movement in allowance for expected credit losses:

	Group	
	2019	**2018**
	RM'000	RM'000
At 1 January	3,612	3,421
Provided for the year	589	401
Reversal of expected credit losses (Note 5)	(12)	(21)
Written off	(161)	(107)
Translation differences	(165)	(82)
At 31 December	3,863	3,612

(b) Amounts due from subsidiaries

These amounts are unsecured and repayable on demand. The interest-bearing portion bore interest ranging at rates ranging from 4.25% to 4.5% (2018: 4.25% to 8%) per annum during the financial year.

20. Other current assets

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Prepayments	2,494	4,642	9	9

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

21. Cash and bank balances

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	45,121	37,114	6,911	204
Deposits with financial institutions	17,524	16,703	15,060	5,879
Total cash and bank balances	62,645	53,817	21,971	6,083

Deposits with financial institutions at the reporting date earned interest at rates ranging from 0.50% to 3.80% (2018: 0.5% to 2.1%) per annum. The tenure of the deposits at the reporting date are between 30 days to 1 year (2018: 30 days to 1 year).

For the purpose of cash flow statement, cash and cash equivalents comprise the following at reporting date:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	62,645	53,817	21,971	6,083
Less : Bank overdraft (Note 24)	-	(1,123)	-	-
Less : Short-term deposits with maturity more than 3 months	(17,524)	(10,824)	(15,060)	-
Cash and cash equivalents	45,121	41,870	6,911	6,083

22. 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 2019 and 31 December 2019	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 (2018: 155,616,013) issued and fully paid ordinary shares as at 31 December 2019, 15,376,900 (2018: 15,376,900) are held as treasury shares by the Company. As at 31 December 2019, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (2018: 140,239,113) ordinary shares.

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

23. Other reserves

	Group	
	2019 RM'000	**2018** RM'000
Reserve and Enterprise Expansion Funds		
At 1 January	4,593	4,219
Transfer from retained earnings	198	374
At 31 December	4,791	4,593
Translation adjustment account		
At 1 January	7,403	11,842
Translation difference in subsidiaries	(1,850)	(4,427)
Transfer to retained earnings	-	(12)
At 31 December	5,553	7,403
Total other reserves	10,344	11,996

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.

24. Loans and borrowings

		Group	
	Maturity	**2019** RM'000	**2018** RM'000
Current			
Unsecured:			
Bank overdrafts (Note 21)	On demand	-	1,123
Trade facilities	On demand	3,984	-
Secured:			
Term loan:			
RM loan at BLR - 2.2% p.a.	2020	1,199	1,140
RM loan at BLR - 1.75% p.a.	2020	1,886	1,755
		7,069	4,018
Non-current			
Term loan:			
RM loan at BLR - 2.2% p.a.	2021 - 2023	3,718	4,913
RM loan at BLR - 1.75% p.a.	2021 - 2026	12,128	14,050
		15,846	18,963
Total loans and borrowings		22,915	22,981

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

24. Loans and borrowings (contd.)

The remaining maturities of the loans and borrowings are as follows:

	Group	
	2019	2018
	RM'000	RM'000
On demand or not later than 1 year	7,069	4,018
Later than 1 year and not later than 2 years	3,240	3,047
Later than 2 years and not later than 5 years	9,061	9,900
Later than 5 years	3,545	6,016
	22,915	22,981

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 30 and corporate guarantees from the Company.

Bank overdrafts

The bank overdrafts are secured by corporate guarantees from the Company.

25. Deferred tax (assets)/liabilities

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,525	(2,274)	70	77
Recognised in profit or loss (Note 10)	(1,119)	3,600	18	(7)
Translation differences	55	199	-	-
At 31 December	461	1,525	88	70

Presented after appropriate offsetting as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	(4,352)	(3,270)	-	-
Deferred tax liabilities	4,813	4,795	88	70
	461	1,525	88	70

The component of deferred tax (assets)/liabilities are as follows:

Analysed as:

Deferred tax assets

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Unutilised reinvestment and capital allowances	8,313	8,295	-	-
Unutilised business losses	13	-	-	-
Provisions	1,450	2,533	-	-
	9,776	10,828	-	-

