DKLS INDUSTRIES BERHAD

Company No : 199501040269 (369472-P)

Building PEACE, GOODWILL AND COOPERATION .... across the globe

www.dkls.com.my

Annual Report 2020

CORPORATE CHARACTER

Peace • Goodwill • Cooperation

OUR VISION

To be a great company delivering responsible business solution and economic value to shareholders.

MISSION STATEMENT

DKLS strives to be the best and remain the best in sustainable environment of peace, goodwill and cooperation.

ENVIRONMENT, HEALTH & SAFETY STATEMENT

DKLS recognises and values the importance of environmental, safety and health issues and is thereby committed in undertaking projects in a safe and environmentally sustainable manner.

BUSINESS PHILOSOPHY

DKLS is customer-focused, business solution oriented and responsive to change, balanced by the belief that value and excellence guide our decision-making process. Our corporate philosophy is shaped and constantly being re-energised by the dynamics of our core values:

- Integrity
- Excellence
- Professionalism
- Cultural Intelligence
- Loyalty
- Innovation
- Team Spirit
- Win-Win Philosophy

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Ding Pei Chai, DPTJ, PMP
Non-Independent Non-Executive Chairman

Mr Ding Poi Bor
Managing Director

Ir Sam Tuck Wah
Executive Director

Ms Ding Zhe Xin
Executive Director

Mr Chin Kok Tong
Independent Non-Executive Director

Cdr (Retd) Poon Wee Ching
Independent Non-Executive Director

COMPANY SECRETARIES

Mr Cheai Weng Hoong

Ms Benedette Lim Lang Siu

AUDIT COMMITTEE

Mr Chin Kok Tong
Chairman

Dato' Ding Pei Chai, DPTJ, PMP
Cdr (Retd) Poon Wee Ching
Members

NOMINATION AND REMUNERATION COMMITTEE

Cdr (Retd) Poon Wee Ching
Chairman

Dato' Ding Pei Chai, DPTJ, PMP
Mr Chin Kok Tong
Members

INVESTMENT COMMITTEE

Mr Ding Poi Bor
Chairman

Dato' Ding Pei Chai, DPTJ, PMP
Ir Sam Tuck Wah
Mr Chin Kok Tong
Members

PRINCIPAL PLACE OF BUSINESS

16th Floor & Penthouse, Ipoh Tower
Jalan Dato' Seri Ahmad Said
30450 Ipoh, Perak Darul Ridzuan
Tel : 05-2532 688
Fax : 05-2532 701

REGISTERED OFFICE

D-3-7, Greentown Square
Jalan Dato' Seri Ahmad Said
30450 Ipoh, Perak Darul Ridzuan
Tel : 05-2530 760
Fax : 05-2416 761

REGISTRAR

Shared Services & Resources Sdn Bhd
D-3-7, Greentown Square
Jalan Dato' Seri Ahmad Said
30450 Ipoh, Perak Darul Ridzuan
Tel : 05-2530 760
Fax : 05-2416 761

PRINCIPAL BANKERS

AmBank (M) Berhad

CIMB Bank Berhad

Hong Leong Bank Berhad

Malayan Banking Berhad

Public Bank Berhad

United Overseas Bank (Malaysia) Bhd

AUDITORS

Ernst & Young PLT

SOLICITOR

Skrine

STOCK EXCHANGE LISTING

Main Market - Bursa
Malaysia Securities Berhad

Stock Code: 7528

Stock Name: DKLS

COMPANY WEBSITE

www.dkls.com.my

DKLS INDUSTRIES BERHAD
Company No : 199501040269 (369472-P)

CORPORATE STRUCTURE

- DKLS CONSTRUCTION SDN BHD 100%
- DKLS QUARRY & PREMIX SDN BHD 100%
- DKLS DEVELOPMENT SDN BHD 100%
- DKLS SIGNATUREHOMES SDN BHD 100%
- DKLS PREMIERHOME SDN BHD 100%
- DKLS EQUITY SDN BHD 100%
- DKLS MARKETING SDN BHD 100%
- DKLS CLEARWATER SDN BHD 100%
  - SAVAN-DKLS WATER SUPPLY CO LTD 70%
- DKLS HOMEBUILDERS SDN BHD 100%
- DKLS QUARRY & PREMIX (NORTH) SDN BHD 100%
- DKLS HIGHLANDS SDN BHD 100%
  - AMBANG BESKAYA SDN BHD 50%

BOARD OF DIRECTORS

01 **Dato' Ding Pei Chai** DPTJ, PMP
Non-Independent Non-Executive Chairman

02 **Mr Ding Poi Bor**
Managing Director

03 **Ir Sam Tuck Wah**
Executive Director

04 **Ms Ding Zhe Xin**
Executive Director

05 **Mr Chin Kok Tong**
Independent Non-Executive Director

06 **Cdr (Retd) Poon Wee Ching**
Independent Non-Executive Director

PROFILE OF DIRECTORS

DATO' DING PEI CHAI, DPTJ, PMP
Non-Independent Non-Executive Chairman
Age: 65 **Gender:** Male **Nationality:** Malaysian

Dato' Ding is a founding member of DKLS Industries Berhad and was appointed to the Board as an Executive Director of the Company on 12 August 1996. He was the Managing Director of the Company since his appointment to the Board and was redesignated as Non-Executive Chairman of the Company on 18 April 2007. Dato' Ding serves as a member of the Audit Committee, Nomination and Remuneration Committee and Investment Committee of the Company.

Dato' Ding is a Civil Engineer graduated from Monash University (Australia) and has more than 36 years of working experience. His engineering experience is fairly wide-ranging, having established excellent track record in a wide range of civil and structural engineering projects, buildings, marine structures, road works, land and marine piling works, and land reclamation works. He is currently the Executive Chairman of Isyoda Corporation Berhad, a public limited company. He also sits on the Board of several other private limited companies.

Dato' Ding, Mr Ding Poi Bor and Ms Ding Soo King (resigned as Director on 03 August 2020) are siblings whilst Ir Sam Tuck Wah is his brother-in-law. He has deemed interest in various related party transactions with DKLS Group as disclosed on pages 170 to 172 of the Annual Report. Within the past 5 years, he has no conviction for any offences (save for traffic offences) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MR DING POI BOR
Group Managing Director
Age: 66 **Gender:** Male **Nationality:** Malaysian

Mr Ding Poi Bor is a founding member of DKLS Industries Berhad and was appointed to the Board as an Executive Director of the Company on 12 November 1996. He was appointed as Deputy Managing Director of the Company on 01 March 2003 and re-designated as Managing Director on 18 April 2007. Mr Ding serves as the Chairman of the Investment Committee of the Company. He also holds directorships in the subsidiary companies within the DKLS Group and several other private limited companies.

With over three decades of diversified exposure and experience in quarry and construction, Mr Ding's experiences include civil and structural engineering projects, road works and buildings. He is also well versed in land and marine piling works and marine structures. Specialised works related to runway construction is also his forte. Overseas project negotiation also falls into his realm of responsibility.

Mr Ding, Dato' Ding Pei Chai DPTJ, PMP and Ms Ding Soo King (resigned as Director on 03 August 2020) are siblings whilst Ir Sam Tuck Wah is his brother-in-law. He has deemed interest in various related party transactions with DKLS Group as disclosed on pages 170 to 172 of the Annual Report. Within the past 5 years, he has no conviction for any offences (save for traffic offences) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF DIRECTORS

IR SAM TUCK WAH

Executive Director
Age: 61 **Gender:** Male **Nationality:** Malaysian

Ir Sam is a founding member of DKLS Industries Berhad and was appointed to the Board as an Executive Director of the Company on 12 August 1996. Ir Sam serves as a member of the Investment Committee of the Company. He also holds directorships in the subsidiary companies within the DKLS Group and several other private limited companies.

Ir Sam graduated from the University of Southwestern Louisiana (USA) with a Bachelor of Science in Civil Engineering. With over three decades of experience, he has since established excellent track record in civil and structural engineering projects, buildings, as well as land and marine piling works and marine structures. Road works and land reclamation works are also his forte. He is a Professional Engineer registered with Board of Engineers Malaysia and a member of The Institution of Engineers Malaysia.

Ir Sam is the spouse of Ms Ding Soo King (resigned as Director on 03 August 2020) and the brother-in-law of Dato' Ding Pei Chai DPTJ, PMP and Mr Ding Poi Bor. He has deemed interest in various related party transactions with DKLS Group as disclosed on pages 170 to 172 of the Annual Report. Within the past 5 years, he has no conviction for any offences (save for traffic offences) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MS DING ZHE XIN

Executive Director
Age: 31 **Gender:** Female **Nationality:** Malaysian

Ms Ding was appointed to the Board as Executive Director of DKLS Industries Berhad on 03 August 2020. Ms Ding graduated with a Bachelor of Laws degree LL.B (Hons) from the University of Leeds and was a member of the Honourable Society of Lincoln's Inn, London. Ms Ding was called to the English Bar in 2010 and was subsequently called to the Malaysian Bar on 12 September 2011 after completing her pupillage at Messrs Raja, Daryl & Loh.

Ms Ding continued on with her career as legal counsel at Messrs Raja, Darryl & Loh, where she practiced mainly in the area of construction related dispute resolution and advisory work. Ms Ding then moved on to join Messrs Abraham Ooi & Partners in year 2015 where she focused on commercial and real estate related drafting and advisory work. Ms Ding has more than 9 years of combined experience in the legal industry with practice areas encompassing conveyancing, banking and finance, leases and tenancies, fintech, commercial and construction related dispute resolution, contract drafting as well as advisory work.

Ms Ding Zhe Xin is the daughter of Mr Ding Poi Bor and the niece of Dato' Ding Pei Chai DPTJ, PMP, Ir Sam Tuck Wah and Ms Ding Soo King (resigned as Director on 03 August 2020), who are the Managing Director, Chairman and Executive Director of DKLS Industries Berhad respectively. She does not have any related party transaction with DKLS Group. Within the past 5 years, she has no conviction for any offences (save for traffic offences) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF DIRECTORS

MR CHIN KOK TONG

Independent Non-Executive Director
Age: 50 **Gender:** Male **Nationality:** Malaysian

Mr Chin was appointed to the Board as an Independent Non-Executive Director of DKLS Industries Berhad on 09 December 2013. He had served as an independent member of the Audit Committee of the Company from 09 December 2013 to 28 May 2014 until he was promoted as Chairman of the Audit Committee on 29 May 2014. He was redesignated from Chairman to member of the Nomination and Remuneration Committee on 24 August 2018. He also serves as a member of the Investment Committee of the Company.

Mr Chin is a member of Malaysian Institute of Certified Public Accountants (“MICPA”) and Malaysian Institute of Accountants (“MIA”). He has over 20 years of experiences in audit and was a Senior Manager of Ernst & Young, Malaysia. He is currently a financial controller of a group of private limited companies.

Mr Chin has no family relationship and is not related to any other director and/or substantial shareholder of the Company. He does not have any related party transaction with DKLS Group. Within the past 5 years, he has no conviction for any offences (save for traffic offences) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CDR (RETD) POON WEE CHING

Independent Non-Executive Director
Age: 69 **Gender:** Male **Nationality:** Malaysian

Cdr (Retd) Poon Wee Ching was appointed to the Board as Independent Non-Executive Director of DKLS Industries Berhad on 24 August 2018. He serves as a Chairman of the Nomination and Remuneration Committee and also member of the Audit Committee of the Company.

He has performed 25 years of illustrious service with the Royal Malaysian Navy ("RMN") from 1972 to 1997. His past appointment, prior to leaving RMN was Head of Logistics & Management Faculty, RMN College. His involvement in various local and overseas assignments encompassed RMN Logistic Depot Procurement Officer, Ministry of Defence Project Team Staff Supply Officer, RMN Material Command Staff Administrative Officer and RMN Mine Counter Measures Vessel Project Team. He is also a certified trainer (INTAN - ITMC), internal and external assessor (Majlis Latihan Vokasional Kebangsaan). Upon his retirement, he joins the private sector and is involved in marine base and shipyard development, commercial vessel operation management and import and export business operation.

He develops a passion in Corporate Social Responsibility ("CSR") domain and advocates practical initiatives that contribute towards societal wellbeing.

Cdr (Retd) Poon has no family relationship and is not related to any other director and/or substantial shareholder of the Company. He does not have any related party transaction with DKLS Group. Within the past 5 years, he has no conviction for any offences (save for traffic offences) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

MR DING POI BOR
Group Managing Director
Age: 66 **Gender:** Male **Nationality:** Malaysian

The detailed profile of Mr Ding Poi Bor is shown in the Board of Directors' profile.

IR SAM TUCK WAH
Executive Director
Age: 61 **Gender:** Male **Nationality:** Malaysian

The detailed profile of Ir Sam Tuck Wah is shown in the Board of Directors' profile.

MS DING ZHE XIN
Executive Director
Age: 31 **Gender:** Female **Nationality:** Malaysian

The detailed profile of Ms Ding Zhe Xin is shown in the Board of Directors' profile.

MS DING SOO KING
Corporate Advisor, DKLS Industries Berhad
Age: 59 **Gender:** Female **Nationality:** Malaysian

Ms Ding Soo King is currently serving as a Corporate Advisor to the Board after stepping down from the Board on 3 August 2020. She also holds directorships in the subsidiary companies within the DKLS Group.

Ms Ding graduated from the University of Southwestern Louisiana, (USA) with a B.Sc. in Business Administration. She started her career as Finance Officer and hold various position since then within the DKLS Group.

Ms Ding has more than 30 years experience in Financial Management and has extensive exposure in various industries ranging from Construction, Quarry Masters, Property Development and International Trade.

Ms Ding is the spouse of Ir Sam Tuck Wah and the sister of Dato' Ding Pei Chai, DPTJ, PMP and Mr Ding Poi Bor. She has deemed interest in various related party transactions with DKLS Group as disclosed on pages 170 to 172 of the Annual Report. Within the past 5 years, she has no conviction for any offences (save for traffic offences) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

IR CALVIN SAM TUCK HENG
Group General Manager
Age: 49 **Gender:** Male **Nationality:** Malaysian

He joined DKLS Group on 01 January 1995 upon graduating in 1994. He holds a Bachelor of Science in Civil Engineering from Mississippi State University (USA). He is a registered Professional Engineer with the Board of Engineers Malaysia and a member of The Institution of Engineers Malaysia. He has more than 25 years of accumulated experience in the field of civil and structural engineering and its related industries.

He was appointed as DKLS Group General Manager on 01 November 2005 and is responsible for overseeing the operation of the construction division. He covers all project scopes and all aspects of development, including financial, technical and personnel management.

He is the brother of Ir Sam Tuck Wah and brother-in-law of Ms Ding Soo King (resigned as Director on 03 August 2020).

PROFILE OF KEY SENIOR MANAGEMENT

IR YEE CHEE YOONG
Technical Director, Savan-DKLS Water Supply Co Ltd
Age: 66 **Gender:** Male **Nationality:** Malaysian

He joined DKLS Group in May 2010 as Senior Manager. He was appointed as Technical Director since November 2011 and is primarily responsible for the expansion and operations of the water treatment project in Laos. He also plays an advisory role on contractual matters related to construction and development contracts of DKLS Group.

He obtained a Bachelor of Engineering (Civil) from University of Canterbury, New Zealand, in 1978. He is a Professional Engineer registered with the Board of Engineers Malaysia and a member of The Institution of Engineers Malaysia. He has more than 40 years of accumulated experience in civil engineering works. Prior to joining DKLS Group, he has served in various capacities with both consulting firms and construction firms.

He has no family relationship and is not related to any other director and/or substantial shareholder of the Company.

MS WONG YOKE CHENG
Group Accountant
Age: 48 **Gender:** Female **Nationality:** Malaysian

She joined DKLS Group in May 2005 and assumed her current position in December 2015. She is a member of The Malaysian Institute of Certified Public Accountants ("MICPA") and also a member of the Malaysian Institute of Accountants ("MIA").

She was previously an Audit Manager at KPMG and has over 20 years of accumulated experience in auditing, accounting, financial reporting and taxation in various industries.

She has no family relationship and is not related to any other director and/or substantial shareholder of the Company.

MR LING CHIN KWONG
Quarry Manager
Age: 67 **Gender:** Male **Nationality:** Malaysian

He joined DKLS Group in 1995 and assumed his current position since September 2000. He has more than 40 years of accumulated working experience in wood pattern machining, sales, manufacturing, constructions and granite stone quarrying. He is primarily responsible for overall management and operations of the quarry, premix and ready-mixed concrete operations based in Pundut, Lumut, Perak.

He has no family relationship and is not related to any other director and/or substantial shareholder of the Company.

MR THYE SHIAW DLING
Senior Project Manager
Age: 50 **Gender:** Male **Nationality:** Malaysian

He joined DKLS Group in March 2012 as Senior Project Manager, and is primarily responsible for project planning, design, implementation and delivery of development projects. He also carries out feasibility studies for projects and land acquisition proposals. From 2014 onwards, he has also undertaken the sales and marketing portfolio for DKLS Group's development project in Ipoh.

He has more than 25 years of accumulated experience in construction and property development, both in Singapore and in Malaysia. He obtained a Bachelor of Engineering (Civil) degree from the National University of Singapore in 1994. Prior to joining DKLS Group, he has served under various capacities as project manager and property development manager in construction firms and property development companies.

He has no family relationship and is not related to any other director and/or substantial shareholder of the Company.

PROFILE OF KEY SENIOR MANAGEMENT

MR KOK TZY KEAT
Senior Quarry Manager (North)
Age: 44 **Gender:** Male **Nationality:** Malaysian

He joined DKLS Group in 2002 and was appointed to his current position on January 2019. He is currently responsible for strategic planning and management of the DKLS Group's quarry operations in the Northern region. Since joining the Quarry Division of DKLS Group in 2002, he progressed through various roles and responsibilities under different capacities, acquiring vast knowledge and experiences in ready-mix, premix and quarry operation line.

He played an instrumental role in the setting up of DKLS Group's new premix plant in Pokok Sena, Kedah – which started operations in August 2019. He holds a Bachelor of Development Science from National University of Malaysia (UKM).

He has no family relationship and is not related to any other director and/or substantial shareholder of the Company.

MR DING JU SHUEN
Executive Director, DKLS Premierhome Sdn Bhd & DKLS Development Sdn Bhd
Age: 29 **Gender:** Male **Nationality:** Malaysian

He joined DKLS Group on 02 January 2018. He obtained a Bachelor of Engineering Degree in Mechanical Engineering from the University of Warwick, United Kingdom in 2013 and also completed his Masters of Engineering Degree in Sustainable Energy in 2015 at RMIT University, Australia.

He is tasked with overseeing the property arm of DKLS Group, whose scope includes business development, project planning and management, sales and cash flow projection, implementation and delivery of development projects. He is also currently spearheading DKLS Group's development schemes in the Perak region and is responsible in sourcing for business projects and carrying out feasibility studies and proposals for potential projects.

Prior to joining DKLS Group, he had worked as a credit analyst and client coverage manager in the banking and finance sector at a multinational bank.

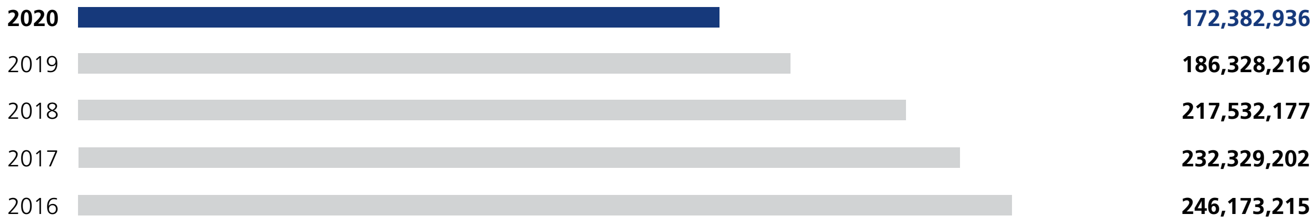
His father, Mr Ding Poi Bor is the Group Managing Director and his sister, Ms Ding Zhe Xin is a member of the Board. He is also the nephew of Dato' Ding Pei Chai DPTJ, PMP, Ir Sam Tuck Wah and Ms Ding Soo King (resigned as Director on 03 August 2020), who are the Chairman and Executive Director of DKLS Industries Berhad respectively.

Additional Information:

- Save for Mr Ding Poi Bor, Ir Sam Tuck Wah, Ms Ding Soo King, Ms Ding Zhe Xin, Mr Ding Ju Shuen and Ir Calvin Sam Tuck Heng, none of the above Key Senior Management has any conflict of interest with DKLS Group.
- None of the above Key Senior Management of DKLS Group has been convicted of any offence within the past 5 years other than traffic offences, if any and there was no public sanction and penalty imposed by the relevant regulator bodies during the financial year.

GROUP FINANCIAL HIGHLIGHTS

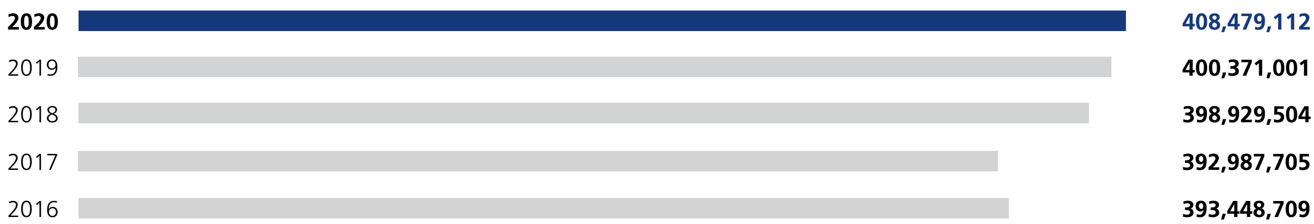
REVENUE (RM)



PROFIT BEFORE TAX (RM)

PROFIT AFTER TAX AND MINORITY INTEREST (RM)

SHAREHOLDERS' FUND (RM)



EARNINGS PER SHARE (SEN)

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of DKLS Industries Berhad ("DKLS" or "the Group") for the financial year ended 31 December 2020 ("FY2020").

This year will be long remembered as the pandemic year. The Covid-19 pandemic infected millions and killed more than a million people globally. It caused unprecedented economic disruptions and brought many businesses to a standstill. The Movement Control Order (MCO) implemented in Malaysia from mid-March 2020 has disrupted our business operations by impeding our ability to deliver products and services to our customers. At the global level, we also witnessed escalating tensions between China and the United States over trade and national security which contributed to further volatility and uncertainties.

In the face of this unprecedented challenge, the Group has rapidly adjusted its operations and deployed stringent cost control measures to counter the impacts and challenges. The Group is also focused on sustaining a resilient balance sheet with sufficient liquidity across our businesses as buffer against the uncertainties in the economy. Notwithstanding this extreme conditions, I am pleased to share that our people and businesses were able to adapt and evolve to build a durable recovery and delivered sustainable results for all our stakeholders.

OPERATING RESULTS

Against this challenging operating environment, Group reported revenue of RM172.38 million and pre-tax profit of RM18.30 million for FY2020 as compared to revenue of RM186.33 million and pre-tax profit of RM11.54 million in the previous year.

Further details of the Group's financial performance are contained in the Management Discussion and Analysis section within this Annual Report.

HOW WE RESPOND TO COVID-19

For the Group, our response to the pandemic and the resulting MCO was ensuring that business would continue with minimal interruptions and that we would be well-positioned for the recovery. In this context, the Group ensured the well-being of our employees by implementing amongst others, social distancing measures in our offices and premises, providing face masks and hand sanitisers, increased routine cleaning of offices and premises, installation of thermal detection equipment, disinfectant procedures, and increased used of digital communication tools.

In respect to business, all our businesses were immediately reviewed again to ensure that their capital and liquidity positions remained robust and sound and we had effective contingency plans in place to manage our operations should the needs arise. All non critical operating expenses were judiciously managed to mitigate any shortfalls in revenue. It is pleasing to note that the current strength and resiliency of the Group is a testimonial to the prudent and sustainable approach in which our businesses have always been managed.

CORPORATE POSTURE FOR FY2021

FY2021 will be another challenging year economically. The pace of economy remains uncertain given current unfavourable market conditions. Prudence remains the immediate order of the day, together with careful cash management and innovation. These are our basis for survival and success. Innovation is where we need to execute better and faster.

As we look to the future, we will continue our journey to strengthen the Group by identifying internal growth drivers, preparing ourselves to be even more resilient to market uncertainties and business challenges. We will continue to exercise prudence through various cost optimisation and portfolio rationalisation initiatives. We will also continue our efforts to improve efficiencies of our existing business and explore opportunities for further expansion.

We believe the strong foundation that we have laid over the past few decades, the capable leadership of our management as well as our eagerness to embrace innovation, will help DKLS to navigate the challenges in 2021.

DIVIDENDS

The Board recommends a first and final dividend of 2 sen per share, for the approval of shareholders at the forthcoming Annual General Meeting. The total dividend payment to the shareholders for the FY2020 will involve RM1,853,992.

CORPORATE GOVERNANCE

The Group is committed to a high standard of governance, professionalism, ethics and integrity in the conduct of our business and professional activities. We aim to create a strong culture of ethics and integrity in our business conduct in accordance with company policies including our Code of Conduct and Ethics, Compliance, Gifts and Entertainment, Donation and Whistleblowing policies.

The Group takes adaptive approaches against all forms of fraud, bribery and corruption. An Anti-Corruption Policy and Guidelines is firmly in place at DKLS to provide information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues.

SUSTAINABILITY

The Sustainability Statement (available on pages 26 to 39) highlights the Group's commitment to undertaking business in a responsible and sustainable manner and focuses primarily on the operation and management of the economic, environmental and social sustainability aspects of the Group's principal business activities in Malaysia. We continuously seek ways to improve our sustainability footprint to ensure that the Group's sustainability matters are also aligned with the Group's overall business strategies and goals.

BOARD CHANGES

Madam Ding Soo King stepped down as Executive Finance Director on 03 August 2020. Ir Mustapha bin Che Jusoh stepped down as Independent Non-Executive Director on 03 August 2020. Ms Francisca Lo Fui Khiun retired from the Board as Executive Director on 27 July 2020. Madam Ding, Ir Mustapha and Ms Francisca have all made formidable and invaluable contributions to the work of the Board and they leave with our profound thanks and gratitude. We wish them all the best moving forward.

We also welcomed Ms Ding Zhe Xin who was appointed to the Board as Executive Director on 03 August 2020. She brings a wealth of relevant experience to complement our diverse strengths and expertise.

ACKNOWLEDGEMENT

The Group eagerly anticipates the resumption of our country's economy. However, we believe what takes precedence is the need for us to acknowledge the efforts of our "healthcare heroes" and frontline personnel in combating the Covid-19 outbreak. These "healthcare heroes" and frontline personnel have shown tireless commitment and have put their lives on the line in the ongoing fight against Covid-19. We salute their commitment and courage.

To all my fellow Board members, thank you for your dedication and commitment to the Group. I am grateful for your insights, support and wise counsel in guiding the Group throughout the year.

I am immensely grateful to the Management Team for their able and astute leadership. Since the Covid-19 outbreak, our Management Team has demonstrated true leadership through their compassion for all our employees, something I believe will go a long way towards being able to emerge from Covid-19 stronger and more united as an organisation.

My gratitude also goes to all our staff, whom I have no doubts that their collective strengths will successfully drive the Group to greater heights.

To all our customers, a big thank you for your continued support and trust in our products and services.

To our suppliers, business associates, regulators and government bodies, clients, bankers and subcontractors, we thank you for your support.

To our esteemed shareholders, our sincere thank you for your staunch support and continued confidence in us. We value your trust, continued understanding and long-term interests in our Group.

Dato' Ding Pei Chai DPTJ, PMP
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

DKLS Industries Berhad ("DKLS Group" or "Group") is a diversified group with five core distinct portfolio of sustainable business activities comprising Construction, Quarry, Property Development, Investment and Utilities. The Group's operations are predominantly in Malaysia, with market presence in Lao People's Democratic Republic (for utilities – water supply services).

BUSINESS ENVIRONMENT

In the first half year under review, the menace of the Covid-19 pandemic swept in, prompting most countries to enforce lockdown. Unavoidably, Malaysian Government imposed the Movement Control Order ("MCO") commencing 18 March 2020 which has since been further extended under the conditional and recovery phases of the MCO till 31 December 2020. However, such measures came at the expense of the economy as business activities were restricted and non-essential services were only allowed to work-from-home.

Against this backdrop, the Group is experiencing growing business pressures towards the second half of the financial year, followed by the spill over effects of the pandemic into the start of FY2021, requiring the Group's continuous attentions and mitigation actions. While we remained cautious on the full impact of the uncertain domestic and global economic outlook on the Group's performance, we endeavour to do our best to minimise any adverse consequences to our business.

FINANCIAL PERFORMANCE OVERVIEW

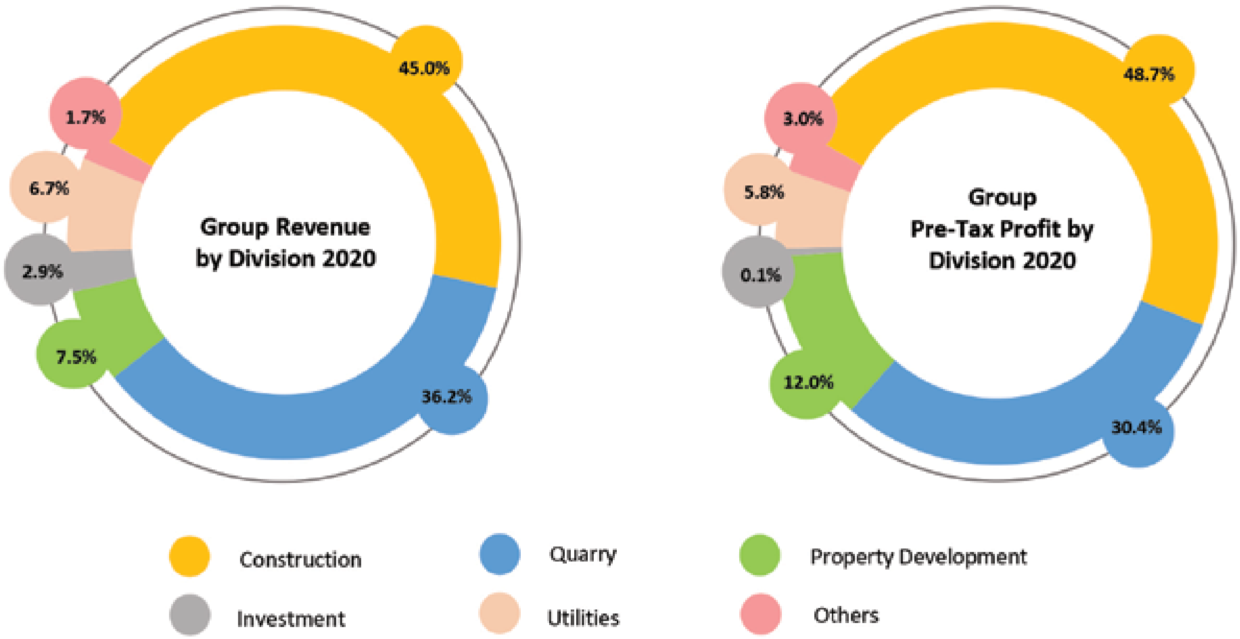
The Group recorded revenue of RM172.38 million and pre-tax profit of RM18.30 million for the current financial year ended 31 December 2020 (“FY2020”) compared to RM186.33 million and pre-tax profit of RM11.54 million achieved in FY2019, representing a decrease in revenue of 7.49% and an increase in pre-tax profit of 58.58%.

The decline in revenue was attributed to lower performance mainly from Property Development division as a result of Covid-19 pandemic. Pre-tax profit was higher, however, mainly due to higher contribution from completed projects carried out by Construction Division with no exceptional loss incurred in the Property Development division in current financial year.

We will continue to make progress to improve our performance and work harder to capture emerging opportunities and navigate the unprecedented challenges ahead.

Details on divisional performances are elaborated in the following pages.

DIVISIONAL FINANCIAL PERFORMANCE



	Division Revenue		Division Pre-Tax Profit/(Loss)	
	2020 RM million	2019 RM million	2020 RM million	2019 RM million
Construction	**77.66**	75.35	**8.91**	3.99
Quarry	**62.34**	62.74	**5.58**	4.70
Property Development	**12.92**	28.65	**2.19**	(3.13)
Investment	**5.03**	5.83	**0.02**	1.00
Utilities	**11.52**	12.05	**1.06**	3.19
Others	**2.91**	1.71	**0.54**	1.79
	172.38	186.33	**18.30**	11.54

CONSTRUCTION

The Construction Division remains the major revenue contributor to the Group which was undertaken by its wholly-owned subsidiary, DKLS Construction Sdn Bhd which is principally involved in the construction of large scale infrastructure projects including highways, roads and bridges; special purpose buildings as well as commercial and residential properties.

REVENUE

RM **77.66** million

PRE-TAX PROFIT

RM **8.91** million

The Construction Division recorded revenue of RM77.66 million and pre-tax profit of RM8.91 million in FY2020 compared to revenue of RM75.35 million and pre-tax profit of RM3.99 million reported in FY2019, representing an increase in both revenue and pre-tax profit of 3.07% and 123.31% respectively.

The improvement in revenue and pre-tax profit was mainly due to recognition of profit upon closing of completed projects.

During FY2020, the Division successfully completed the upgrading and refurbishment works of a complex annexe to the Parliament Building (known as Phase 3B). The handover ceremony was held on 15 January 2020.

Annexe Parliament Building (Phase 3B)

Handover Ceremony of Annexe Parliament Building (Phase 3B)

The Division also successfully completed a residential development project at Manjung District (Manjung Residence Phase 2) and 95% completion of a mixed development project at Sungai Wangi, Perak (Sungai Wangi Residence).

Manjung Residence Phase 2

Sungai Wangi Residence

CONSTRUCTION (CONT'D)

On-going projects in FY2020 includes:

- Infrastructure : Water Transfer Scheme Project in Kedah - an engineered solution to cope with water scarcity/shortage in the state by 2050.
- Malaysia Civil Servants Housing Project (PPAM) in Bukit Pinang, Kota Setar, Kedah.
- Property Development in Perak : Residential homes in Manjung Residence (Phase 3) and Ipoh Premier City Phase 2 (GOSHEN).

Water Transfer Scheme Project in Kedah


Site Visit with Kedah State Executive Councillor, Yang Berhormat Azman bin Nasrudin.


Work-In-Progress


Work-In-Progress

Show House/Sample House for Malaysia Civil Servants Housing Project (PPAM) in Bukit Pinang, Kota Setar, Kedah.

CONSTRUCTION (CONT'D)

Looking ahead, the Division believes that the outlook for construction industry is expected to slowly recover as economic activities normalise. Furthermore, the recent allocation under Budget 2021 will be a catalyst for positive growth, with the revival and continuity of several mega projects, implementation of various major roadworks and bridges in several states as well as development of other economic corridor projects. Given its strong track record in successfully delivering public and private sector projects on time and within budget, the Division is well-positioned to ride the challenges and to continue securing contracts towards achieving greater revenue and earnings growth going forward.

However, the Division is also mindful that operating conditions are expected to remain challenging. Competition is likely to intensify further as project budgets are squeezed but project specifications and demands remaining the same or increasing in tandem with evolving requirements of project owners.

Beyond business development and order book growth, the Division will continue to focus on stringent project management, cost control and reducing wastage to maintain project quality and profit margins. The Division will also continuously upgrade its registrations with certification bodies or authorities to increase its tendering opportunities for government and private sector projects.

QUARRY

DKLS Group's Quarry activities are undertaken through its wholly-owned subsidiaries, DKLS Quarry and Premix Sdn Bhd and DKLS Quarry and Premix (North) Sdn Bhd, which are in the business of manufacturing, supply and sale of quarried products, ready-mix concrete and asphaltic concrete (premix). DKLS Quarry owns and operates two quarry plants, three ready-mix concrete batching plants and five premix plants across Peninsular Malaysia.

REVENUE

RM
62.34 million

PRE-TAX PROFIT

RM
5.58 million

The Quarry Division reported a revenue of RM62.34 million and pre-tax profit of RM5.58 million in FY2020, compared to revenue of RM62.74 million and pre-tax profit of RM4.70 million for FY2019, representing a marginal decrease in revenue of 0.64% and an increase in pre-tax profit of 18.72%.

Despite the initial disruption to the quarry operation early on during the MCO period, the Quarry Division has managed to drive up the sales momentum to almost previous year's sales level once resumed operation in May 2020.

The improved pre-tax profit was the result of the implementation of better cost control policy.

At present, the Division still draw on a growing requirement for maintenance works of highways, roads and other infrastructure. The Division will continue to focus its efforts in optimising the production output from existing production plants while continuing to look for potential new quarry reserve. The Division will also execute its market retention and business development strategies responding to the evolving market conditions.

Moving forward, the anticipated increase in construction activities announced under Budget 2021 is likely to support the demand for quarry products, which could be a boon for the Division. The Division, given its proven track record, strong customer relationships and high quality products has a fair opportunity to bid and secure maintenance contracts.

Quarry Division's Operation Network

Plant/Location	Pundut, Perak	Teluk Intan, Perak	Chenderiang, Perak	Sik, Kedah	Pokok Sena, Kedah
Quarry Plant	•			•	
Ready-Mix Plant	•	•		•	
Premix Plant	•	•	•	•	•

PROPERTY DEVELOPMENT

The Property Development Division of DKLS Group comprises activities undertaken by its wholly-owned subsidiaries, DKLS Development Sdn Bhd, DKLS Premierhome Sdn Bhd and DKLS Signaturehomes Sdn Bhd.

REVENUE

RM **12.92** million

PRE-TAX PROFIT

RM **2.19** million

During the year, the property market remained subdued due to conservative lending policies and issues with slower income growth and affordability. As a result, inventories in primary and secondary markets continued to remain high. In addition, the unprecedented Covid-19 pandemic leading to nationwide MCO had a significant impact on the property market. Amidst market headwinds and weak consumer sentiment, the Division persisted with a more restrained approach for its development activities, placing more emphasis on effective marketing of completed and ongoing projects. This approach has paid off as our unsold inventories from completed projects stood at a nominal value. The Division was also cautious in its new launches and only launched products that have demand. The Division launched "GOSHEN", a guarded and gated residential development in Ipoh Premier City in 3Q20 with commendable take-up rate.

The Property Development Division reported revenue of RM12.92 million and pre-tax profit of RM2.19 million in FY2020 compared to revenue of RM28.65 million and pre-tax loss of RM3.13 million in FY2019, representing a decrease in revenue of 54.90% and an increase in pre-tax profit of 169.97%. The lower revenue was mainly attributed to lower number of properties sold as well as lower contribution from ongoing properties under construction due to suspension of such activities during the nationwide MCO period. However, pre-tax profit for the current year was higher due to government grant received and with no exceptional loss incurred in the current year vs previous year (FY2019: RM6.22 million).