Deferred tax liabilities

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	5,512	7,628	88	70
Intangible assets	4,725	4,725	-	-
	10,237	12,353	88	70

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

25. 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 2018	(10,914)	(380)	(3,350)	7,645	4,725	(2,274)
Recognised in profit or loss	2,619	380	817	(216)	-	3,600
Translation differences	-	-	-	199	-	199
At 31 December 2018	(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

Presented after appropriate offsetting as follows:

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

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

25. Deferred tax (assets)/liabilities (contd.)

Deferred tax liability of the Company

	Property, plant and equipment RM'000
At 1 January 2018	77
Recognised in profit or loss (Note 10)	(7)
At 31 December 2018	70
Recognised in profit or loss (Note 10)	18
At 31 December 2019	88

At the reporting date, deferred tax assets are 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:

	2019 RM'000	**2018** RM'000
Unutilised tax losses	177,584	158,998
Unabsorbed capital allowances	24,406	16,849
Unabsorbed incentive allowances	2,992	2,992
Others	40,735	37,270
	245,717	216,109
Deferred tax asset at 24%, if recognised	58,972	51,866

26. Derivative assets/(liabilities)

	Group			
	2019		**2018**	
	Contract/ notional amount RM'000	**Assets** RM'000	**Contract/ notional amount** RM'000	**Liabilities** RM'000
Non-hedging derivatives:				
Current				
Forward currency contracts	13,851	6	21,844	(930)

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 2019, forward currency contracts were used to hedge the Group's sales commitments denominated in USD and AUD (Note 37(d)).

As at 31 December 2019, the Group recognised a net gain of RM941,000 (2018: net loss of RM1,351,000) 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 2019 (CONT'D)

27. Trade and other payables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Third parties	41,381	45,431	-	-
Other payables				
Amount due to a subsidiary	-	-	-	17
Sundry payables	16,417	13,452	221	70
Payroll expenses	6,777	7,222	1,851	1,845
Other accruals	3,772	5,467	61	64
	26,966	26,141	2,133	1,996
Total trade and other payables	68,347	71,572	2,133	1,996

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 120 days (2018: 30 to 120 days) terms.

(b) Sundry payables

Sundry payables are normally settled on an average term of 30 days (2018: 30 days) and are generally non-interest bearing. An amount of RM912,403 (2018: RM675,000) 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.

(c) Amount due to a subsidiary

The amount was unsecured, non-interest bearing and is payable on demand.

28. Provisions

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Long service leave and annual leave				
At 1 January	4,128	4,304	73	71
Provided during the year	1,397	1,138	35	31
Utilised during the year	(1,152)	(983)	(26)	(29)
Unused amounts forfeited	(43)	(18)	-	-
Translation differences	(56)	(313)	-	-
At 31 December	4,274	4,128	82	73
Analysed as:				
Current	3,872	3,701	82	73
Non-current	402	427	-	-
At 31 December	4,274	4,128	82	73

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

29. Deferred capital grant

	Group 2019 RM'000	Group 2018 RM'000
Cost:		
At 1 January and 31 December	1,085	1,085
Accumulated amortisation:		
At 1 January	690	487
Amortisation (Note 5)	203	203
At 31 December	893	690
Net carrying amount:		
Current	192	203
Non-current	-	192
At 31 December	192	395

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.

30. 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.

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

30. Leases liabilities (contd.)

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	Property 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	-	-	10,028	365	177	38	10,608
Translation differences	(403)	-	-	-	-	(151)	(554)
As at 31 December 2019	48,718	19,501	29,843	1,581	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	7,619	255	28	1,989	11,333
Translation differences	(131)	-	(9)	-	-	(4)	(144)
As at 31 December 2019	20,304	6,667	7,610	255	28	1,985	36,849
Net carrying amount							
As at 31 December 2019	28,414	12,834	22,233	1,326	149	6,638	71,594

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

30. Leases liabilities (contd.)

Included in right-of-use assets of the Group are assets with a net carrying amount of RM12,343,692 (2018: Nil) which are pledged as security for the Group's loans and borrowings as disclosed in Note 24.

	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
At 1 January 2019 and 31 December 2019	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
Net carrying amount			
As at 31 December 2019	14,910	1	14,911

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Property RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Other equipment RM'000	Total RM'000
Group					
As at 1 January 2019	-	-	-	-	-
Effect of adoption of MFRS 16	19,815	1,216	-	8,736	29,767
Addition	10,028	365	177	38	10,608
Accretion of interest	870	52	4	312	1,238
Payment	(7,756)	(280)	(29)	(2,078)	(10,143)
Translation differences	(1)	-	-	(148)	(149)
As at 31 December 2019	22,956	1,353	152	6,860	31,321
Current					10,323
Non-current					20,998
					31,321

The maturity analysis of lease liabilities is disclosed in Note 37(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:

	2019
No. of right-of-use assets leased	35
No. of leases with extension option	1

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

30. Leases liabilities (contd.)

The following are the amounts recognised in profit or loss:

	Group RM'000	Company RM'000
Depreciation expense of right-of-use assets	11,333	745
Interest expense on lease liabilities	1,238	-
Expense relating to short-term leases (included in cost of sales and administrative expenses)	578	-
Expense relating to leases of low-value assets (included in administrative expenses)	42	-
Total amount recognised in profit or loss	13,191	745

The Group had total cash outflows for leases of RM10,763,000 in 2019 (2018: Nil). The Group also had non-cash additions to right-of-use assets and lease liabilities of RM10,608,000 in 2019 (2018: Nil).

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.

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:

	2019 RM'000	2018 RM'000
Group		
Not later than one year	852	852
Later than one year and not later than five years	3,408	3,408
Later than five years	852	852
	5,112	5,112

	2019 RM'000	2018 RM'000
Company		
Not later than one year	227	227
Later than one year and not later than five years	908	908
Later than five years	227	227
	1,362	1,362

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

31. Capital Commitments

	Group 2019 RM'000	Group 2018 RM'000
Property, plant and equipment:		
Authorised and contracted for	7,950	8,501
Authorised but not contracted for	5,942	10,000

32. 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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 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	19	-	-
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.	972	851	-	-
(iii) Renovation and maintenance costs: Pan Chyi Construction and Development Sdn. Bhd.	185	317	-	-
(iv) Insurance commission earned as insurance agent: Kim Hin (Malaysia) Sdn. Bhd.	106	120	7	4
(v) Purchase of ceramic tiles for resale: Shanghai Kim Hin United Buildings Materials Co. Ltd.	91	953	-	-

(b) Transactions with subsidiaries:

	Company 2019 RM'000	Company 2018 RM'000
Dividend income	8,186	9,730
Management fees	1,056	1,056
Rental income	227	227
Interest income	3,593	4,791

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

32. Related party disclosures (contd.)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	18,605	17,335	3,493	3,536
Social security costs	38	37	5	6
Defined contribution plan	2,452	2,317	643	651
Benefits-in-kind	240	270	59	79
	21,335	19,959	4,200	4,272
Included in the total remuneration of key management personnel are:				
Executive directors' remuneration (Note 9)	8,438	8,447	3,694	3,694

33. 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)	19
Cash and bank balances	21
Loans and borrowings	24
Derivative (liabilities)/assets	26
Trade and other payables (current)	27
Lease liabilities	30

(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 2019 (CONT'D)

34. 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 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	16	25,526	-	-	25,526
Derivative assets	26	-	6	-	6
Assets for which fair values are disclosed					
Investment properties	14	-	-	42,346	42,346
Company					
Assets measured at fair value					
Unquoted unit trusts	16	25,526	-	-	25,526
Assets for which fair values are disclosed					
Investment properties	14	-	-	33,000	33,000

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2018

	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	16	22,170	-	-	22,170
Assets for which fair values are disclosed					
Investment properties	14	-	-	37,500	37,500
Liabilities measured at fair value					
Derivative liabilities	26	-	(930)	-	(930)
Company					
Assets measured at fair value					
Unquoted unit trusts	16	22,170	-	-	22,170
Assets for which fair values are disclosed					
Investment properties	14	-	-	30,000	30,000