Moving forward, the Division foresees a gradual recovery of local property industry as a result of government's various stimulus packages and policy revisions such as Home Ownership Campaign, overnight policy rate reduction, stamp duty and real property gains tax exemption. These positive catalysts from the Government will attract genuine property buyers and promote more home ownership, thereby spurring the national housing market.

As Covid-19 pandemic has accelerated the digitalisation of the economy with new norms, the Division will continue to leverage on its digital marketing capabilities to build its customer base and reach out to potential buyers. More focus will be placed on strengthening its sales and marketing strategies and channels as well.

While the Division emphasises on selling its unsold inventories in ongoing and completed projects through effective marketing strategies, it will also continue to improve its products progressively to meet the needs of the rapidly evolving market and at the same time focus its efforts on cost optimisation. New and upcoming launches will be phased in line with current market conditions.

The Division takes cognisance of the importance of replenishing its land bank to ensure it has sustainable future growth. Thus, the Division will continue to pursue strategic land banking opportunities for long-term growth.

GOSHEN @ Ipoh Premier City

Coatrainbow (2 Storey Terrace)

Aspirer (2 Storey Townhouse)

INVESTMENT

The Investment Division mainly involves in the management and operation of its commercial property in Tower 8 Bangsar South, which is undertaken by its wholly-owned subsidiary, DKLS Equity Sdn Bhd. Tower 8 Bangsar South was awarded with MSC Malaysia Cybercentre status with high speed broadband access and was built according to GBI (Green Building Index) specifications, making it ideal as headquarters for ICT and multimedia companies.

REVENUE

RM
5.03 million

PRE-TAX PROFIT

RM
0.02 million

DKLS @ Tower 8 Bangsar South

The Division reported revenue of RM5.03 million and pre-tax profit of RM0.02 million in FY2020 compared to revenue of RM5.83 million and pre-tax profit of RM1.00 million in FY2019, representing a decrease in both revenue and pre-tax profit of 13.72% and 98.00% respectively.

Decline in revenue was due to expiry and early termination of certain leases, as well as provision of rental assistance to tenants during the nationwide MCO imposed to curb spread of Covid-19. Correspondingly, the division has recorded lower pre-tax profit.

Pre-tax profit was also affected by:

- Loss on fair value adjustment on investment properties of RM1.50 million (FY2019 : RMNil)
- Compensation received of RM0.37 million from tenants due to early termination of leases (FY2019 : RM0.10 million)
- Lower depreciation charges of RM0.12 million (FY2019 : RM0.26 million)
- Lower interest expense of RM1.76 million (FY2019 : RM2.56 million)

Prior to the pandemic, the demand in the KL City Centre had been declining due to the oversupply of office space and the major drop in oil prices, causing big oil and gas tenants and the supply chain to re-size. The pandemic has only added pressure to a highly competitive rental market.

Nevertheless, the Division will continue to monitor the current economic and business situations closely and will take appropriate and timely actions to mitigate the impact on the Division's operations and financial performance.

UTILITIES

The Utilities Division of DKLS Group comprises the activities undertaken through its 70% owned subsidiary, Savan-DKLS Water Supply Co. Ltd, which is in the business of operation, management and distribution of treated water to the Kaysone Phomvihan District of Savannakhet Province, Lao People's Democratic Republic.

REVENUE
RM **11.52** million

PRE-TAX PROFIT
RM **1.06** million

The Division reported revenue of RM11.52 million and pre-tax profit of RM1.06 million in FY2020 compared to revenue of RM12.05 million and pre-tax profit of RM3.19 million in FY2019, representing a decrease in both revenue and pre-tax profit of 4.40% and 66.77% respectively.

The lower revenue and pre-tax profit was mainly due to higher depreciation charges of RM5.09 million (FY2019 : RM3.24 million) resulted from the revision of estimated useful life of certain types of plant in Q4 2019. If these were excluded from the pre-tax profit, the Division would have recorded a fairly consistent margin.

The Division has not been significantly impacted by Covid-19 pandemic and will continue to contribute a stable and sustainable recurring income stream to the Group.

Kaysone Phomvihan District of Savannakhet Province is about 830 km² and bulk of the Division’s customers are currently concentrated within the 40 km² area of Savannakhet town. To expand future revenue, the Division will continue to monitor water demand and undertake water demand studies to plan for further expansion works to meet the future water demand of the district. Besides, drastic measures will be undertaken to check non-revenue water occurrences.



OTHERS

The activities under this division are undertaken through the Group's wholly-owned subsidiary, DKLS Marketing Sdn Bhd. This Division functions as the logistic and supply chain platform in sourcing, purchasing (from local manufacturers as well as overseas) and distribute a wide range of building and construction materials.

REVENUE
RM **2.91** million

PRE-TAX PROFIT
RM **0.54** million

The Division reported revenue of RM2.91 million and pre-tax profit of RM0.54 million in FY2020 compared to revenue of RM1.71 million and pre-tax profit of RM1.79 million in FY2019.

The profit for current financial year was mainly derived from provision of procurement services as compared to the write back allowance for impairment loss on trade receivable of RM1.60 million in the previous year.

CLOSING

Looking ahead, we are heartened that Malaysia has started taking small steps in its own economic recovery. We will continue to leverage on domestic demand to drive revenue while we focus on maintaining our business strategy of prudent cost management, operational efficiency, building resilience, driving growth and nurturing capabilities across its business divisions.

As we continue to adopt a cautious approach in chartering the strategies for our various business divisions, we are optimistic of our performance in the financial year 2021 as the Board and Management of DKLS are confident that the Group would be able to remain resilient and to rebound quickly when the market recovers.

Mr Ding Poi Bor
Managing Director

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

This sustainability report is the fourth consecutive edition of DKLS Industries Berhad ("DKLS" or "DKLS Group") that documents our progress in driving a culture of sustainability and embedding sustainable practices across DKLS Group.

PRINCIPLE GUIDELINES

In keeping with Bursa Malaysia Main Market Listing Requirements and Bursa Malaysia's Sustainability Reporting Guide, we continue to ensure transparent and effective disclosure of our sustainable development journey to our wide array of stakeholders.

REPORTING PERIOD

01 January – 31 December 2020

REPORTING SCOPE

Our reporting scope encompasses the operations of DKLS Group in Malaysia and exclude any business operations and corporate activities conducted beyond Malaysia. The information and data disclosed in this reporting were derived from internal reporting processes, systems and records.

SUSTAINABILITY GOVERNANCE

At DKLS, the overarching sustainability culture is cascaded by the Board of Directors ("BOD") who is responsible for driving and ensuring the effectiveness of the Group's sustainability strategy. Supporting the BOD is the Group Sustainability Committee who is responsible for overseeing the overall implementation of sustainability strategies and initiatives across the Group. There is also Sustainability Working Group, which includes business and functional divisions that are responsible for practicing sustainability in their daily operations as well as tracking and monitoring its progress.

Governance Structure	
Board of Directors	• Develop Group strategy and policies • Ensure that sustainability plans and goals are aligned with overall Group strategy
Group Sustainability Committee	• Led by the Group Managing Director • Supported by Heads of Business Divisions • Drives, monitor progress and improvements towards achieving the Group's key sustainability objectives
Sustainability Working Group	• Business and functional divisions • Charged with the fiduciary duties to take into consideration sustainability in their business strategy planning, operations and processes

ENGAGEMENT WITH KEY STAKEHOLDERS

As we map out our sustainability agenda and approach, we continuously engage and build strong relationships with our key stakeholders to obtain feedbacks as key inputs considerations to our sustainability strategy. The table below includes, but not limited to, the engagement with our key stakeholders, which are identified based on their influence to our business.

STAKEHOLDERS	AREAS OF INTEREST	DKLS'S STANCE	ENGAGEMENT METHOD/ FREQUENCY
Shareholders	• Financial performance • Good corporate governance • Business continuity • Risk management • Brand reputation	To create sustainable shareholder value while fulfilling the expectations of other stakeholders. A strong focus on financial performance, risk management and internal control is instrumental in achieving this goal.	• Annual general meetings • Annual report • Bursa announcements • Quarterly financial reports • Shareholder updates • Company website

STAKEHOLDERS	AREAS OF INTEREST	DKLS'S STANCE	ENGAGEMENT METHOD/ FREQUENCY
Employees	• Attractive remuneration commensurate with experience & performance • Learning & development • Health and safety • Work-life balance	Committed to providing an engaging, inclusive and stimulating work environment that encourages quality performance, high employee satisfaction and loyalty.	• Annual dinner • Departmental briefings • Annual performance evaluation • Internal employee portal • Internal engagement activities
Customers	• Brand reputation • Sustainability management i.e certification, best management practices • Product & service quality • Timely delivery of projects/ products	Relationship and trust are the foundation of everything we do. DKLS envisions being the partner of its customers and maintaining a long-term perspective of its business operations.	• Online & offline communication • Customer feedback management • Market research • Social media platforms • Company website • Catalogues and brochures • On-site visits
Local Communites	• Impact of operations on community • Local community development • Philanthropy • Job & business opportunities	DKLS is an integrated part of the society and we understand that our business operations have an impact on the community. We are committed to our role as a contributor and enabler for the communities in which we operate.	• Formal & informal meetings & dialogues • Social media platforms • Company website • Strategic partnerships • Build sustainable CSR programmes
Business and Industry Partners	• New business opportunities • Industry best practices • Fair procurement • Long-term partnership • Innovation & advances in the industry	Together with our industry peers, DKLS is committed to advancing the industry through active participation in the marketplace and sharing updates on our progress, challenges and other developments.	• Annual report • Consultation of industry matters • Business dialogues • Corporate presentations
Subcontractors and Suppliers	• Product and service delivery • Payment terms and timeliness • Subcontractors' or suppliers' compliance, capabilities and commitment • Fair procurement • Cost reduction/savings	DKLS's broad range of subcontractors and suppliers support many aspects of our business. We encourage them to adhere to high standards of professionalism and collaborate with us to ensure we can continually improve our operations and deliver mutual benefits.	• Meetings & site visits • Vendor evaluation & selection • Safety, Health & Environmental Policy • Management meet and rapport building i.e annual dinner
Government and Regulatory Authorities	• Compliance • Contributions to the economy, local community & nation building	Each subsidiary is responsible to comply with all relevant regulations. We support the government's initiatives and place great emphasis on being an exemplary corporate citizen.	• Compliance and certification exercises • Regular meetings • Communications & dialogues • Statutory-related trainings • Industry events • Annual report

MATERIALITY ASSESSMENT

The Group has conducted extensive materiality process in FY2019 to identify matters which could have significant economic, environmental and social impacts on our business and key stakeholders. Following this, we have reviewed the material matters for FY2020 in accordance with its internal guidelines as well as industrial benchmarking practices, and concluded that all material matters reported previously remain integral to the Group as well as our key stakeholders. We will persist in our periodic reviews on the material matters to ensure that we remain relevant with the rapid changes of business environment. Materiality assessment allows us to identify key issues that will help guide our actions in achieving sustainable improvements.

NEW MATERIALITY MATRIX

As part of our efforts in addressing emerging challenges in FY2020, we have re-evaluated the position of each material matter within the matrix as presented below:

Importance to Stakeholders	MEDIUM	HIGH
HIGH	• Workforce Diversity and Inclusion • Employee Engagement and Development	• Business Ethics and Integrity • Risk Management • Anti-Bribery and Corruption • Regulatory Compliance • Financial and Business Performance • Quality and Reputation • Cybersecurity and Data Governance • Occupational Health & Safety
MEDIUM	• Water Conservation • Employment for Local Talents • Community Engagement (CSR Initiatives)	• Strategic Procurement Practice • Energy Management • Waste Management • Preventing Pollution • Employee Welfare and Benefits

Significance to DKLS Group of Companies

SUSTAINABILTY FRAMEWORK

Our commitment to sustainability is woven into every aspect of our business and in doing so, we aspire to lead the Group into positive growth while simultaneously ensuring the wellbeing of our people and the communities who matter to us. To effectively implement our sustainability aspirations throughout the Group that would balance all three dimensions - Economic, Environment and Social ("EES"), we have developed a Sustainability Framework with four key priority areas of focus as outlined below:

ECONOMIC	ENVIRONMENT	SOCIAL	
MARKETPLACE	**ENVIRONMENT**	**WORKPLACE**	**COMMUNITY**
• Business Ethics and Integrity • Prudent Risk Management • Anti-Bribery and Anti-Corruption • Regulatory Compliance and Transparency • Financial and Business Performance • Quality and Reputation • Strategic Procurement Practice • Employment for Local Talents • Cybersecurity and Data Governance	• Managing Resources in Workplace • Preventing Pollution • Waste Management • Efficient Project Site Management • Business Travel	• A Diverse and Inclusive Workforce • Health and Safety • Employee Engagement and Development • Employee Welfare and Benefits • Building A Resilient Workforce Amid Covid-19 Pandemic	• Nation Building: Promoting Scholastic Excellence • Serving the Local Community

ENSURING GOOD GOVERNANCE AND ACCOUNTABILITY

Good governance is at the heart of our business activities. It serves as the foundation to support the Group's high performance culture, to preserve stakeholders' confidence and ensures that the Group is well placed to respond to changes in our external environment. In keeping with DKLS being a responsible corporate citizen, we ensure our policies, procedures and practices remain relevant, consistent and responsive to our stakeholders' concerns and expectations.

BUSINESS ETHICS AND INTEGRITY

Ethical business is a crucial element in the corporate culture of DKLS as it underscores our commitment to promote good business conduct and sound corporate governance, which are integral to our core values. We strive to uphold the highest principles of moral behaviour and integrity throughout our business chains to operate effectively across all diverse business activities.

We continue to cascade our Code of Conduct and Ethics ("Code") to all our employees and subsidiaries. The Code sets out the principles and standards of business ethics and conduct, and each employee has a duty to read and adhere to it. We have also established a Whistleblowing Policy that serves as an avenue for employees and members of public to raise concern of any suspected or known impropriety in conduct that they may have observed in the Group.

Our Code and Whistleblowing Policy can be found on the Company's website.

PRUDENT RISK MANAGEMENT

Enterprise Risk Management (ERM) is an important business tool for good management and governance at DKLS. We have a comprehensive risk management framework in place to help identify potential risks and developing solutions to either prevent recurrence or minimise their impact while being able to take advantage of potential opportunities. Our business risks across the Group are reviewed annually by the Risk Management Committee (RMC).

During the year, the Group constantly reinforces its risk management framework to remain relevant and effective given the present business environment. RMC held meetings and discussions with Management Team and Heads of Department to address emerging business risks, facilitation of risk assessment as well as implementation of risk mitigation measures.

This will enable the Group to stay informed, robust and nimble, when facing potential business challenges, thus enhances efficiency and effectiveness of business operation across the Group. Further details are set out in the Statement on Risk Management and Internal Control of the Annual Report.

ADAPTIVE APPROACHES AGAINST CORRUPTION

DKLS is committed to maintaining a workplace of high integrity with adaptive approaches against all forms of fraud, bribery and corruption. We introduced the Group's Anti-Corruption Policy and Guidelines that was adopted Group-wide in May 2020 as a guide for our employees to act in accordance with DKLS's value and integrity. The policy also outlines our commitment to ensure all entertainment and hospitality expenses adhere to strict approval guidelines, and all sponsorships and donations are not used as a subterfuge for bribery.

Through this policy, employees are reminded that they will be subjected to stern disciplinary action including dismissal as well as civil and criminal liabilities if found in violation of this policy and the Malaysia Anti-Corruption Commission Act 2009.

In addition to briefings conducted on the Group's Anti-Corruption Policy and Guidelines, each employee is expected to read, familiarise and strictly comply with the policies and procedures. All employees are encouraged to report any misconduct relating to fraud and corrupt practices through the whistleblowing policy and procedure put in place by the company.

REGULATORY COMPLIANCE AND TRANSPARENCY

Regulatory compliance has become an essential element in our business processes to inculcate sustainable practices. We endeavour to be compliant with laws, regulations and conduct due diligence in all our undertakings as we strive towards responsible business operations across all subsidiaries. Our strong compliance culture ensures we uphold our reputation to remain trustworthy amongst our stakeholders. The Group has established various internal procedures and guidelines to ensure adaptive approaches in our business operations.

CREATING SHARED ECONOMIC GROWTH

As an established company with diversified business interests, DKLS understands the significant impact of the Group's economic and financial performance on all stakeholders within our sphere of influence. We are committed to maintain sustainable economic stakeholder values to ensure the continuous well-being of our key stakeholders through generating positive returns, upholding the trust in our brand and reputation, provide equal employment opportunities and promoting holistic growth as well as creating business opportunities and partnerships.

FINANCIAL AND BUSINESS PERFORMANCE

As a responsible corporate citizen with diversified business activities, our corporate objective goes well beyond the mandate of delivering sustainable profits for our shareholders. This can be seen in the way our reporting has evolved to include more comprehensive disclosures covering governance, economic, environmental and social aspects of our businesses.

For more comprehensive presentation of our financial performance for FY2020, please refer to Group Financial Highlights in this Annual Report.

COMMITMENT TO QUALITY AND REPUTATION

Our reputation depends on the value that we deliver to our customers and the community. We have the policies, procedures and best practices in place to deliver products and services of excellent quality. Regular reviews, process improvements and quality control assessments are carried out to ensure that our processes remain in compliance and continually enhanced. Our Construction, Quarry and Property Divisions are certified with ISO 9001:2015 Quality Management Systems. We also keep ourselves abreast of the latest industry developments and practices.

STRATEGIC PROCUREMENT PRACTICE

We are always mindful that maintaining a sustainable supply chain is an essential strategy for the Group's operational excellence. We are committed to working with local businesses to support local economies. We give prominence to local procurement practices whenever applicable, without compromising on the cost, quality or safety of a product or services acquired.

All our procurement activities are guided by a set of internal procurement policies and procedures to ensure that our engagements with suppliers are conducted in a fair and transparent manner. Suppliers are screened through by our experienced management team with pre-defined criteria before a business decision is made.

CREATING EMPLOYMENT FOR LOCAL TALENTS

We promote local economic growth by providing employment opportunities in the local communities in which we operates our business activities. We believe local recruitment offers significant benefits especially with regards to easier assimilation into the work culture and understanding the needs of the local community. The Group embraces the diversity of its employees who possess varied skillsets and expertise for the many job functions within its different businesses.

CYBERSECURITY AND DATA GOVERNANCE

DKLS is committed to ensuring proper and adequate protection of personal data within its control in compliance with the Personal Data Protection Act 2010. As for data recovery, all our business divisions ensure their respective employees perform daily or weekly data backup in accordance with our data backup procedures.

The following measures were implemented as part of our general control improvement and security purpose to defend ourselves against cyber security threats:

- Implementation of password-controlled access to all Group's IT system.
- Regular update of antivirus software.
- Keeping track of the hardware support lifecycle to ensure that the system operation is up-to-date.
- Conduct regular server hardware maintenance and backups for our systems.
- Regularly update our processes and policies according to the data and IT needs of the Group.

DKLS is determined to operate responsibly to safeguard the environment. As a company with a business portfolio which includes quarry, construction and property, we are aware of the need to create sustainable living conditions without damaging the environment and the ecosystem. We practice self-regulation across all our business operations to ensure compliance with regulatory limits as defined in the Environmental Impact Assessment (EIA).

MANAGING RESOURCES IN OUR WORKPLACE

Building upon our previous environment initiatives, we continue to encourage our business units and employees to reduce and recycle waste in consistent with good environmental practices. This includes electricity and water consumption as well as a systematic approach to reuse materials over their entire life cycles.