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

35. Categories of financial instruments

The table below provides an analysis of the Group's financial instruments as at 31 December 2019 and 2018, categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")

	Group		Company	
	AC RM'000	**FVTPL** RM'000	**AC** RM'000	**FVTPL** RM'000
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	-
31 December 2018				
Financial assets				
Trade and other receivables	78,489	-	96,528	-
Other investments	-	22,170	-	22,170
Cash and bank balances	53,817	-	6,083	-
	132,306	22,170	102,611	22,170
Financial liabilities				
Loans and borrowings	22,981	-	-	-
Trade and other payables	71,572	-	1,996	-
Derivative liabilities	-	930	-	-
	94,553	930	1,996	-

36. Changes in liabilities arising from financing activities

	2019 RM'000	**2018** RM'000
Group's borrowings		
At 1 January	22,981	24,711
Effect of adoption of MFRS 16	29,767	-
Acquisition of right-of-use assets	10,608	-
Repayment of borrowings	(2,926)	(2,780)
Repayment of overdrafts	(1,123)	-
Repayment of principal portion of lease liabilities	(8,905)	-
Drawdown of overdrafts	-	1,050
Drawdown of term loan	3,983	-
Translation differences	(149)	-
At 31 December	54,236	22,981

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

37. 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 2019, the Group had 29 customers (2018: 29) that owed more than RM500,000 each and accounted for approximately 50% (2018: 45%) of receivables outstanding. There were two (2018: 2) customers with balances greater than RM3,000,000 accounting for about 10% (2018: 13%) 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 six months. 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 RM22,915,000 (2018: RM22,981,000) 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 2019 (CONT'D)

37. 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				
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
2018				
Trade and other payables	71,572	-	-	71,572
Derivative liabilities	930	-	-	930
Loans and borrowings	5,085	15,617	6,180	26,882
Total undiscounted financial liabilities	77,587	15,617	6,180	99,384
Company				
Financial liabilities				
2019				
Other payables	2,133	-	-	2,133
Financial guarantees*	22,915	-	-	22,915
Total undiscounted financial liabilities	25,048	-	-	25,048
2018				
Other payables	1,996	-	-	1,996
Financial guarantees*	22,981	-	-	22,981
Total undiscounted financial liabilities	24,977	-	-	24,977

* Based on the maximum that can be called for under the financial guarantee contracts.

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

37. Financial risk management objectives and policies (contd.)

(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.

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 RM2,520 (2018: RM1,265), 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 2019, the Group hedged 20% (2018: 20%) of its foreign currency denominated sales, for which firm commitments extended to November 2020.

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 RM6,510,960 (2018: RM5,884,744) 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.

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

37. Financial risk management objectives and policies (contd.)

(d) Foreign currency risk (contd.)

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	
		2019	**2018**	**2019**	**2018**
		RM'000	RM'000	RM'000	RM'000
USD	- Strengthen 4% (2018: 15%)	373	(24)	340	-
	- Weaken 4% (2018: 9%)	(134)	(490)	(113)	-
AUD	- Strengthen 4% (2018: 8%)	46	655	-	525
	- Weaken 4% (2018: 2%)	(48)	(86)	-	(66)
EUR	- Strengthen 3% (2018: 3%)	(27)	(70)	-	-
	- Weaken 4% (2018: 6%)	9	47	-	-

38. 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 2019 and 31 December 2018.

As disclosed in Note 23(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 2019 and 2018.

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.

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

38. Capital management (contd.)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade and other payables	27	68,347	71,572	2,133	1,996
Loans and borrowings	24	22,915	22,981	-	-
Lease liabilities	30	31,321	-	-	-
Less: Cash and cash balances	21	(62,645)	(53,817)	(21,971)	(6,083)
Net debt/(cash)		59,938	40,736	(19,838)	(4,087)
Equity attributable to equity holder of the Company		406,849	441,148	372,802	364,977
Less: Other reserves	23	(10,344)	(11,996)	-	-
Capital		396,505	429,152	372,802	364,977
Net debt/(cash)		59,938	40,736	(19,838)	(4,087)
Capital		396,505	429,152	372,802	364,977
Total capital plus net debt		456,443	469,888	352,964	360,890
Gearing ratio		13.13%	8.67%	-	-

39. 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 2019 (CONT'D)

39. 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 2019 (CONT'D)

39. Segmental reporting (contd.)

31 December 2018	Malaysia operation RM'000	China operation RM'000	Australia operation RM'000	Vietnam operation RM'000	Total RM'000
Revenue					
Total sales	212,456	57,180	157,331	6,234	433,201
Less: Inter-segment sales	(29,398)	(1,077)	-	-	(30,475)
	183,058	56,103	157,331	6,234	402,726
Results					
Segment operating (loss)/profit	(56,873)	3,488	(924)	458	(53,851)
Finance costs	(1,226)	-	(39)	-	(1,265)
(Loss)/profit before tax	(58,099)	3,488	(963)	458	(55,116)
Income tax expense	(5,484)	(865)	10	(92)	(6,431)
(Loss)/profit for the year	(63,583)	2,623	(953)	366	(61,547)
Non-controlling interests	-	(634)	-	(111)	(745)
(Loss)/profit attributable to owners of parent	(63,583)	1,989	(953)	255	(62,292)
Assets					
Segment assets	335,841	90,233	89,237	3,566	518,877
Other investments	22,170	-	-	-	22,170
Intangible assets	-	-	15,749	-	15,749
Tax recoverable	3,162	-	1,272	-	4,434
Deferred tax assets	714	664	1,892	-	3,270
Total assets	361,887	90,897	108,150	3,566	564,500
Liabilities					
Segment liabilities	39,745	8,134	28,556	195	76,630
Loans and borrowings	22,981	-	-	-	22,981
Tax payable	-	1,599	-	38	1,637
Deferred tax liabilities	70	-	4,725	-	4,795
Deferred capital grant	-	395	-	-	395
Total liabilities	62,796	10,128	33,281	233	106,438
Other information					
Depreciation	19,441	2,645	1,639	56	23,781
Impairment loss on intangible assets	9,218	-	-	-	9,218
Impairment loss on property, plant and equipment	19,200	-	-	-	19,200
Inventories written down	4,560	725	-	-	5,285
Loss on fair value changes on instruments at fair value through profit or loss, net					
- derivatives	350	1,001	-	-	1,351
- other investments	2,847	-	-	-	2,847

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

40. Subsequent event

The outbreak of Covid-19 pandemic globally and in Malaysia has led to the implementation of Movement Control Order ("MCO") nationwide by the Malaysian Government since 18 March 2020. This unprecedented event has seriously affected businesses and economic activities in Malaysia.

As the Group's principal activities comprise mainly the manufacture and sales of tiles, there was disruption to the Group's operations during the MCO period, which was extended until 12 May 2020 as announced by the Prime Minister of Malaysia. The threats posed by the Covid-19 outbreak continue to spiral and many businesses have been crippled by the loss in earnings and disruptions in the supply chains. The occurrence of the Covid-19 outbreak is not an adjusting post balance sheet event.

Given the evolving nature of the conditions, there may be some challenges on the recoverability of the Group's and the Company's assets, the impact of which cannot be reasonably estimated at this stage. Nevertheless, the Directors will continue to monitor and assess the ongoing development and respond accordingly. Subsequent to the reporting date, the Directors during their preliminary assessment have considered the potential impact of the recoverable amount of the property, plant and equipment and right-of-use assets. The calculation of value in use as disclosed in Note 13 has been made based on conditions existing at 31 December 2019 and did not take into consideration the impact of Covid-19 outbreak. There is a significant risk that the assumptions on gross margins, discount rates and raw materials price inflation applied in the impairment assessment would need to be revised in the forthcoming year.

It is likely that the gross margins would be revised mainly due to the slowdown of the economy thus affecting the demand for tiles. The raw material price inflation is likely to increase by more than what was forecasted as at 31 December 2019 in view of the Government's measures which have resulted in a decrease in supply. Pre-tax discount rate is likely to be revised upwards.

The aforementioned changes in the assumptions on gross margins, discount rates and raw materials prices inflation may result in a material adjustment to the carrying amounts of the property, plant and equipment and right-of-use assets within the next financial year.