ENERGY MANAGEMENT

- Lights and air-conditioners of offices or meeting rooms are switched off when not in use.
- Computers and photocopiers are set to sleeping mode or switched off when not in use.
- Energy conservation tips are placed at different locations within the office to remind employees to conserve energy.
- Use of light-emitting diode ("LED") lighting and energy efficient equipment are installed where possible.

WATER CONSERVATION

- Water taps are turned off when not in use.
- Conducting checks and fixing leaks immediately, where possible.
- Water conservation tips are placed at washrooms and pantries within our regional offices as a reminder to conserve water.

RECYCLING FOR BETTER WASTE MANAGEMENT

- Reusing furniture and fittings in operational offices across our subsidiaries.
- Stationeries, festive decorations, event props and presentation materials are reused whenever possible.
- Using e-backdrops instead of physical backdrops.
- Encourage use of soft copies for data archive, meetings and presentation purposes.
- Encourage printing or photocopying double-sided.
- Promoting online and digital channels as alternative modes of communication with various stakeholders.
- Discourage printing of emails or documents.
- Re-use envelopes, papers or box cartons.

Energy Management and Water Conservation at DKLS Regional Offices

PROPERTY	WATER (ml)			ELECTRICITY (kWh)		
	2018	2019	2020	2018	2019	2020
Ipoh Office (HQ)	364.00	601.00	356.00	101,702.00	102,665.50	98,781.50
BizHub DKLS (Sitiawan)	1,948.00	994.00	825.00	140,810.00	137,014.00	121,495.00
Tower 8 (Bangsar South)	272.21	275.27	221.24	11,765.00	10,519.00	6,632.00

ENVIRONMENT

PREVENTING POLLUTION

DKLS is committed to controlling and preventing environmental pollution from occurring in our business activities.

- Our Construction Division regularly monitors air and noise quality. Controls that are put in place include monitoring of air quality, noise and vibration levels at project sites; dampening sites and access routes with water to contain dust; using press-in piling methods during foundation works and noise curtains to prevent noise pollution; as well as prohibiting open burning to prevent emission of smoke, particles and toxic gases.

- Our Quarry Division monitors air, water and noise quality issues. At our quarries, dust pollution is minimised by undertaking road spraying exercises with collected rainwater from the retention ponds. Fugitive dust is also controlled by limiting vehicle speeds to 15km per hour in and around operating areas.

WASTE MANAGEMENT

- We are always looking for ways to reduce construction wastes generated from our projects or business operations.

- We minimise waste at all project sites by encouraging use of system formwork which allows reusing of materials, ordering of cut to size steel rebar and monitoring the use of materials regularly.

- Waste materials are collected by appointed license domestic contractors to be recycled or disposed at landfills.

EFFICIENT PROJECT SITE MANAGEMENT

Efficient project site management evolves around 6S (Sort, Set In Order, Shine, Safety, Standardize and Sustain) methodology of housekeeping techniques for best professional practices on organising, cleaning, developing and sustaining a productive and safe work environment.

BUSINESS TRAVEL

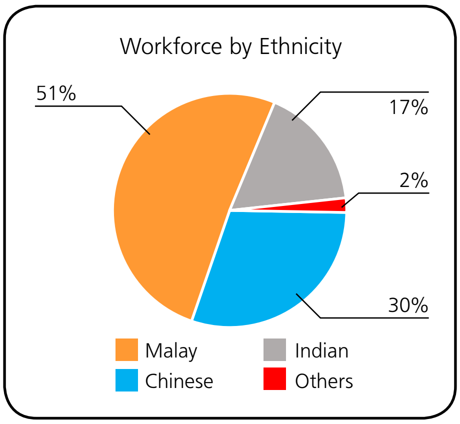
To reduce transport-related emissions, we encourage our customers, suppliers and employees to use teleconferencing facilities to minimise travelling. We encouraged usage of teleconferencing system throughout the Group. The net effect of our adoption of teleconferencing technologies has been a reduction in travel, carbon emissions and travel costs, plus an increase in employee productivity and work-life balance. When there is a need, employees are asked to car pool when more than two of them are travelling to regional offices or sites for meetings and other functions. Furthermore, whenever the situation permits, commuting between Ipoh and Kuala Lumpur is done via Electric Train Service (ETS).

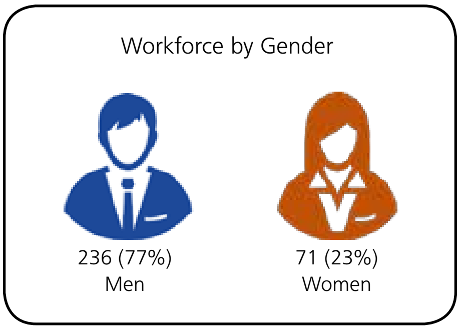
PROMOTING A SAFE, INCLUSIVE AND REWARDING WORKPLACE

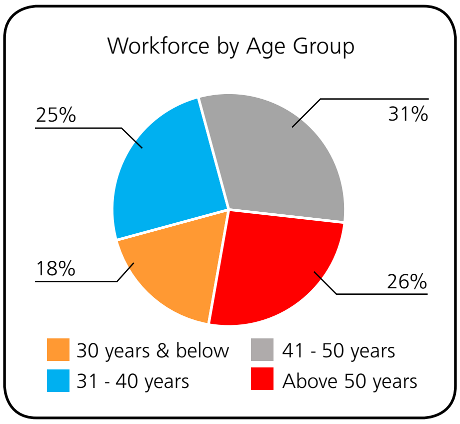
At DKLS, we recognise that our employees are our most important resource and greatest asset. We are committed to ensure that they are motivated, inspired and engaged as they are the driving force of our business operations and at the forefront of building the Group's industry reputation. We strive towards maintaining a healthy working environment by inculcating a socially inclusive, diverse and positive workplace culture as well as safeguarding their safety and health at all times.

A DIVERSE AND INCLUSIVE WORKFORCE

The Group embraces diversity within its workforce and strive to maintain best recruitment practice in selecting the right candidate at DKLS. We adopt zero tolerance policy on any form of discrimination against any employee due to race, age, gender and ethnicity. Our employees are employed for the position based on academic achievement, personal qualities and suitability for the role, and experience in the industry. We believe a diversified workforce would contribute towards better ideas and perspective in carrying out our duties. As of 31 December 2020, the Group has a total strength of 307 employees across our business divisions. The Group's workforce composition demonstrates our efforts in promoting diversity and equality in the workplace.







HEALTH AND SAFETY

At DKLS, we are committed to providing a safe work environment for our affected stakeholders, which include our employees, contractors and customers. We strive to meet regulatory requirements set under the Occupational Safety and Health (OSH) Act, where applicable, by improving our safety performance.

We have an OSH Committee from the respective business unit divisions that meet on a regular basis to drive continuous improvement on our safety and health practices.

Among the measures carried out by the respective OSH committees include:

- Conduct periodic safety and health workplace assessments.
- Workplace assessments to pre-empt potential hazards.
- Re-evaluate the suitability of previously adopted safety and health control methods.
- Any incident that takes place is reported and analysed, following which corrective actions are implemented to prevent recurrence.

PROMOTING A SAFE, INCLUSIVE AND REWARDING WORKPLACE (CONT'D)

EMPLOYEE ENGAGEMENT AND DEVELOPMENT

At DKLS, we believe that effective employee engagement through people-driven culture strengthens individual ownership and a sense of belonging to the Group. We hold regular formal and informal engagement sessions with our workforce to build a healthy work life balance and develop strong working relationships amongst each employee. Such engagement includes annual performance appraisal, company annual dinner and festive celebrations.

In the meantime, we cultivate an open working environment by encouraging our employees to discuss and propose their ideas freely with our Management Team. Head of Departments (HOD) are encouraged to conduct regular check-ins with team members to track their work progress and achievement. With this, HOD can then provide effective feedback and coaching, when required.

Many of the Group's planned activities for FY2020 were disrupted due to Covid-19 pandemic. Below are some of the activities held prior to the Covid-19 disruption.

DKLS Group Chinese New Year & Annual Dinner

Chinese New Year Celebration at BizHub DKLS

Office's Birthday Celebrations

PROMOTING A SAFE, INCLUSIVE AND REWARDING WORKPLACE (CONT'D)

EMPLOYEE ENGAGEMENT AND DEVELOPMENT (cont'd)

Finance and Sales Personnel from Quarry Division attending CTOS Training

The Group also emphasises on continuous development programs for the employees to ensure they grow and develop progressively with us. We provide learning and development opportunities at every level in line with job requirements, as well as keeping our workforce updated with changing requirements and trends within the industry.

EMPLOYEE WELFARE AND BENEFITS

The Group continues to offer competitive benefits to motivate and reward our workforce. We comply with the government-mandated statutory benefits and compensation requirements such as KWSP, PERKESO, annual leaves, medical leaves and compassionate leaves. Beside hospitalisation and surgical insurance, employees also enjoy other benefits such as mileage claims, allowances, petrol fleet card (for eligible staff) and incentive scheme.

Recognising the importance of health and fitness, the Group provides a fully equipped gymnasium for the exclusive use of our employees.

PROMOTING A SAFE, INCLUSIVE AND REWARDING WORKPLACE (CONT'D)

BUILDING A RESILIENT WORKFORCE AMID COVID-19 PANDEMIC

The Group had initiated swift and early response to the Covid-19 threat beginning March 2020, before the announcement of nationwide Movement Control Order ("MCO"). A Covid-19 Committee was formed with the following key focus:

- To carry out best practices to mitigate related risks.
- To implement our Covid-19 Prevention and Handling Guidelines to ensure the health and safety of all employees and the people they are in close contact with.
- To serve as a single window to disseminate the latest updates or information on Covid-19 to our employees.

COVID-19 COMMITTEE

Committee Director	→	Committee Leader	→	Committee Members
Group Managing Director		Compliance Officer		Head of Departments

Summary of the key steps we took to mitigate the transmission of Covid-19 before announcement of MCO:

- Hand sanitiser placed at multiple locations.
- Unwell employees were not allowed to report to work in the office.
- Regular cleaning of frequently touched surfaces and disinfection of office.
- Travel advisory on high risk countries, states and districts.

Following the announcement of MCO from 18 - 31 March 2020 by the Prime Minister, we closed our office premises and sites, and ceased our operations temporary. All our employees were requested to work from home to mitigate the spread of Covid-19. We further abided by the 2nd phase (01-14 April 2020) and 3rd phase (15 – 28 April 2020) of the MCO. We resumed our operations on 04 May 2020 with implementation of Standard Operating Procedures ("SOPs") prepared in accordance with the guidelines issued by Ministry of Health, Ministry of International Trade and Industry (MITI) and related authorities. The SOPs includes:

- Practice social distancing and mask wearing among employees and/or visitors.
- Social gathering advisory.
- Temperature check for all employees and/or visitors upon entering our business premises.
- Self-quarantine for employee who may have had close contact with Covid-19 cases.
- MySejahtera registration before entering our business premises.
- Physical meetings were being replaced with virtual meetings.
- Regular cleaning of frequently touched surfaces and disinfection of office.
- Ensure adequate supply of personal protective equipment i.e face masks and hand sanitisers at all our business premises.

PROMOTING A SAFE, INCLUSIVE AND REWARDING WORKPLACE (CONT'D)

Employees are also regularly updated, educated and reminded on safety aspects, risk awareness, latest advisories and important Covid-19 news. Functional processes and adequate technology have been put in place to ensure constant engagements and business continuity under the "new normal" among employees, suppliers and customers.

The Group ensured that all operations and activities were in full compliance with guidelines issued by authorities including the National Security Council, the Human Resources Ministry and the Ministry of Health.

As a result of the measures taken, we are pleased to update that as at 31 December 2020, none of our employees nor their family members have contracted Covid-19.

MySejahtera registration before entering our office building

Temperature check for all employees and/or visitors upon entering the office building

Hand sanitisers placed at common areas for employees and/or visitors in the office building

Notice of reminder placement at common areas in office to serve as a constant reminder to employees to adhere to the SOPs

Regular disinfection of office

CONTRIBUTING TO THE WELL-BEING OF OUR COMMUNITY

DKLS strives to engage with the greater community not only in efforts to build our reputation and business relationships, but to give back to society through philanthropic programmes and activities that contribute to strengthening communities. To streamline our efforts, we have identified two key areas to focus on:

Nation Building : Promoting Scholastic Excellence	DKLS believes in the empowerment of individuals and communities through education. Education moulds minds, inspires achievements and ultimately build the nation. As such, DKLS constantly invests in endeavours that contribute to the strengthening and improvement of educational standards within the societies it operates in.
Serving the Local Community	Caring for the community is part of our culture. In DKLS, we consider ourselves and our communities as one. We believe that our businesses and operations revolve around our communities. For these reasons, we feel the responsibility to work with and enrich our communities at every possible opportunity.

Nation Building : Promoting Scholastic Excellence

At DKLS, we believe in the empowerment of individuals and communities through education. We understand that a good education unlocks opportunities later in life. In this regard, we constantly invest in programmes that contribute to the strengthening and improvement of education standards within societies where we operate.

DKLS Foundation has been entrusted by the Group to foster education initiatives in Malaysia. DKLS Foundation was established in 2000 with the belief that education is the basis on which every society progresses. In its early years, the primary role of the Foundation was dedicated towards the promotion of scholastic excellence among Malaysian Secondary Schools in Manjung District. Over the years, DKLS Foundation expanded its role to include smart partnership with reputable academic institutions to promote English Language Excellence among students of public secondary schools in Malaysia.

Prior to the Covid-19 pandemic, we had the following educational programmes planned for FY2020 :

a. **STPM & SPM Best Academia and Best All Rounder Awards, Manjung District**

   DKLS gives recognition to students of Manjung District Secondary Schools for achieving outstanding results in their STPM and SPM examinations.

b. **Co-Curriculum High Achievers Awards State and National Level**

   DKLS emphasises on a holistic and wholesome development of students. In view of this, DKLS also gives recognition to students of Manjung District Secondary Schools who excelled in co-curricular activities, winning championships and competitions at state and national level.

c. **DKLS Linguistic Ambassador Award Programme**

   The competition, aimed at driving English Language Excellence among Form 4 and 5 students, is a nation-building CSR initiative, dedicated to students of Malaysian Secondary Schools aged 16-19 years old. The desired outcome of such a CSR initiative is to strengthen and sharpen the participants' command of English and creative writing skills, as well as elevating the standard of English in Malaysia.

However due to the Covid-19 pandemic, these programmes were disrupted until further notice.

CONTRIBUTING TO THE WELL-BEING OF OUR COMMUNITY (CONT'D)

Serving the Local Community

To us, CSR is much more than just a programme. It is integral to who we are and how we do business. It is inherent in our culture and values, which are ingrained in our business strategy and daily operations, and championed in every part of our organisation across business units. Our business units are encouraged to engage with the communities in which they operate.

In FY2020, our business units had planned a series of social engagements in their local communities such as festive celebrations with senior residents, blood donation drive, gotong royong and community dialogue sessions. However, due to the Covid-19 pandemic, most of these activities were disrupted until further notice.

Below is a snapshot of Chinese New Year Celebration with Senior Residents of Sitiawan Carevilla Old Folks Home held prior to the Covid-19 disruption.

MOVING FORWARD

Moving forward, DKLS endeavours to enhance our sustainability performance by building what we have achieved so far. As we continue our sustainability journey, our ultimate goal is to build a sustainable business for generations to come. To achieve this, we will continually keep abreast of developments in our industry, actively and regularly engage our stakeholders, build upon our existing sustainability framework and seek to further embed sustainable practices within our business in order to be more effective and efficient.

The Board of Directors strongly believes that good corporate governance forms an integral part of the Company's and its subsidiaries' ("**Group**") corporate culture and business decision making process in managing the business affairs of the Group so as to stimulate the financial performance of the Group as well as enhance sustainable shareholders' value and protect shareholders' interests.

The Company is well-placed to harmonise the corporate governance fundamentals with the principles and recommendations expressed in the Malaysian Code on Corporate Governance ("**MCCG**"), except where stated otherwise, during the financial year ended 31 December 2020. This Corporate Governance Overview Statement provides an overview of the Company's principal corporate governance approach and summary of corporate governance practices during the financial year 2020. This Corporate Governance Overview Statement is made in compliance with Bursa Malaysia Securities Berhad's ("**Bursa Securities**") Main Market Listing Requirements ("**Listing Requirements**").

The statement is augmented with a Corporate Governance Report ("**CG Report**") which provides a detailed articulation on the Company's application of corporate governance practices set out in the MCCG. The CG Report is available on the Company's website at www.dkls.com.my as well as via an announcement on the website of Bursa Securities.

This statement makes reference to the following three (3) principles of the MCCG:

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

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Leadership

1.1 Board's Roles and Responsibilities

The Board's roles and responsibilities are in accordance with the Listing Requirements and within the context of the Companies Act 2016 and other applicable laws, rules and codes of governance. The Board is responsible for the oversight and overall management of the Company. The Board takes full responsibility in leading, governing, guiding and monitoring the entire performance of the Group and enforces standards of accountability including the process for financial reporting, risk management and compliance.

The Board has established a Board Charter ("**Charter**") to reflect the current best practices and the applicable rules and regulations. The Board is guided by the Charter which provides reference for the directors in relation to their role, powers, duties and functions. The Charter outlines the processes and procedures for the Board and Board Committees to be effective and efficient.

The Board will review the Charter when deemed necessary to ensure it remains relevant and appropriate and the Charter can be viewed on the Company's website at www.dkls.com.my.

The Board has delegated specific responsibilities to the following Board Committees:
a) Audit Committee;
b) Nomination and Remuneration Committee; and
c) Investment Committee.

The Board also oversees matters delegated to the management whereby updates are reported on a quarterly basis.

1.2 Board Meeting

The directors allocate sufficient time to discharge their responsibilities effectively and to attend Board and Board Committee meetings with sufficient regularity to deliberate on matters under their purview. The Board meets at least four (4) times a year and additional meetings are convened as necessary. Board meetings are scheduled in advance at the end of the previous financial year prior to the commencement of the new financial year in order to facilitate the directors to plan ahead.

During the financial year 2020, the Board has deliberated on business strategies and issues such as business plan, annual budget, financial results as well as key performance indicators. All directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated by the Listing Requirements. During the financial year, four (4) meetings were held on 26 February 2020, 29 May 2020, 24 August 2020 and 23 November 2020. The following is the details of the attendance of each director in respect of the meetings held:

DIRECTORS	NUMBER OF MEETINGS ATTENDED BY DIRECTORS
Dato' Ding Pei Chai DPTJ, PMP	4/4
Mr Ding Poi Bor	4/4
Ir Sam Tuck Wah	4/4
Mr Chin Kok Tong	4/4
Cdr (Retd) Poon Wee Ching	4/4
Ms Ding Zhe Xin (appointed on 03 August 2020)	1/2
Ms Ding Soo King (resigned on 03 August 2020)	2/2
Ir Mustapha bin Che Jusoh (resigned on 03 August 2020)	2/2
Ms Francisca Lo Fui Khiun (retired on 27 July 2020)	2/2

The proceedings of Board meetings are conducted in accordance with a structured agenda together with board papers which were furnished to the directors in advance of each Board meeting so as to accord sufficient time for the directors to review the meeting materials before attending the meetings.

At the Board meetings, the Managing Director provides updates and progress of material on-going projects and business development including overseas operations. All deliberations at Board meetings are duly minuted as records of proceedings. Decisions made, policies approved and follow-up requests at Board meetings will be communicated to the management accordingly.

Senior management is required to attend the Board meetings as deemed necessary to present and provide additional information on matters being discussed and to respond to any queries that the Directors may have.

In the intervals between Board meetings, any matters requiring the Board's decision will be approved through circular resolutions which are then noted and confirmed at the next Board meeting.

All directors are invited to deliberate and discuss on any issues as they deem fit. Where a potential of conflict arises in the Group's transactions involving any director's interest, such director is required to declare his/her interest and abstain from the decision making process. As for the financial year 2020, the transactions involving the present directors are set out on pages 170 to 172 of the Annual Report.

1.3 The Role of Chairman and Managing Director

The MCCG recommends for the role of Chairman of the Board and the Managing Director to be held by two (2) different individuals. The Board is chaired by Dato' Ding Pei Chai DPTJ, PMP, a founder member and a Non-Independent Non-Executive Director. Meanwhile, the Managing Director, Mr Ding Poi Bor, is responsible for the day-to-day business operations of the Company, its subsidiaries and their respective operations supported by the senior management team to achieve the corporate objectives.

To ensure a proper balance of power and authority, there is clear division of responsibilities between the Non-Independent Non-Executive Chairman and Managing Director. The Managing Director has overall responsibilities over the operating units, organisational effectiveness and implementation of the Board's policies and decisions. The Chairman's responsibility is to ensure good corporate governance practices and effectiveness and proper conduct of the Board.

1.4 The Role of Company Secretaries

The Board is supported by the Company Secretaries who have the requisite credentials and are qualified to act as Company Secretary under Sections 235(2) and 241 of the Companies Act 2016. The Company Secretaries, who are qualified, experienced and competent, are a central source of information and advice to the Board and its committees on issues relating to compliance with laws, rules, corporate governance best practices, procedures and regulations affecting the Company.

The Company Secretaries attend all Board and its committees' meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board.

1.5 Access to Information and Advice

All directors are furnished with an agenda together with a full set of Board papers to the Board meetings at least one week in advance before each meeting. This would allow sufficient time to the directors to study them, obtain further clarification if necessary, and be properly prepared for discussion and decision-making.

All directors have full and unrestricted access to the advice and services of the senior management team, Company Secretaries, internal auditors and external auditors. The directors may also interact directly with, or request further explanation, information or updates on any aspect of the Group's operations or business concerns from the management. The directors may obtain independent professional advice at the Company's expenses in discharging its various duties.

In recognising the importance of sound and timely information flow to the Board effectively, all announcements flowed to Bursa Securities will be circulated to all directors on the day the announcements are released. Copies of director's notices on changes of director's interests and other directorship will also be given to other directors of the Company within the timeframe prescribed by the regulations.

1.6 Ethical Leadership by the Board

1.6.1 Code of Conduct and Ethics

The Board is committed to creating a corporate culture within the Group to operate the businesses and affairs in an ethical and professional manner and to uphold the highest standards of integrity and exemplary corporate conduct.

The Board has formalised a Code of Conduct ("**Code**") to assist the directors and all personnel of the Group in setting out the ethical standards and conduct at work and beyond normal working hours which they should possess in discharging their duties and responsibilities at the highest standards of personal integrity and professionalism.

The Board will review the Code when deemed necessary to ensure it remains relevant and appropriate and the details of the Code can be viewed on the Company's website at www.dkls.com.my.

1.6.2 Anti-Corruption Policy and Guidelines

The Group practices adaptive approaches against corruption and bribery and is committed to ensure that its activities and transactions are open, transparent and are conducted in accordance with policies and laws applicable to its business operations.

In line with the introduction of Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 on corporate liability for corruption which came into force on 01 June 2020, the Board has formalised and adopted an Anti-Corruption Policy and Guidelines to ensure the practice of ethical business dealings and to strengthen measures in minimising the risk of corruption and bribery in the Group's activities. The Anti-Corruption Policy and Guidelines which is guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A of the Malaysian Anti Corruption Commission (Amendment) Act 2018, applies to all directors, officers, trustees, partners, employees and persons associated with DKLS Group.

The Board will review the Anti-Corruption Policy and Guidelines when deemed necessary to assess its effectiveness, and in any event, at least once every three (3) years, and the details of the policy can be viewed on the Company's website at www.dkls.com.my.

1.6.3 Whistleblowing Policy and Procedures

In line with our commitment to maintain the highest possible standards of ethical and legal conduct within the Group, and in order to enhance good governance and transparency, the Board has established and maintained a Whistleblowing Policy and Procedures to provide an avenue for the reporting, investigation and actions against any misconduct.

The Whistleblowing Policy and Procedures is applicable to all persons including workers, employees, stakeholders, customers, suppliers, partners, contractors, consultants, and any other person dealing with the Group who are able to raise legitimate concerns relating to any suspected and/or known misconduct, wrongdoing, corruption, fraud, and/or abuse through a safe and appropriate platform without fear of retaliation.

The Board will review the Whistleblowing Policy and Procedures when deemed necessary to assess its effectiveness, and in any event, at least once every three (3) years, and the details of the policy and procedures can be viewed on the Company's website at www.dkls.com.my.

1.6.4 Professional Development and Continuous Education for Directors

All directors have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Securities. The directors are regularly updated by the Company Secretaries on the new statutory as well as regulatory requirements relating to their duties and responsibilities. The directors will continue to attend other relevant training programmes to keep abreast with regulatory, business and financial developments on a continuous basis in compliance with Paragraph 15.08 of the Listing Requirements.

During the financial year, the following directors have also attended external training programmes to further broaden their perspective and knowledge and to keep abreast with the relevant changes in law, regulations and the business environment:

NAME OF DIRECTOR	SEMINAR
Mr Ding Poi Bor	• Will A COVID-19 Bill Ease Corporate & Debt Restructuring With Insights - from Singapore & Australia
Ir Sam Tuck Wah	• Economic Recovery Plan : Powering Up the Industry • Section 17A of the MACC Act 2009 - The Legal and Practical Challenges Confirmation
Mr Chin Kok Tong	• Implications on Latest Public Rulings Issued in 2019 & 2020
Ms Ding Zhe Xin	• Malaysia Budget 2021 Webinar

In addition, the Company has also conducted an in-house training by our in-house legal advisor to keep the directors and management apprised of the implications of Corporate Liability under the Malaysian Anti-Corruption Commission (Amendment) Act 2018.

Due to the outbreak of the Covid-19 pandemic which led to the imposition of the Movement Control Order by the Malaysian government since March 2020, some of the training programmes were cancelled or postponed. In view of this, some directors were unable to attend any training programmes during the financial year 2020.

The Board shall, on a continuous basis, evaluate and determine the training needs of its members to assist them in the discharge of their duties as directors.

2.0 Board Dynamic

2.1 Size and Composition of the Board

The members of the Board are as follows:

- Chairman/Non-Independent Non-Executive Director - Dato' Ding Pei Chai DPTJ, PMP
- Executive Directors
  - Mr Ding Poi Bor
  - Ir Sam Tuck Wah
  - Ms Ding Zhe Xin (appointed on 03 August 2020)
- Independent Non-Executive Directors
  - Mr Chin Kok Tong
  - Cdr (Retd) Poon Wee Ching

The Board comprises two (2) independent non-executive directors, representing one-third (1/3) of the Board, and is compliant with Paragraph 15.02 of the Listing Requirements which requires at least two (2) or one-third (1/3) of the Board, whichever is higher, to be independent directors. However, this is a departure from the recommendation under Practice 4.1 of the MCCG, which requires companies to have at least half of the Board to comprise independent directors. The Board will continue to work towards achieving this.

The Board has carefully assessed and reviewed the performance carried out by the existing independent directors of the Company and concluded that they are able to discharge their duties and responsibilities effectively to ensure that there is a balance of power and authority on the Board.

2.2 Independent Directors

The Board recognises the importance of independence and objectivity in its decision-making process. The independent directors who are professionals of high calibre and integrity and possess in-depth knowledge of the Group's business, are able to bring their independent and objective insights to the table during Board deliberations. The Board, through the Nomination and Remuneration Committee, conducts assessments on the independent directors upon their appointment and subsequently on an annual basis. The Board and its Nomination and Remuneration Committee have upon their annual assessment, concluded that each of the two (2) independent directors continue to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them continues to fulfil the definition and criteria of independence as set out in the Listing Requirements.

The Board noted that Practice 4.2 of the MCCG recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. The Company does not have term limit for independent directors as the Board holds the view that a director's independence cannot be determined solely by his/her tenure of service but believes that familiarity of the Company's business operations would drive more efficient and effective business decisions and operations. The Company will seek for shareholders' approval on an annual basis if the Company chooses to retain the services of an independent director after his/her tenure has exceeded a cumulative term of nine (9) years.

2.3 Board Diversity

The Board recognises the importance of diversity in designing its composition and total manpower. The Board is committed to improving boardroom diversity in terms of race, religion, gender, experience, cultural and geographical background, ethnicity, age and perspective.

Currently, the percentage of women participation in the boardroom is 16.67%. The Board will continue to work towards having more female directors on the Board.

Overall, the Board is satisfied with the existing number and composition of the members and is of the view that the Board comprises a good mix of members with diverse experiences and background to provide for a collective range of skills, expertise and experience which are relevant to support the growth and cope with the complexities of the Group's businesses. Above all, the Group's priority will be to provide equal opportunity to candidates based on their merits regardless of gender, ethnicity, religion and age.

3.0 Remuneration

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is established with the primary objective of assisting the Board in overseeing the selection and assessment of directors. In addition, the Nomination and Remuneration Committee is responsible for developing policies on the remuneration packages of the executive and non-executive directors. The level of remuneration for all directors shall be the responsibility of the Board as a whole after considering recommendations from the Nomination and Remuneration Committee. In addition, the fees of non-executive directors shall be subject to the ultimate approval of shareholders at the AGM.

3.1 Composition

The Nomination and Remuneration Committee comprises exclusively of non-executive directors and a majority of them are independent. The current Chairman of the Nomination and Remuneration Committee, Cdr (Retd) Poon Wee Ching, is an independent director.

The Nomination and Remuneration Committee meets as and when required. The Nomination and Remuneration Committee has met three (3) times during the financial year on 26 February 2020, 29 May 2020 and 23 November 2020. The attendance of each member for the meetings held are as detailed below:-

MEMBERS	NUMBER OF MEETINGS ATTENDED
Cdr (Retd) Poon Wee Ching - Chairman	3/3
Dato' Ding Pei Chai DPTJ, PMP	3/3
Mr Chin Kok Tong	3/3
Ir Mustapha bin Che Jusoh (resigned on 03 August 2020)	2/2

3.2 Summary of Activities

The summary of the activities carried out by the Nomination and Remuneration Committee during the financial year 2020, amongst others, included the following:

- Reviewed and assessed the performance of directors seeking for re-election at the forthcoming Annual General Meeting ("**AGM**"), and made recommendations to the Board for its approval;
- Reviewed the independence of independent directors and their tenure of service, verified that all the independent directors have satisfied the criteria of independence pursuant to the Listing Requirements;
- Assessed individual directors, overall Board and its performance and effectiveness as a whole;
- Reviewed the composition of the Board based on the required mix of skills, experience and other qualities of the Board;
- Evaluated the position of the non-independent chairman and concluded that the existing independent directors were able to discharge their duties and responsibilities effectively to ensure that there is a balance of power and authority on the Board;
- Reviewed the training that the directors received to ensure appropriate continuous training;

- Assessed the overall performance of the Audit Committee on the self and peer evaluation basis which covered the following areas:
  a) Quality and Composition
  b) Skills and Competencies
  c) Meeting Administration and Conduct

  In conclusion, the Nomination and Remuneration Committee was satisfied that the Audit Committee was competent and efficient in discharging and fulfilling its roles, duties and responsibilities in accordance with its terms of reference ("**TOR**") for the financial year;

- Reviewed and evaluated the achievement of the key performance indicators of the Group for the financial year 2019 and proposed the discretionary bonus for the executive directors of the Company based on the evaluation and recommended the same to the Board for approval;

- Considered and recommended to the Board for approval, the appointment of Ms Ding Zhe Xin as an Executive Director of the Company;

- Reviewed and recommended to the Board for approval, the revised Directors' remuneration policy and the revised TOR of the Nomination and Remuneration Committee;

- Reviewed the proposed directors' remuneration and benefits for executive directors of the Company for the year 2021 with the voluntary waiver of the contractual and non-contractual bonus arising from the impact of COVID-19 to the Company and recommended the same to the Board for approval;

- Reviewed the proposed directors' fees, benefits and meeting allowance for non-executive directors of the Company from June 2021 to May 2022 and recommended the same to the Board for approval; and

- Reviewed and approved the evaluation and assessment document of the Audit Committee.

The Board is satisfied that the Nomination and Remuneration Committee has effectively and efficiently discharged its roles and responsibilities with respect of its nomination and remuneration functions as stipulated in the TOR of the Nomination and Remuneration Committee. The details of the TOR of the Nomination and Remuneration Committee can be viewed on the Company's website at www.dkls.com.my. As such, there is no need to separate the nomination and remuneration functions into distinct nomination and remuneration committees.

3.3 Assessment of Board, Board Committees, Individual Directors

The Board, through the Nomination and Remuneration Committee, conducts the annual assessment on the effectiveness of the Board, the Board Committees and the individual directors of the Company. The Nomination and Remuneration Committee also conducts assessment on the independent directors annually.

Based on the recent annual review, the Nomination and Remuneration Committee was satisfied that the Board is composed of directors with appropriate mix of skills and experience to meet the Company's requirements and the independent directors have fulfilled the criteria for independence as defined in the Listing Requirements.

3.4 Directors' Remuneration

The Board has in place a Directors' remuneration policy which provides a basis to ensure that the executive and non-executive directors are fairly rewarded for their individual contributions to the Company's and Group's overall performance and that their remuneration commensurate with their level of responsibilities.

The details of the remuneration incurred by the Group and the Company to each director who served during the financial year ended 31 December 2020 are as follows:-

Group Executive Directors	Salaries RM	Bonus RM	Fee RM	EPF RM	SOCSO RM	EIS RM	Benefit in Kind RM	Total RM
Mr Ding Poi Bor	390,000	239,806	13,962	119,663	593	-	17,400	781,424
Ir Sam Tuck Wah	336,000	205,977	4,200	102,975	1,736	-	2,650	653,538
Ms Ding Zhe Xin (appointed on 03 August 2020)	48,365	-	-	5,804	474	54	-	54,697
Ms Ding Soo King (resigned on 03 August 2020)	196,000	205,978	-	76,374	1,628	187	-	480,167
Ms Francisca Lo Fui Khiun (retired on 27 July 2020)	131,600	138,079	-	51,238	845	97	1,633	323,492
Total	**1,101,965**	**789,840**	**18,162**	**356,054**	**5,276**	**338**	**21,683**	**2,293,318**

Company Executive Directors	Salaries RM	Bonus RM	EPF RM	SOCSO RM	EIS RM	Total RM
Mr Ding Poi Bor	66,000	40,816	20,295	-	-	127,111
Ir Sam Tuck Wah	36,000	21,727	10,968	472	-	69,167
Ms Ding Zhe Xin (appointed on 03 August 2020)	18,333	-	2,200	240	28	20,801
Ms Ding Soo King (resigned on 03 August 2020)	21,000	21,728	8,118	362	41	51,249
Ms Francisca Lo Fui Khiun (retired on 27 July 2020)	21,000	21,273	8,031	361	41	50,706
Total	**162,333**	**105,544**	**49,612**	**1,435**	**110**	**319,034**

Group and Company Non-Executive Directors	Fee RM	Other Emoluments RM	Meeting Allowance RM	Total RM
Dato' Ding Pei Chai DPTJ, PMP	72,000	-	1,500	73,500
Mr Chin Kok Tong	38,000	12,000	1,500	51,500
Cdr (Retd) Poon Wee Ching	30,000	-	1,500	31,500
Ir Mustapha bin Che Jusoh (resigned on 03 August 2020)	18,000	-	900	18,900
Total	**158,000**	**12,000**	**5,400**	**175,400**

The Board noted that Practice 7.2 of the MCCG recommends the disclosure on a named basis, the top five senior management's remuneration components including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

The Board has carefully assessed and considered the requirement of the information of the top senior management's remuneration to be sensitive and proprietary in nature and concluded that the non-disclosure of the said remuneration on named basis will not significantly affect the understanding and the evaluation of the Group's governance and this policy is in line with the best management practice of ensuring confidentiality of the remuneration of all employees except for the directors.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

1.0 Establishment and Effectiveness of the Audit Committee

1.1 Establishment and Terms of Reference

The Audit Committee is established with the primary objective of assisting the Board in fulfilling its responsibilities relating to accounting and reporting practices of the Company and its subsidiaries and to ensure an objective and professional relationship is maintained with the external auditors and internal auditors. The TOR of the Audit Committee outlined the key roles and responsibilities of the Audit Committee which is periodically assessed, reviewed and updated as and when there are changes to the regulatory requirements and can be viewed on the Company's website at www.dkls.com.my. The TOR of the Audit Committee was last revised on 29 May 2020 to incorporate, among others, the responsibilities as required under the Anti-Corruption Policy and Guidelines.

<u>Chairman</u>

- Independent Non-Executive Director - Mr Chin Kok Tong

<u>Members</u>

- Chairman/Non-Independent Non-Executive Director - Dato' Ding Pei Chai DPTJ, PMP
- Independent Non-Executive Director - Cdr (Retd) Poon Wee Ching

It is the Board's policy that at least one member of the Audit Committee shall have an accounting qualification or experience in the field of finance. The Chairman of the Audit Committee, Mr Chin Kok Tong, is a member of the Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants (MIA).

1.2 Meetings

The Audit Committee meets at least four (4) times a year which was held to coincide with the key dates within the financial reporting (quarterly results and annual reporting) and audit cycle. The members of the Audit Committee and the attendance of each member is reported in the Audit Committee Report set out on page 56 of the Annual Report. Representatives of the external auditors and internal auditors are invited to attend the meetings without the presence of the management, as and when required.

1.3 Rights and Resources

The Audit Committee has the rights as prescribed by Paragraph 15.17 of the Listing Requirements and the authority to investigate any matter within its TOR, with full and unrestricted access to any information pertaining to the Group and the resources which are required to perform its duties or obtain independent professional or other advice, as necessary. The Audit Committee can have direct communications with the external auditors or internal auditors; or convene meetings without the presence of the management.

1.4 Performance Evaluation

The Nomination and Remuneration Committee conducts annual review of the term of office of the Audit Committee's members. As the members of the Nomination and Remuneration Committee are the same as that of the Audit Committee, the conduct of the review of the Audit Committee has primarily been on a self and peer evaluation basis.

1.5 Audit Committee Relationship and Communications

Relationship with Board and Management

As the Board is ultimately responsible for the oversight of the Company, the Audit Committee consistently reports to the Board of its activities and communicate to the Board immediately of any irregularities, significant findings or matters of concern under its preview.

It is the responsibility of the Audit Committee to satisfy itself that the management has maintained a sound internal control system and has prepared complete and reliable financial statements and disclosures in accordance with the applicable approved accounting standards. As such, the senior management key personnel are invited to attend all Board meetings and Audit Committee meetings to provide explanations and comments on the agenda items tabled at the Board meetings and Audit Committee meetings or to provide clarification on issues that may be raised by the directors and Audit Committee members.

Relationship with External Auditors

Messrs Ernst & Young PLT is the statutory external auditors of the Group and the auditors for the financial statements in this Annual Report. The external auditors perform independent audits in accordance with the approved standards on auditing in Malaysia, and have a direct line of communication to the Audit Committee.