Subsequent to the reporting date, the Group changed its inputs into the expected credit loss ("ECL") model in order to better estimate the impact of the outbreak in accordance with the requirements of MFRS 9. The simplified ECL models adopted by the Group as at 31 December 2019 were not designed for the current economic shocks due to Covid-19. In addition, due to the abnormal circumstances caused by Covid-19, it may take time for the Group to detect actual changes in risk indicators for a specific customer. In order to accelerate the reflection of changes in credit quality not yet detected at an individual customer level, the Group will adjusts the probabilities of default on a collective basis, considering the risk characteristics of the customers.

The Group and the Company continues to monitor the impact of Covid-19 pandemic and its impact on the Group and the Company and its stakeholders. As of the date of this report, the Group is unable to reasonably quantify the financial impact of the Covid-19 to the Group's and the Company's cash flow, financial results and financial position.

41. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2019 were authorised for issue by the Board in accordance with a resolution of the directors on 19 June 2020.

STATISTICS ON SHAREHOLDINGS
AS AT 29 MAY2020

Analysis by Size of Shareholdings as at 29 May 2020

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	94	3.209	3,465	0.002
100 to 1,000	635	21.679	458,431	0.326
1,001 to 10,000	1,711	58.415	6,832,367	4.871
10,001 to 100,000	429	14.646	12,950,850	9.234
100,001 to less than 5% issued shares	58	1.980	33,804,175	24.104
5% and above of issued shares	2	0.068	86,189,825	61.459
TOTAL	**2,929**	**100.000**	**140,239,113**	**100.000**

List of Thirty (30) Largest Shareholders as at 29 May 2020

No.	Name	No. of Shares ♦	% ♦
1.	CIMSEC Nominees (Tempatan) Sdn. Bhd. 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	5,335,100	3.804
4.	Galister International Ltd	3,900,000	2.780
5.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore For Yeoman 3-Rights Value Asia Fund (PTSL)	3,525,000	2.513
6.	UOBM Nominees (Asing) Sdn. Bhd. United Overseas Bank Nominees (Pte) Ltd For China Cruise Company Ltd	2,582,400	1.841
7.	CitiGroup Nominees (Asing) Sdn. Bhd. Exempt An For Bank of Singapore Limited (Foreign)	2,000,000	1.426
8.	Chua Seng Huat	1,113,225	0.793
9.	Kenanga Nominees (Asing) Sdn. Bhd. Exempt An For Phillip Securities Pte Ltd (Clients Account)	821,500	0.585
10.	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Pay Kaon	800,000	0.570
11.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An for DBS Bank Ltd (SFS)	734,300	0.523
12.	CGS-CIMB Nominees (Asing) Sdn. Bhd. Exempt An For CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	687,100	0.489
13.	Tham Kin Foong (John)	678,100	0.483
14.	Gan Kho @ Gan Hong Leong	667,300	0.475
15.	Goh Thong Beng	667,000	0.475
16.	Nican Asia Limited	650,000	0.463
17.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd for Lim Mee Hwa	600,000	0.427
18.	Tan Aik Choon	548,700	0.391
19.	John Chua Seng Chai	524,650	0.374
20.	Asia Selatan (M) Sdn. Bhd.	490,000	0.349

STATISTICS ON SHAREHOLDINGS (CONT'D)
AS AT 29 MAY2020

21.	Taman Bunga Merlimau Sdn. Bhd.	486,000	0.346
22	Maybank Nominees (Tempatan) Sdn. Bhd. Chua Eng Ho Wa'a @ Chua Eng Wah	309,400	0.220
23..	Chua Seng Guan	296,000	0.211
24.	Pauline Getrude Chua Hui Lin	295,000	0.210
25.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Exempt An For CGS-CIMB Securities (Singapore) Pte. Ltd. (Retails Clients)	282,200	0.201
26.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Liau Thai Min	275,700	0.196
27.	Chua Seng Guan	270,000	0.192
28.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Khoo Beng Chuan (Penang-CL)	250,000	0.178
29.	Cheng Kok Sang	240,100	0.171
30.	Public Invest Nominees (Asing) Sdn. Bhd. Exempt An For Phillip Securities Pte Ltd (Clients)	235,000	0.167