The Audit Committee has direct and unrestricted access to the external auditors. The Audit Committee meets with the external auditors at least once a year without the presence of the management to follow up on the identified areas of concern.

The external auditors are re-appointed by the shareholders of the Company annually, based on recommendation of the Board. The external auditors may not provide services that are perceived to be in conflict with their role. These include assisting in the preparation of the financial statements, sub-contracting of operational activities normally undertaken by management and engagements where the auditors may ultimately be required to express an opinion on its own work.

The Audit Committee has reviewed the summary of the non-audit services provided by the external auditors in the year and has confirmed that the provision of services is compatible with the general standard of independence for auditors.

During the financial year 2020, the amount of audit fees and non-audit fees payable to the external auditors and its affiliates are as follows:

	AUDIT FEES (RM)	NON-AUDIT FEES (RM)
Company	69,500	48,000
Group	224,170	68,300

The recurring non-audit services were in respect of tax compliance services, annual review of Statement on Internal Control and Risk Management and the Housing Development Accounts.

Relationship with Internal Auditors

The Company has outsourced the internal audit function to an independent professional services firm, Messrs KPMG Management & Risk Consulting Sdn Bhd, which reports directly to the Audit Committee as the internal auditors. The internal auditors are invited to participate in the Audit Committee meetings, as required, and report the major findings and observations of the internal audit carried out during the year.

Further information can be found in the Audit Committee Report on pages 56 to 59 of the Annual Report 2020.

2.0 Risk Management and Internal Control Framework

The Board has established policies and framework for the oversight and management of business risks and has adopted a formal risk management policy and guidelines. The Board fulfils its responsibilities in the risk governance and oversight functions through a Risk Management Committee, at management level, and placed it under the purview of the Audit Committee to identify the risks and assess the findings in order to better manage the overall risk exposure of the Group.

Details of the Company's internal control system and framework are set out in the Statement on Risk Management and Internal Control on pages 52 to 55.

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

1.0 Board's Responsibility to Stakeholders

1.1 Identify Stakeholders

The Board recognises that developing and nurturing dialogue with key stakeholders is a driver of business sustainability. The responsibility for satisfactory stakeholder relationships vests with every employee in the Group, as the Board recognises that a good reputation is a competitive advantage.

The nature of the relationships with stakeholders can affect the Group's reputation and therefore its ability to create value. The Board and management approach stakeholders with trust and respect and look to them for the same mutual good faith. The Company has a broad range of internal and external stakeholders with a material or potential interest in, or who are affected by the Group. The Board recognises the importance of identifying issues of a shared interest, but also value the opportunity for engagement, as it provides a unique insight into the expectations of each stakeholder group.

1.2 Responsibilities Towards Shareholders and Other Stakeholders

The Board fully recognises shareholders' rights as provided under the Companies Act 2016, the Listing Requirements and other relevant legislations and regulations. The Board will incorporate the welfare of various stakeholders in its business decision-making.

1.3 Communication

The Board encourages a strong proponent of transparency, best practice disclosure, consistent communication and equal and timely dissemination of information to the shareholders and other stakeholders through various platforms including the announcements via Bursa Securities' Bursa Link, disclosures on the Company's website and online social networking.

2.0 Corporate Reporting

2.1 Meetings of Members

In general, the Board regards meetings of members, particularly the AGM as an important channel of communication with the shareholders and serves as the principal forum for direct two-way interaction between the shareholders, the Board and the management.

The AGM is a key meeting of members held each year and serves as the principal forum for the dialogue with the shareholders on the financial performance, operations, strategy and major developments of the Company.

2.2 Shareholders Participation at AGM

The Board acknowledges the rights of the shareholders and encourages them to exercise their rights by participating at the AGM. Notice of the AGM will be sent out to the shareholders in sufficient time as permitted by law and regulations before the date of meetings.

The AGM remains the principal forum for dialogue with the shareholders where they may seek clarifications on the Group's businesses. To ensure effective participation of and engagement with the shareholders at the last AGM held on 27 July 2020, all members of the Board and key senior management team were present at the meeting to respond to the questions raised by the shareholders or proxies.

Shareholders are given the opportunity to participate in the question and answer session during the AGM on the proposed resolutions and the Group's financial performance and operations. Members of the Board as well as the external auditors of the Company are present to answer questions raised at the meeting. The Chairman will provide sufficient time to shareholders' questions on matters pertaining to the Company's performance and would respond to shareholders with regards to their concern and question raised. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf.

2.3 Poll Voting

In line with Paragraph 8.29A (1) of the Listing Requirements, voting on all resolutions at all meetings of members are conducted by poll. The Board will consider using the most feasible voting method for polling to facilitate shareholders' voting process by taking into account its practicability, efficiency and reliability.

COMPLIANCE STATEMENT

The Board is satisfied that the Group has substantially complied with the practices of the MCCG throughout the financial year. In pursuit of safeguarding the interest of the shareholders and other stakeholders, the Board is committed and will continue to strengthen its application of the best practices in corporate governance.

This Statement was approved by the Board on 23 March 2021.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is pleased to provide the Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**"). The Board is committed to fulfilling its responsibility of maintaining a sound risk management framework and internal control system in the Company and its subsidiaries ("**Group**") in accordance with the Malaysian Code on Corporate Governance.

For the purpose of preparing this statement, associated companies are not dealt with as part of the Group.

BOARD RESPONSIBILITY

The Board acknowledges the responsibilities of establishing and maintaining a sound risk management framework and internal control system. The risk management framework and internal control system, however, are designed to manage the Group's risks within an acceptable level, rather than eliminate the risk of failure to achieve the business objectives of the Group. It can therefore only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

The Board has established an on-going process of identifying, assessing, evaluating and managing principal risks of the Group. The process has been in operation during the financial year 2020 and up to the date of approval of this statement for inclusion in the Annual Report.

The role of the management includes:

- Identifying, assessing and evaluating the risks faced, and the achievement of business objectives and strategies.
- Establishing risk profiles for major business activities.
- Formulating relevant policies and procedures to manage these risks.
- Designing, implementing, and monitoring a sound system of internal control.
- Implementing the policies approved by the Board.
- Reporting in a timely manner to the Board any changes to the risks and corrective actions taken.

The nature and state of risk management framework and internal control of the Group during the financial year under review are set out below.

RISK MANAGEMENT FRAMEWORK

Risk management and internal controls are treated as an integral part of overall management process. A formal risk management framework has been established with the aim of outlining the Group's risk context which comprises the Group's philosophies, strategies, policies and operating system so as to better manage risks faced by the Group. The framework is also designed to provide assurance to the Board that a sound risk management and internal control system is in place and in accordance with the requirements of regulatory bodies. Risk management framework consists of the Risk Management Committee ("**RMC**") and Risk Management Units ("**RMUs**"). The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.

At the third quarter of each financial year, the Risk Officers will hold meetings with the departmental heads from each individual RMUs to discuss and deliberate existing risks and to identify any other potential new risks in terms of its magnitude of the financial or non-financial impact against the likelihood of the occurrence of the risk based on the risk appetite of the Group and to deliberate positive controls to mitigate such risks. These key risks and the appropriate positive controls are documented in the Risk Register and circulated to the individual departmental heads where they will be acknowledged and confirmed. The principal risks and remedial actions are reported to the Audit Committee and the Board on a yearly basis. Any changes highlighted by the Board would then be cascaded to the RMUs for remedial action plans.

Various persons/authorities responsible for various business transactions have been set, including matters that require the Board's approval. Clear line of accountability and responsibility within the Group has been established to facilitate decision making at the appropriate level in the organisation's hierarchy.

Additional items such as new investment exceeding RM5 million would also be tabled for the Investment Committee's consideration before recommending to the Board for approval.

In the financial year 2020, the Risk Management Committee has reviewed the effectiveness of the controls implemented for each department's risk profiles and the additional new risks that were being identified and low risks have been removed. The results and findings together with additional controls to be implemented where necessary were recorded in the Risk Register and the same was tabled at the Audit Committee and Board meetings for deliberation and adoption.

The risk profiles have identified the principal risks and established the controls to mitigate these risks to safeguard shareholders' investment and the Group's assets. The principal risks and control measures are described below:

Operational Risk Management

Industry Risks

The Group's principal activities are subject to certain risks inherent in their respective sectors. These may include shortages of labour and raw materials, increases in the cost of labour, raw materials, inflation, changes in general economic and business conditions, changes in the legal and environmental framework within which the various subsidiaries operate as well as unprecedented situations such as the COVID-19 pandemic. Whilst it is not possible to prevent the occurrence of these events, the management addresses these matters by integrating sound risk management framework and standards of preventive maintenance and cost efficiency coupled with technical and operating efficiency of its assets into the day-to-day activities across all functions. Risk management includes the establishment of planning and control systems and guidelines, information technology control systems, and operational reporting and monitoring procedures.

Investment Risk

Investment risk is the risk of financial loss arising from inappropriate investments. The main sources of growth of the Group are the acquisitions of land banks and investment properties. The risks involved in such investment activities are managed through analysis on yield accretion, rental sustainability and growth potential before investing in properties. Subsequent to acquisition, the management manages the risks through continuous monitoring of the state of the property market and determining actions (such as to dispose or hold, continue or postpone development of these properties based on the current and expected future trend of property market) that need to be taken to manage and mitigate risks as early as possible.

Law and Regulatory Compliance Risks

The Group's businesses are governed by relevant laws, regulations, standards and licenses. The Group regularly assesses the impact of new laws and regulations on its businesses to ensure that its process and infrastructure settings are able to operate in an ever changing environment.

To mitigate the risk, the management strives to keep abreast of new trends, laws and/or requirements by participating in seminars, conferences and trainings, presented by authorities, experts or specialists as well as maintaining regular communication with the authorities, industry, accounting, tax and legal experts to ensure compliance at all times.

The Group proactively monitors and manages the impact to business and operations arising from COVID-19 pandemic. Standard Operating Procedures were established and various safety and health measures were implemented, such as instituting social distancing and daily precautions at work including sanitisation and daily temperature screening, circulating COVID-19 related guidelines and information, providing adequate supply of personal protective equipment i.e. face masks and hand sanitisers and setting up virtual meetings. The Group will continue to monitor the situation closely and will do its best to protect its employees and supply chain.

In May 2020, the Group adopted an Anti-Corruption Policy and Guidelines and internal control procedures in view of the introduction of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. With effect from 01 June 2020, a commercial organisation may be found liable for acts of corruption committed by any persons associated with the organisation. The Group will continue to monitor, act on and improve its policies and procedures to mitigate the potential risks.

Financial Risk Management

Interest Rate Risk

The Group's interest rate exposure to changes in interest rates relates primarily to interest bearing loans and borrowings. Interest rate risk is managed on an on-going basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movements in interest rates. To reduce the Group's exposure, the management closely reviews the direction of interest rate and the magnitude of interest rate changes.

As at 31 December 2020, the Group's total loans and borrowings was RM50.81 million. There is no immediate refinancing risk as the tranches of the Group's term loan have tenures ranging from two (2) to eight (8) years.

Credit Risk

Credit risk is the risk of financial loss that may arise should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables. To mitigate the credit risk, the Group will carry out credit checks on parties before entering into business dealings with them and transacts only with third parties who are recognised, creditworthy and with good credit history. The Group has also maintained strict control over its outstanding receivables and has a credit control department to monitor outstanding and overdue balances on an on-going basis to ensure that credit risk is minimised.

Liquidity Risk

Liquidity risk management implies maintaining sufficient bank deposits and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. To mitigate this risk, the management actively monitors the Group's cash flow position and maintains sufficient level of cash and adequate amounts of credit facilities to meet its financial obligations. Due to the dynamic nature of the underlying businesses, the Group and the Company aim at maintaining flexibility by keeping committed credit lines available.

INTERNAL AUDIT FUNCTION

The Group has outsourced the internal audit function to an independent professional services firm. The Board has appointed the professional services firm to carry out internal audits on various operating units within the Group based on risk-based audit plan approved by the Audit Committee.

The Investment Committee oversees the business risks investment whilst the Audit Committee, through the internal auditors, regularly reviews the effectiveness, adequacy and the integrity of the Group's internal control system. The Audit Committee reviews the internal audit report and assesses the performance, scope of work and resources of the internal audit function. The Board, through the Audit Committee, regularly reviews the system of internal control of the Group as well as seek the observations of the external auditors of the Group.

All of the internal control weaknesses identified during the financial year under review have been or are being addressed. None of these weaknesses will result in material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the internal control system are presented below.

- Existence of various Board Committees assists in discharging the Board's stewardship more efficiently and effectively. The Board Committees include Audit Committee, Nomination and Remuneration Committee and Investment Committee.
- Regular Audit Committee and Board meetings are held to ensure the Board maintains full control and supervision over major issues.
- Existence of a clearly defined organisation structure and job description of the staff.

- Policies and procedures for most operations/activities of the Group have been awarded the ISO 9001 Quality Management System.
- Existence of the Group's internal financial control procedures to deal with all financial and related matters.
- Project budgets, in respect of the construction and property development works, are prepared by the assigned personnel. Variances against the budgets are monitored and revisions shall be made by the management where necessary.
- Annual budgets are prepared and variances against the budget are monitored closely and explanations are sought for significant variances.
- Corporate values, which emphasise good workplace behaviour, quality products and services, are set out in the Group's Employee Handbook and Code of Ethics.
- The executive directors meet quarterly on an informal basis with divisional and departmental heads to consider and to discuss the Group's financial performance, business development, management and corporate issues.
- Independent review by the internal auditors on the internal control system.

Based on the above-mentioned key elements of internal control, the Board opined, with the concurrence of the Audit Committee, that there are adequate internal controls in place within the Group addressing financial, operational and compliance risks.

ASSURANCE FROM THE MANAGEMENT

The Board has also received reasonable assurance from the Managing Director and the Group Accountant that the Group's risk management and internal control system are operating adequately and effectively, in all material respects, based on the risk management model adopted by the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to Paragraph 15.23 of the Listing Requirements and have reported to the Board that nothing has come to their attention that causes them to believe that the statement is not prepared, in all material respects, 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, nor it is factually inaccurate.

SUMMARY

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the financial year under review and is of the view that the risk management and internal control system in place are reasonable, adequate and effective in safeguarding the assets of the Group, interests of shareholders and other stakeholders as well as in addressing key risks impacting the business operation of the Group.

For the financial year under review, no significant control weaknesses that result in material losses and require disclosure were identified.

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the Report of the Audit Committee for the financial year ended 31 December 2020.

The Audit Committee is responsible, among others, to review and monitor the integrity of the Group's reporting process, system of internal control, audit process as well as compliance with legal, regulatory and taxation matters for the Group which also include the responsibilities required under the Anti-Corruption Policy and Guidelines.

The terms of reference ("**TOR**") of the Audit Committee was last revised on 29 May 2020. The TOR can be viewed on the Company's website at www.dkls.com.my.

COMPOSITION OF THE AUDIT COMMITTEE AND ATTENDANCE

The Audit Committee comprises three (3) non-executive directors, two (2) of whom are independent. The members of the Audit Committee are as follows:

Chairman

- Independent Non-Executive Director - Mr Chin Kok Tong

Members

- Chairman/Non-Independent Non-Executive Director - Dato' Ding Pei Chai DPTJ, PMP
- Independent Non-Executive Director - Cdr (Retd) Poon Wee Ching

A total of four (4) meetings of the Audit Committee were held during the financial year ended 31 December 2020 on 26 February 2020, 29 May 2020, 24 August 2020 and 23 November 2020. The attendance of members in 2020 is as follows:

MEMBERS	NUMBER OF MEETINGS ATTENDED
Mr Chin Kok Tong - Chairman	4/4
Dato' Ding Pei Chai DPTJ, PMP	4/4
Cdr (Retd) Poon Wee Ching	4/4
Ir Mustapha bin Che Jusoh (resigned on 03 August 2020)	2/2

The Chairman of the Audit Committee shall report key issues discussed in the Audit Committee meetings to the Board. By invitation, representatives of the internal auditors and the external auditors attended these meetings held during the financial year to present their reports for the Audit Committee's deliberation and approval. Relevant senior management personnel were also invited to attend these meetings, where necessary, to brief the Audit Committee on the group's performance and specific issues.

The External Auditors were invited to brief the Audit Committee on audit related matters during the financial year and to provide a high-level review of the financial position of the Group. Time was also allocated for the External Auditors to have private discussions with the Audit Committee in the absence of the management.

The Company Secretaries attended all the meetings of the Audit Committee held during the financial year 2020.

REVIEW OF THE AUDIT COMMITTEE

The Nomination Committee has conducted annual review, on a self and peer review basis, of the term of office and performance of the Audit Committee and its members and, based on the review, the Board is satisfied that the Audit Committee as a whole and its members have discharged their duties and responsibilities competently and efficiently in accordance with the TOR.

SUMMARY OF ACTIVITIES

In line with the TOR, the works and key activities carried out by the Audit Committee in the discharge of its functions and duties for the financial year 2020 are as follows:-

1.0 Financial Procedures, Financial Reporting and Financial Results

a) The Audit Committee reviewed the Group's unaudited quarterly consolidated financial results and audited annual financial statements of the Company before recommending the same to the Board for approval and for announcement to Bursa Malaysia Securities Berhad ("**Bursa Securities**") during the meetings held on the following dates:
- 26 February 2020
- 29 May 2020
- 24 August 2020
- 23 November 2020

The review of the unaudited quarterly consolidated financial results is to ensure the interim financial statements thereon are prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("**MFRS**") 134 – Interim Financial Reporting and applicable disclosure provisions of the Listing Requirements of Bursa Securities by the Company, the adoption and consistent application of policies as well as the integrity of the quarterly financial results.

b) The Audit Committee also reviewed the annual audited financial statements of the Company for the financial year ended 31 December 2019 to ensure that they presented a true and fair view of the financial position of the Group and the financial performance for the year then ended and that appropriate accounting policies have been adopted and applied consistently and that they complied with all disclosures and regulatory requirements before recommending the same to the Board for approval.

c) The Audit Committee received briefing on a quarterly basis the comparison between the actual financial results against the correspondence quarter results and the budgeted financial results.

2.0 External Audit

The Audit Committee met with representatives of Messrs Ernst & Young PLT ("**EY**"), the external auditors, twice during the year on 26 February 2020 and 23 November 2020, which included private sessions with the external auditors without the presence of the executive directors and employees.

a) The Audit Committee reviewed with EY, the "2019 Audit Results" which summarised the significant accounting and auditing issues identified during the course of audit of the financial statements of the Group for the financial year ended 31 December 2019 and also set out their comments and conclusions thereon.

b) The Audit Committee noted that there were no issues and reservations observed during the course of the audit which the external auditors considered necessary to be brought to the attention of the Audit Committee and that they have not identified any matters in relation to fraud during the course of the audit.

c) The external auditors expressed that, in respect of the audit of the financial statements, they were and had been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements, including the By-laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

d) The Audit Committee conducted an evaluation of EY in respect of the financial year 2019, encompassing the firm's calibration, technical competencies, adequacy of specialist support and the partners/director accessibility and time commitment, independence and objectivity, audit scope and planning, audit and non-audit fees and audit communications to the Audit Committee. The Audit Committee, being satisfied with EY's performance, technical competency and audit independence, recommended the re-appointment of EY as external auditors of the Company for the financial year ended 31 December 2020 to the Board for approval.

e) The Audit Committee reviewed and approved the external auditors' 2020 Audit Plan outlining their scope of work, timing and proposed fees for the statutory audit, together with non-audit fees for the annual review of Statement on Risk Management and Internal Control and TAS review and audit of the Housing Development Accounts before recommending the same for the Board's final approval.