List of Directors' Shareholdings as at 29 May 2020

No.	Name	Direct	Indirect
1.	Chua Seng Huat	1,113,225	86,189,825*
2.	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 29 May 2020

		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.	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 29 May 2020.
* 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 2019, 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 Kuching North Land District (KNLD)	Country Land/ Mixed Zone Land; 3 Storeys Old Office Block	1992	35	60,187	13/07/2057	10,918
	Lot 96, 929 & 930, Block 226, KNLD	Factory Building, Worker Quarters, Warehouse, 3 Storeys New Office	1992	28 28 28 24	66,330	31/12/2038	
	Johor						
2	PTD No 135903-135906 GM Lot 1284, Batu 8 Jalan Skudai, Mukim Pulai, Daerah Johore Bharu	Warehouse/Office/ Showroom	2007	13	3,554	freehold	3,987
3	PTD 106708, HS (D) 61844 (Asiatic) Mukim Senai-Kulai, Indahpura Industrial Park, Johor Bharu	Industrial Vacant Land	1997	-	16,340	freehold	4,160
	Negeri Sembilan						
4	HS(D) 43950 to HS(D) 43963 Lot 10807 To Lot 10820 Mukim Rentau District of Seremban	Industrial Land; Factory & expansion Office Building	1989	- 30, 9 22	61,500	freehold	26,755
5	Lot 10806, GRN 116899 Tuanku Jaafar Industrial Estate Sungai Gadut District of Seremban	Industrial Land Warehouse	2013	24	44,456	freehold	15,784
6	Hakmilik PN229220, Lot 1780, Pekan Senawang, Daerah Seremban	Industrial Land;	2016	-	12,173	20/7/2052	25,678
	Hakmilik H.S.(D) 128462, P.T. 1329 (Plot 75B), Mukim Ampangan, Daerah Seremban	Industrial Land; Factory & Office Building	2016	32	16,187	8/7/2080	
	Hakmilik PN 48805, Lot 61215, Pekan Senawang, Daerah Seremban	Industrial Land; Factory Office Building	2016	40	40,000	11/12/2074	
	Singapore						
7	#08-10 Goodwood Residence 263, Bukit Timah Road 259704 Singapore	Condominium	2010	6	233	freehold	13,515
	The People Republic of China						
8	Zhujing Development Area Jinshan Country, Shanghai	Industrial Land, Factory/Office Building	1992	- 25	216,396	05/11/2042	16,370
9	No 3, 32nd Floor, Alley 333, Jing An Si Ji Yuan Apt, Lorong 42 Nanjing West Road Shanghai	Condominium	2008	12	193	18/7/2071	1,796
10	Unit 610, 5th Floor, No. 108 Qibao Wan Xin International Center Lane 1333, Xinlong Road, Shanghai	Office Unit	2018	1	250.79	2069	7,467

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KIM HIN INDUSTRY BERHAD

Registration No.: 197301003569 (18203-V)
(Incorporate 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-Seventh Annual General Meeting 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 Wednesday, 26 August 2020, 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 RM271,000.00 for the financial year ended 31 December 2019.		
2.	To re-elect Mdm. Chua Yew Lin as Director of the Company.		
3.	To re-elect Mdm. Pauline Getrude Chua Hui Lin as Director of the Company.		
4.	To re-elect Mr. Ong Ah Ba 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 authorize 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 ("Proposed Shareholders' Mandate").		
8.	To approve the retention of Mr. Fong Tshu Kwong as Independent Director of the Company.		
9.	To approve the retention of Mr. Ong Ah Ba as Independent 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 August 2020

Notes

1. *A member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, speak and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.*
2. *A member of the Company entitled to attend, speak and vote at this Annual General Meeting shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*
3. *If the appointor is a corporation, the form of proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at 4 ½ Mile, Kung Phin Road, Off Penrissen, 93250 Kuching, Sarawak not less than forty-eight (48) hours before the time for holding the meeting.*
6. *A depositor whose name appears in the Record of Depositors as at 19 August 2020 shall be entitled to attend the meeting and to speak and vote thereat.*

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)

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