3.0 Internal Audit

The Audit Committee met with representatives of Messrs KPMG Management & Risk Consulting Sdn Bhd, the internal auditors on 23 November 2020, which included a private session with the internal auditors without the presence of the executive directors and employees.

a) The Audit Committee reviewed the Internal Audit Report (including follow-up review reports) of the Group for the year 2020, with the presence of the external auditors, on the audit findings and recommendations and management responses before recommending the same to the Board for consideration and approval, and also appraised the adequacy of actions and remedial measures taken by the management in resolving the audit issues reported and recommended by the internal auditors for improvement measures; and

b) The Audit Committee also reviewed the Internal Audit Plan of the Group for the year 2021 before recommending the same to the Board for consideration and approval.

c) The Audit Committee discussed the publication entitled "Effectiveness of Internal Audit Function Thematic Review Findings and Key Takeaways" and noted the 7 criteria of the internal audit function listed by Bursa Securities. In order to enhance the effectiveness of Internal Audit function, the review of risk management was included in the Internal Audit Plan 2021.

4.0 Risk Management

The Audit Committee reviewed and identified on 26 February 2020, three (3) additional new risks for the financial year 2019. Meanwhile, the 2020 Risk Profile which included six (6) new risks identified, the Risk Registers of the Company and eight (8) major subsidiaries were reviewed and approved on 23 November 2020 before recommending the same to the Board for adoption.

5.0 Related Party Transactions

The Audit Committee reviewed the related party transactions entered into by the Company and its subsidiaries on a quarterly basis to ensure that they were conducted on the Group's normal commercial terms and for monitoring compliance with the Listing Requirements of Bursa Securities and to ascertain that the transactions entered into were not prejudicial to the interest of the non-controlling shareholders.

6.0 Others

In line with the introduction of Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 on corporate liability for corruption which came into force on 01 June 2020, the Audit Committee deliberated and recommended for adoption the Anti-Corruption Policy and Guidelines to ensure the practice of ethical business dealings and to strengthen measures in minimising the risk of corruption and bribery in the Group's activities. To this end, the TOR of Audit Committee was updated, among others, to carry out the responsibilities as required under the Anti-Corruption Policy and Guidelines and to review the effectiveness of the Group's internal control systems.

During the financial year 2020, the Audit Committee reviewed the following statements before recommending the same to the Board for approval and for inclusion in the Company's Annual Report 2019:

- Corporate Governance Overview Statement and Corporate Governance Report;
- Statement on Risk Management and Internal Control; and
- Audit Committee Report.

INTERNAL AUDIT FUNCTION

Since 2005, the Company has outsourced the Internal Audit Function to independent professional services firms, currently provided by Messrs KPMG Management & Risk Consulting Sdn Bhd. The appointment of internal auditors is one of the many ways of reviewing and assessing the effectiveness of the risk management framework and internal control system of the Group. The appointment of the professional services firm is to carry out independent internal audit services on various operating units within the Group based on risk-based audit plan approved by the Audit Committee. They report directly to the Audit Committee on audit matters and to the Managing Director on administrative matters. They provide independent and objective reports on the Group's management, operational, accounting policies and controls to the Audit Committee and also ensure that recommendations to improve controls are followed through by the management at the same time. Both the Board and the management will rectify the weaknesses detected by the internal auditors through either adopting the recommendations made by the internal auditors or developing its own alternatives to eliminate such weaknesses.

During the financial year under review, the internal auditors have conducted their works in accordance with the Internal Audit Plan of the Group for the financial year 2020. There were a total of ten (10) observations noted from the internal audit conducted, four (4) of which were classified as "High" risk rating whereby corrective action was required to be initiated immediately and six (6) were classified as "Medium" priority where corrective actions should be implemented within six (6) months.

The cost incurred for the internal audit function for the financial year ended 31 December 2020 amounted to RM40,280.

ADDITIONAL COMPLIANCE INFORMATION

i) **Utilisation of Proceeds**

No proceeds were raised by the Company from any corporate exercise during the financial year ended 31 December 2020.

ii) **Material Contracts**

The material contracts entered into by the Company and its subsidiaries involving directors and major shareholders either subsisting at the end of the financial year or entered into since the end of the previous financial year are disclosed in Note 39 to the financial statements under "Related Party Transactions" on pages 170 to 172 of the Annual Report.

iii) **Recurrent Related Party Transaction**

During the financial year 2020, the Company did not seek mandate from shareholders for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as there are no recurrent related party transactions which exceeded the materiality threshold stated in Paragraph 10.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The Directors of the Company are required under the Companies Act 2016 in Malaysia ("**Act**") to ensure that the financial statements prepared for each financial year give a true and fair view of the financial position as at the end of each financial year and the financial performance of the Group and of the Company for the year then ended. Pursuant to Paragraph 15.26 of the Main Market Listing Requirements ("**Listing Requirements**") of Bursa Malaysia Securities Berhad, the Board of Directors is required to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors have given their opinion that the financial statements have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act and the Listing Requirements.

The Directors ensured that in preparing the financial statements, the Group and the Company have:

- used appropriate accounting policies and are consistently applied;
- made reasonable and prudent judgments and estimates; and
- ensured all applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Group and the Company maintain accounting records that disclose with reasonable accuracy the financial position of the Group in accordance with the provisions of the Act.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement is approved by the Board of Directors on 23 March 2021.

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

Principal activities

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiaries are described in Note 19 to the financial statements.

Results

	Group RM	Company RM
Profit for the year	13,319,716	4,458,597
Attributable to:		
Owners of the Company	13,020,721	4,458,597
Non-controlling interests	298,995	-
	13,319,716	4,458,597

There were no material transfers to or from reserves or provisions during the financial year.

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.

Dividend

The amount of dividend paid by the Company since 31 December 2019 was as follows:

	RM
In respect of the financial year ended 31 December 2019 as reported in the Directors' report of that year:	
First and final single tier dividend of 3 sen per share on 92,699,600 ordinary shares, approved on 27 July 2020 and paid on 23 October 2020	2,780,988

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2020, of 2 sen per share on 92,699,600 ordinary shares, amounting to a total dividend payable of RM1,853,992 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2021.

DIRECTORS' REPORT

Directors

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

Dato' Ding Pei Chai, DPTJ, PMP
Ding Poi Bor
Ir Sam Tuck Wah
Chin Kok Tong
Cdr Poon Wee Ching
Ding Zhe Xin (appointed on 3 August 2020)
Ding Soo King (resigned on 3 August 2020)
Mustapha Bin Che Jusoh (resigned on 3 August 2020)
Francisca Lo Fui Khiun (retired on 27 July 2020)

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

Name of Director	Name of Subsidiary Company
Ding Soo King	DKLS Construction Sdn. Bhd. DKLS Quarry & Premix Sdn. Bhd. DKLS Signaturehomes Sdn. Bhd. DKLS Development Sdn. Bhd. DKLS Marketing Sdn. Bhd. DKLS Homebuilders Sdn. Bhd. DKLS Equity Sdn Bhd DKLS Quarry & Premix (North) Sdn. Bhd.
Ding Soo King (resigned on 31 March 2021)	DKLS Highlands Sdn. Bhd.
Ding Ju Shuen	DKLS Development Sdn. Bhd. DKLS Premierhome Sdn Bhd
Yee Chee Yoong	Savan-DKLS Water Supply Co Ltd
Tee Chee Seng	Savan-DKLS Water Supply Co Ltd
Phavanh Boualouanglath (resigned on 31 January 2021)	Savan-DKLS Water Supply Co Ltd
Kongchack Norkeo (resigned on 1 January 2020)	Savan-DKLS Water Supply Co Ltd

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 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 remuneration received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 39 to the financial statements.

The directors' benefits are as follows:

	Group RM	Company RM
Fees	176,162	158,000
Salaries and other emoluments	1,909,205	285,277
Contributions to defined contribution plan	356,054	49,612
Social security contributions	5,276	1,435
Employment insurance system contributions	338	110
Estimated monetary value of benefits-in-kind	21,683	-
Insurance effected to indemnify directors*	14,500	14,500
	2,483,218	508,934

* The Company maintains a liability insurance for the directors of the Group. The total amount of sum insured for the directors of the Group for the financial year amounted to RM1,500,000.

Directors' interests

According to the register of directors' shareholdings, the interests of 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:

	Number of ordinary shares			
The Company	**1 January 2020**	**Bought**	**Sold**	**31 December 2020**
Direct interest				
Dato' Ding Pei Chai, DPTJ, PMP	12,419,163	-	9,104,000	3,315,163
Ding Poi Bor*	28,614,362	1,500,000	-	30,114,362
Ir Sam Tuck Wah	12,551,225	-	-	12,551,225
Chin Kok Tong	2,000	-	-	2,000
Indirect interest				
Dato' Ding Pei Chai, DPTJ, PMP**	2,030,000	-	1,560,000	470,000
Dato' Ding Pei Chai, DPTJ, PMP***	1,297,841	-	-	1,297,841
Ir Sam Tuck Wah***	2,486,663	-	-	2,486,663

* *Ding Poi Bor by virtue of his interests in shares in the Company is also deemed interested in shares in all of the Company's subsidiaries to the extent the Company has an interest.*

** *Deemed interested through shareholdings in a corporation by virtue of Section 8 of the Companies Act 2016.*

*** *Deemed interested through spouse.*

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in the shares of the Company or its related corporations during the financial year.

Options granted over unissued shares

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

Other statutory information

(a) Before the statements of 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 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 value 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 the allowance for doubtful debts in 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) As 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 in respect of the Group or of the Company which has arisen since the end of the financial year.

(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 affect the ability of the Group or of the Company to meet their obligations 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.

Significant and/or recurring events during and/or subsequent to the financial year

The significant and/or recurring events during the financial year are as disclosed in Note 44 to the financial statements.

Auditors and auditors' remuneration

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

Auditors' remuneration are as follows:

	Group RM	Company RM
Ernst & Young PLT		
- statutory audit	224,170	69,500
- non-audit fees		
- assurance related	49,000	43,000
	273,170	112,500

To the extent permitted by law, the Group and the Company have agreed to indemnify their 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 27 April 2021.

Ding Poi Bor

Ir Sam Tuck Wah

Ipoh, Perak Darul Ridzuan, Malaysia

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Ding Poi Bor and Ir Sam Tuck Wah, being two of the directors of DKLS Industries Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 73 to 191 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 April 2021.

Ding Poi Bor

Ir Sam Tuck Wah

Ipoh, Perak Darul Ridzuan, Malaysia

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Wong Yoke Cheng (NRIC No.: 730305-08-5864), being the officer primarily responsible for the financial management of DKLS Industries Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 73 to 191 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 Wong Yoke Cheng
at Ipoh in the State of Perak Darul Ridzuan
on 27 April 2021.

Wong Yoke Cheng
MIA 16915

Before me,

INDEPENDENT AUDITORS' REPORT

to the members of DKLS Industries Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DKLS Industries Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and statements of 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 73 to 191.

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

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Revenue and cost of construction recognition

(Refer to Notes 2.10, 3.2(v) and 4 to the financial statements)

A significant proportion of the Group's revenues and profits are derived from construction activities which span more than one accounting period. For the financial year ended 31 December 2020, construction contract revenue of RM78 million and contract cost of RM60 million accounted for approximately 45% and 49% of the Group's total revenue and cost of sales respectively. The Group uses the percentage-of-completion method in accounting for the construction contract revenue.

Key audit matters *(cont'd.)*

Revenue and cost of construction recognition *(cont'd.)*

We identified revenue and cost of construction as areas of audit focus as these areas involved significant management's judgment and estimates. In particular, we focused on the following areas:

(a) Judgement and estimates made in the determination of whether variations in contract works should be included in the contract revenue; and

(b) Estimates made in respect of the total estimated contract costs (which represents a key input for the computation of percentage-of-completion for these contracts).

As part of our audit procedures, we performed, amongst others, the following procedures:

(a) obtained an understanding of the internal controls over the accuracy and timing of revenue recognised in the financial statements, including controls performed by management in estimating total contract costs, profit margin and percentage-of-completion of the contracts;

(b) read the signed construction contracts, on sample basis, to obtain an understanding of the specific terms and conditions;

(c) agreed the variations in construction contract works to approved variation orders;

(d) assessed management's assumptions in estimating contract costs by agreeing the budgeted costs to the awarded contracts and other documentary evidence such as approved purchase orders and progress claims from sub-contractors. We also considered the historical accuracy of management forecasts for similar projects in evaluating the estimated total costs in deriving gross profit margin;

(e) tested management's workings on the computation of percentage-of-completion;

(f) tested management's workings on the computation of revenue by agreeing the contract revenue to the signed contracts, letter of awards and approved variation orders; and

(g) evaluated the adequacy of presentation and disclosures of construction contracts in the financial statements, including significant accounting policies.

Valuation of investment properties and impairment on the cost of investment in a subsidiary

(Refer to Notes 2.8, 2.13, 3.2(iii), 3.2(vi), 17 and 19 to the financial statements)

I. Valuation of investment properties

The Group adopts fair value model for its investment properties and the Group uses independent valuers to support its determination of the individual fair value of the investment properties annually. As at 31 December 2020, the Group's investment properties comprise various categories of properties, of which the most significant being the leasehold office building amounting to RM86 million, representing 16% of the Group's total assets. The fair value of such leasehold office building is determined based on income capitalisation method where the key judgements and estimates involved are rental rate, discount rate and reversionary rate.

II. Impairment on the cost of investment in a subsidiary

The leasehold office building (the "Property") as mentioned above is held by a subsidiary of the Company. The shortfall arising from the comparison of the cost of investment and the net tangible assets of the subsidiary indicated that the carrying amount of the investment in the subsidiary may be impaired. Accordingly, the Company has performed an impairment test on the investment in this subsidiary. The management has estimated the recoverable amount of the investment using its fair value less costs to sell. The fair value less costs to sell was determined based on the adjusted net assets of the subsidiary. Considering the subsidiary's main underlying assets comprise the Property, the Company engaged an independent valuer to determine the fair value of the Property as at 31 December 2020 by using the income capitalisation method.

Key audit matters *(cont'd.)*

Valuation of investment properties and impairment on the cost of investment in a subsidiary *(cont'd.)*

(Refer to Notes 2.8, 2.13, 3.2(iii), 3.2(vi), 17 and 19 to the financial statements) *(cont'd.)*

Given the complexity of the valuation which is based on assumptions that are highly judgemental, we identified the above as matters requiring audit focus.

As part of our audit procedures, we performed, amongst others, the following procedures:

(a) considered the objectivity, independence and expertise of the independent valuer;

(b) obtained an understanding of the valuation methodology used by the independent valuer in determining the fair value of the Property and assessed whether such methodology is consistent with those used in the prior years and commonly used for the type of asset being valued;

(c) together with EY valuation specialists, evaluated the key assumptions used which comprise rental rate, discount rate and reversionary rate by comparing to past actual outcomes and taking into consideration expected future outlook; and

(d) focused on the adequacy of the related disclosures in the financial statements.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

(a) 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.

(b) 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(d) 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 and 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.

(e) 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.

(f) 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.

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	Lee Ai Chung
202006000003 (LLP0022760-LCA) & AF 0039	No. 03265/04/2023 J
Chartered Accountants	Chartered Accountant

Ipoh, Perak Darul Ridzuan, Malaysia
Date: 27 April 2021

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

		Group		Company	
		2020	**2019**	**2020**	**2019**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	4	172,382,936	186,328,216	4,480,600	528,000
Other income	5	7,959,126	8,567,234	1,437,122	20,251,857
Construction contract costs recognised as contract expenses		(60,252,453)	(60,330,544)	-	-
Cost of goods sold		(3,779,677)	(3,836,686)	-	-
Cost of sales in respect of property development	6	(9,738,069)	(22,451,002)	-	-
Changes in work-in-progress and finished goods		233,570	541,604	-	-
Raw materials and consumables used		(27,303,153)	(25,047,063)	-	-
Direct expenses	7	(1,791,574)	(1,940,552)	(190,951)	(199,337)
Other expenses	8	(21,534,109)	(26,758,379)	-	-
Employee benefits expense	9	(14,772,805)	(15,195,885)	(497,333)	(495,649)
Depreciation		(9,027,632)	(7,968,005)	(24,003)	(45,676)
Administrative expenses	10	(11,454,254)	(13,473,731)	(639,579)	(4,642,140)
Operating profit		20,921,906	18,435,207	4,565,856	15,397,055
Interest expense	11	(2,750,254)	(6,969,389)	-	-
Share of profit of associate		127,360	71,513	-	-
Profit before tax		18,299,012	11,537,331	4,565,856	15,397,055
Income tax expense	12	(4,979,296)	(4,731,357)	(107,259)	(6,222)
Profit for the year, net of tax		13,319,716	6,805,974	4,458,597	15,390,833

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020 (cont'd.)

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Other comprehensive income, net of tax					
Items that will be reclassified to profit or loss in the future:					
Foreign currency translation:					
- subsidiaries	30	(2,702,684)	(2,198,360)	-	-
Other comprehensive income for the year, net of tax		(2,702,684)	(2,198,360)	-	-
Total comprehensive income for the year		10,617,032	4,607,614	4,458,597	15,390,833
Profit attributable to:					
Owners of the Company		13,020,721	5,952,695	4,458,597	15,390,833
Non-controlling interests		298,995	853,279	-	-
		13,319,716	6,805,974	4,458,597	15,390,833
Total comprehensive income attributable to:					
Owners of the Company		10,889,099	4,222,485	4,458,597	15,390,833
Non-controlling interests		(272,067)	385,129	-	-
		10,617,032	4,607,614	4,458,597	15,390,833
Earnings per share attributable to owners of the Company (sen):					
Basic/Diluted, for profit for the year	13	14.05	6.42		

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

		Group		Company	
		2020	**2019**	**2020**	**2019**
	Note	**RM**	**RM**	**RM**	**RM**
Assets					
Non-current assets					
Property, plant and equipment	14	104,878,501	116,123,530	8,094,624	8,118,627
Right-of-use assets	15	113,585	162,096	-	-
Inventories	16	103,978,499	79,557,780	-	-
Investment properties	17	115,600,000	117,290,000	32,110,000	31,670,000
Intangible asset	18	-	-	-	-
Investments in subsidiaries	19	-	-	192,723,018	188,392,694
Interest in associate	20	456,957	329,597	-	-
Other investments	21	-	-	-	-
Long term investments	22	21,957	25,823	-	-
Trade and other receivables	23	16,881,465	17,804,618	8,857,303	11,706,656
Other assets	25	28,062	-	-	-
Deferred tax assets	26	3,894,385	4,028,659	-	-
		345,853,411	335,322,103	241,784,945	239,887,977
Current assets					
Inventories	16	49,928,544	70,237,859	-	-
Trade and other receivables	23	54,535,271	45,206,504	3,538,540	5,410,713
Other assets	25	7,506,366	3,998,216	254	773
Short term investments	22	53,743,012	67,549,761	869,773	-
Tax recoverable		422,850	432,509	10,270	23,904
Cash and bank balances	27	22,305,767	24,784,061	10,060,985	9,248,441
		188,441,810	212,208,910	14,479,822	14,683,831
Total assets		534,295,221	547,531,013	256,264,767	254,571,808

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020 (cont'd.)

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	28	101,883,643	101,883,643	101,883,643	101,883,643
Retained profits	29	308,283,265	298,043,532	153,307,725	151,630,116
Reserves	30	(1,687,796)	443,826	-	-
		408,479,112	400,371,001	255,191,368	253,513,759
Non-controlling interests		7,768,359	8,580,941	-	-
Total equity		416,247,471	408,951,942	255,191,368	253,513,759
Non-current liabilities					
Loans and borrowings	31	38,485,129	46,658,683	-	-
Other payables	34	1,570,929	1,925,127	-	-
Deferred tax liabilities	26	2,606,217	2,408,913	873,777	829,777
		42,662,275	50,992,723	873,777	829,777
Current liabilities					
Loans and borrowings	31	12,329,743	13,334,779	-	-
Trade and other payables	34	38,890,034	40,512,915	199,622	228,272
Other current liabilities	35	23,266,110	33,166,464	-	-
Tax payable		899,588	572,190	-	-
		75,385,475	87,586,348	199,622	228,272
Total liabilities		118,047,750	138,579,071	1,073,399	1,058,049
Net current assets		113,056,335	124,622,562	14,280,200	14,455,559
Net assets		416,247,471	408,951,942	255,191,368	253,513,759
Total equity and liabilities		534,295,221	547,531,013	256,264,767	254,571,808

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	← Attributable to owners of the Company →								
		← Non-distributable →				Distributable			
Group	Share capital RM	Foreign currency translation reserve RM	Asset revaluation reserve RM	Charter capital reserve RM	Other reserve RM	Retained profits RM	Total RM	Non-controlling interests RM	Total Equity RM
At 1 January 2019	101,883,643	(1,583,043)	1,157,522	3,026,004	(426,447)	294,871,825	398,929,504	9,367,548	408,297,052
Total comprehensive income	-	(1,730,210)	-	-	-	5,952,695	4,222,485	385,129	4,607,614
Transactions with owners:									
Dividend to non-controlling interests	-	-	-	-	-	-	-	(1,171,736)	(1,171,736)
Dividend on ordinary shares (Note 36)	-	-	-	-	-	(2,780,988)	(2,780,988)	-	(2,780,988)
	-	-	-	-	-	(2,780,988)	(2,780,988)	(1,171,736)	(3,952,724)
At 31 December 2019	101,883,643	(3,313,253)	1,157,522	3,026,004	(426,447)	298,043,532	400,371,001	8,580,941	408,951,942

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020 (cont'd.)

Group (cont'd)	Share capital RM	Foreign currency translation reserve RM	Asset revaluation reserve RM	Charter capital reserve RM	Other reserve RM	Retained profits RM	Total RM	Non-controlling interests RM	Total Equity RM
	← Attributable to owners of the Company						→		
		← Non-distributable			→	Distributable			
At 1 January 2020	101,883,643	(3,313,253)	1,157,522	3,026,004	(426,447)	298,043,532	400,371,001	8,580,941	408,951,942
Total comprehensive income	-	(2,131,622)	-	-	-	13,020,721	10,889,099	(272,067)	10,617,032
Transactions with owners:									
Dividend to non-controlling interests	-	-	-	-	-	-	-	(540,515)	(540,515)
Dividend on ordinary shares (Note 36)	-	-	-	-	-	(2,780,988)	(2,780,988)	-	(2,780,988)
	-	-	-	-	-	(2,780,988)	(2,780,988)	(540,515)	(3,321,503)
At 31 December 2020	101,883,643	(5,444,875)	1,157,522	3,026,004	(426,447)	308,283,265	408,479,112	7,768,359	416,247,471

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020 (cont'd.)

	Share capital RM	Distributable Retained profits RM	Total equity RM
Company			
At 1 January 2019	101,883,643	139,020,271	240,903,914
Total comprehensive income	-	15,390,833	15,390,833
Dividend on ordinary shares, representing total transaction with owners (Note 36)	-	(2,780,988)	(2,780,988)
At 31 December 2019	101,883,643	151,630,116	253,513,759
At 1 January 2020	101,883,643	151,630,116	253,513,759
Total comprehensive income	-	4,458,597	4,458,597
Dividend on ordinary shares, representing total transaction with owners (Note 36)	-	(2,780,988)	(2,780,988)
At 31 December 2020	101,883,643	153,307,725	255,191,368

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2020

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash flows from operating activities				
Profit before tax	18,299,012	11,537,331	4,565,856	15,397,055
Adjustments for:				
Allowance for/(Write back of) impairment losses on:				
- investments in subsidiaries	-	-	64,674	2,440,264
- property, plant and equipment	-	43,226	-	-
- trade and other receivables, net	4,417,222	(1,237,427)	5,000	-
Bad debts written off	-	10,876	-	-
Depreciation	10,429,685	9,396,762	24,003	45,676
Dividend income from:				
- short term investments	(1,734,250)	(1,920,576)	(29,773)	(132,919)
- subsidiaries	-	-	(4,000,000)	-
Fair value loss/(gain) on investment properties	1,550,000	(100,000)	(440,000)	(10,000)
Fair value gain on non-cumulative redeemable preference shares	-	-	-	(19,339,942)
Fair value loss on long/short term investments	3,866	11,103	-	-
Gain on disposal of:				
- investment in an associate	-	(1)	-	-
- property, plant and equipment, net	(107,938)	(1,697,261)	-	-
Interest expense	2,769,151	6,999,262	-	-
Interest income	(2,257,754)	(1,502,322)	(956,549)	(768,996)
Inventories written (back)/down to net realisable value:				
- land held for property development written off	-	6,221,724	-	-
- properties development costs	(19,142)	432,512	-	-
- properties held for sale and others	38,060	-	-	-
Loss arising from modification of payment terms for loan to subsidiary	-	-	-	1,736,475
Property, plant and equipment written off	2,572	15,282	-	748
Share of profit of associate	(127,360)	(71,513)	-	-
Unrealised loss on foreign exchange	194,943	203,989	197,600	99,011
Operating cash flows before changes in working capital	33,458,067	28,342,967	(569,189)	(532,628)

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2020 (cont'd.)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash flows from operating activities (cont'd.)				
Operating cash flows before changes in working capital	33,458,067	28,342,967	(569,189)	(532,628)
Changes in working capital:				
Inventories	(2,658,998)	9,527,679	-	-
Receivables	(15,720,820)	16,751,109	(3,981)	37,051
Short term borrowings	(1,205,980)	(2,627,384)	-	-
Payables	(10,890,901)	(7,011,693)	(28,650)	60,728
Cash flows from/(used in) operations	2,981,368	44,982,678	(601,820)	(434,849)
Interest paid	(324,025)	(533,205)	-	-
Interest received	577,234	514,880	924	1,726
Taxes paid	(4,304,863)	(4,356,983)	(49,625)	(32,231)
Net cash flows (used in)/from operating activities	(1,070,286)	40,607,370	(650,521)	(465,354)
Cash flows from investing activities				
Advances to subsidiaries	-	-	896,530	(2,425,000)
Interest received	389,783	614,633	385,123	360,434
Inventories – Land held for property development	(1,274,337)	(5,091,765)	-	-
Net dividend received from:				
- short term investments	1,734,250	1,920,576	29,773	132,919
- subsidiaries	-	-	4,000,000	-
Placement of deposits with maturity period of more than 3 months	(385,123)	(379,990)	(385,123)	(360,434)
Proceeds from disposal of:				
- investment properties	140,000	-	-	-
- property, plant and equipment	797,251	4,676,773	-	-
- shares in an associate	-	1	-	-
- short term investments	72,390,000	92,068,470	6,890,000	8,125,470
Purchase of:				
- property, plant and equipment	(1,789,504)	(2,467,306)	-	(8,719)
- short term investments	(58,583,251)	(128,057,147)	(7,759,773)	(2,612,919)
Withdrawal of deposits with maturity period of more than 3 months	-	499,266	-	-
Net cash flows from/(used in) investing activities	13,419,069	(36,216,489)	4,056,530	3,211,751

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2020 (cont'd.)

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash flows from financing activities				
Dividend paid	(2,780,988)	(2,780,988)	(2,780,988)	(2,780,988)
Dividend paid to non-controlling interests	(1,086,953)	(929,891)	-	-
Interest paid	(2,263,738)	(3,124,806)	-	-
Repayment of hire purchase liabilities	(1,700,503)	(3,069,067)	-	-
Repayment of principal portion of lease liabilities	(39,693)	(65,276)	-	-
Repayment of term loans	(5,407,929)	(10,548,429)	-	-
Net cash flows used in financing activities	(13,279,804)	(20,518,457)	(2,780,988)	(2,780,988)
Net (decrease)/increase in cash and cash equivalents	(931,021)	(16,127,576)	625,021	(34,591)
Effect of exchange rate differences	220,393	372,604	(3,203)	(19)
Cash and cash equivalents at 1 January	9,764,005	25,518,977	29,717	64,327
Cash and cash equivalents at 31 December	9,053,377	9,764,005	651,535	29,717
(a) Cash and cash equivalents comprise:				
Cash and bank balances	9,225,461	10,959,367	651,535	29,717
Deposits with licensed banks	13,080,306	13,824,694	9,409,450	9,218,724
	22,305,767	24,784,061	10,060,985	9,248,441
Bank overdrafts	(3,742,940)	(5,701,332)	-	-
	18,562,827	19,082,729	10,060,985	9,248,441
Less: Deposits with maturity periods of more than 3 months	(9,509,450)	(9,318,724)	(9,409,450)	(9,218,724)
	9,053,377	9,764,005	651,535	29,717

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2020 (cont'd.)

(b) Changes in liabilities arising from financing activities

	1 January 2020 RM	Cash flows RM	Other payables RM	Foreign exchange movement RM	New leases RM	Interest expense RM	31 December 2020 RM
Group							
Interest-bearing term loans	51,500,783	(7,593,868)	78,717	-	-	2,107,222	46,092,854
Interest-bearing hire purchase liabilities	1,416,627	(1,768,153)	-	-	1,138,500	67,650	854,624
Interest-bearing lease liabilities	168,740	(49,842)	-	(6,314)	-	11,870	124,454
Dividend payable/(paid) to non-controlling interests	624,051	(1,086,953)	540,515	19,605	-	-	97,218
Dividend paid on ordinary shares	-	(2,780,988)	2,780,988	-	-	-	-
	53,710,201	(13,279,804)	3,400,220	13,291	1,138,500	2,186,742	47,169,150
Company							
Dividend paid on ordinary shares	-	(2,780,988)	2,780,988	-	-	-	-

(b) Changes in liabilities arising from financing activities (cont'd.)

	1 January 2019 RM	Cash flows RM	Other payables RM	Foreign exchange movement RM	New leases RM	Interest expense RM	31 December 2019 RM
Group							
Interest-bearing term loans	62,049,212	(13,512,378)	28,505	-	-	2,935,444	51,500,783
Interest-bearing hire purchase liabilities	4,034,194	(3,215,850)	-	-	451,500	146,783	1,416,627
Interest-bearing lease liabilities	237,133	(79,350)	-	(4,668)	-	15,625	168,740
Dividend payable/(paid) to non-controlling interests	389,405	(929,891)	1,171,736	(7,199)	-	-	624,051
Dividend paid on ordinary shares	-	(2,780,988)	2,780,988	-	-	-	-
	66,709,944	(20,518,457)	3,981,229	(11,867)	451,500	3,097,852	53,710,201
Company							
Dividend paid on ordinary shares	-	(2,780,988)	2,780,988	-	-	-	-

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

1. Corporate information

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 19.

The Company is a public limited liability company which is incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at D-3-7, Greentown Square, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan. The principal places of business of the Company are located at 16th Floor & Penthouse, Ipoh Tower, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 April 2021.

2. 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 and the requirements of the Companies Act 2016 in Malaysia.

At the beginning of the current financial year, the Group and the Company adopted new and amended MFRS which are mandatory for financial periods beginning on or after the dates as described fully in Note 2.2.

The financial statements have been prepared on a historical cost basis unless otherwise stated in the summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies

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

On 1 January 2020, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2020:

Description	Effective for annual financial periods beginning on or after
Definition of a Business (Amendments to MFRS 3 : Business Combination)	1 January 2020
Interest Rate Benchmark Reform (Amendments to MFRS 9 : Financial Instruments, MFRS 139 : Financial Instruments : Recognition and Measurement and MFRS 7 : Financial Instruments : Disclosures)	1 January 2020
Definition of Material (Amendments to MFRS 101 : Presentation of Financial Statements and MFRS 108 : Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

The nature and impact of the new and amended MFRSs are described below:

(a) Definition of a Business (Amendments to MFRS 3 : Business Combination)

The amendment to MFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

(b) Interest Rate Benchmark Reform (Amendments to MFRS 9 : Financial Instruments, MFRS 139 : Financial Instruments : Recognition and Measurement and MFRS 7 : Financial Instruments : Disclosures)

The amendments to MFRS 9, MFRS 139 and MFRS 7 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

(c) Definition of Material (Amendments to MFRS 101 : Presentation of Financial Statements and MFRS 108 : Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact on the Group and the Company.

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective

The standards 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 financial periods beginning on or after
Covid-19 Related Rent Concessions (Amendments to MFRS 16 : Leases)	1 June 2020
Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9 : Financial Instruments, MFRS 139 : Financial Instruments : Recognition and Measurement, MFRS 7 : Financial Instruments : Disclosures, MFRS 4 : Insurance Contracts and MFRS 16 : Leases)	1 January 2021
Annual Improvements to MFRS Standards 2018 – 2020 Cycle	
(i) Amendments to MFRS 1 : First-time Adoption of Malaysian Financial Reporting Standards : Subsidiary as a First-Time Adopter	1 January 2022
(ii) Amendments to MFRS 9 : Financial Instruments : Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	1 January 2022
(iii) Illustrative Examples accompanying MFRS 16 : Leases : Lease Incentives	1 January 2022
(iv) Amendments to MFRS 141 : Agriculture : Taxation in Fair Value Measurements	1 January 2022
Reference to the Conceptual Framework (Amendments to MFRS 3 : Business Combination)	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 : Property, Plant and Equipment)	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract (Amendments to MFRS 137 : Provisions, Contingent Liabilities and Contingent Assets)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 : Presentation of Financial Statements)	1 January 2023
MFRS 17 : Insurance Contracts	1 January 2023
Amendments to MFRS 17 : Insurance Contracts	1 January 2023
Disclosure of Accounting Policies (Amendments to MFRS 101 : Presentation of Financial Statements)	1 January 2023
Definition of Accounting Estimates (Amendments to MFRS 108 : Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2023
Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and of the Company upon their initial application:

(a) Covid-19 Related Rent Concessions (Amendments to MFRS 16 : Leases)

The amendments provide relief to lessees from applying MASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under MFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment is not expected to have a material impact on the Group's and the Company's financial statements.

(b) Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9 : Financial Instruments, MFRS 139 : Financial Instruments : Recognition and Measurement, MFRS 7 : Financial Instruments : Disclosures, MFRS 4 : Insurance Contracts and MFRS 16 : Leases)

The amendments provide a practical expedient whereby a company would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

The amendments shall apply for annual reporting period beginning on or after 1 January 2021, retrospectively in accordance with MFRS 108 : Accounting Policies, Changes in Accounting Estimates and Errors, without the need to restate comparative information. Restatement of prior periods is permitted if, and only if, it is possible without the use of hindsight. Earlier application is permitted.

These amendments are not expected to have a material impact on the Group's and the Company's financial statements.

(c) Annual Improvements to MFRS Standards 2018 – 2020 Cycle

The Annual Improvements to MFRS Standards 2018 – 2020 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

(i) Amendments to MFRS 9 : Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

As part of its 2018 – 2020 annual improvements to MFRS standards process, MASB issued an amendment to MFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those part paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group and the Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group's and the Company's financial statements.

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

(c) Annual Improvements to MFRS Standards 2018 – 2020 Cycle (cont'd.)

(ii) Illustrative Examples accompanying MFRS 16 : Leases : Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying MFRS 16, to remove potential confusion regarding the treatment of lease incentives when applying MFRS 16.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group's and the Company's financial statements.

(e) Onerous Contracts – Costs of Fulfilling a Contract (Amendments to MFRS 137 : Provisions, Contingent Liabilities and Contingent Assets)

The amendments issued are to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group and the Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

(f) Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 : Presentation of Financial Statements)

The amendments to paragraphs 69 to 76 of MFRS 101 are to specify the requirements for classifying 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
- 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 amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group and the Company are currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

(g) Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between MFRS 10 and MFRS 128 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in MFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The Malaysian Accounting Standards Board has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group and the Company will apply these amendments when they become effective.

(h) Disclosure of Accounting Policies (Amendments to MFRS 101 : Presentation of Financial Statements)

The Amendments to MFRS 101 requires entities to disclose their material accounting policy information rather than their significant accounting policies. The Amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements.

To support the Amendments to MFRS 101, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

The Amendments to MFRS 101 shall apply for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

(i) Definition of Accounting Estimates (Amendments to MFRS 108 : Accounting Policies, Changes in Accounting Estimates and Errors)

The Amendments to MFRS 108 revises the definition of accounting estimates to clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The Amendments to MFRS 108 shall apply for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

2.4 Subsidiaries and basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less any accumulated impairment losses. On disposal of such investment, the difference between net disposal proceeds and its carrying amount is included in profit or loss.

(ii) 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.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

2. Summary of significant accounting policies (cont'd.)

2.4 Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained profits. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method except for two of the Group's subsidiaries as disclosed in Note 19 which were accounted for using the merger method in accordance with Malaysian Accounting Standard 2 - Accounting for Acquisitions and Mergers, which was the generally accepted accounting principle at that time. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

2. Summary of significant accounting policies (cont'd.)

2.4 Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

Business combinations (cont'd.)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through 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 over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.6.

(iii) Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held directly or indirectly by the Group. Non-controlling interests are presented separately in the statement of comprehensive income of the Group and within equity in the statement of financial position of the Group, separately from parent shareholder's equity.

All total comprehensive income is proportionately allocated to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary (without loss of control), is accounted for as transaction with owners in their capacity as owners.

2.5 Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

2. Summary of significant accounting policies (cont'd.)

2.5 Investments in associates and joint ventures (cont'd.)

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

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

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

After application of the equity method, the Group applies MFRS 9 Financial Instruments : Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and joint ventures 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.

2.6 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount of consideration for non-controlling interest over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2. Summary of significant accounting policies (cont'd.)

2.7 Property, plant and equipment and depreciation

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 cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, 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.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained profits on retirement or disposal of the asset.

Freehold and leasehold quarry land are amortised over a 10 year period upon commencement of its quarrying activities. Other freehold land has an unlimited useful life and therefore is not depreciated. Other long term leasehold land are depreciated over the lease period. Capital work-in-progress is not depreciated until the asset has been completed and is ready for commercial production. Cost of capital work-in-progress includes purchase price, related borrowing cost and directly attributable cost.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life as follows:

Long term leasehold land	89 to 99 years
Buildings	10 to 50 years
Pipes, plant and machinery	3 to 40 years
Furniture, fittings and office equipment	3 to 10 years
Electrical installations and renovations	10 years
Motor vehicles	5 to 8 years

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

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

Leasehold land

Following the adoption of MFRS 16 Leases, the Group had reclassified the carrying amount of long-term leasehold land as right-of-use assets. This is presented within property, plant and equipment line in statement of financial position. See Note 2.11(i) for the accounting policy.

2. Summary of significant accounting policies (cont'd.)

2.8 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.9 Inventories

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at the lower of cost and net realisable value.

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

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

2. Summary of significant accounting policies (cont'd.)

2.9 Inventories (cont'd.)

(iii) Properties held for sale and others

Properties held for sale and others are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method for raw materials and consumables. The cost of raw materials and consumables comprise costs of purchase. The cost for work-in-progress and finished goods are determined using the weighted average basis. The cost of work-in-progress includes all direct expenses and attributable overheads incurred in the blasting and crushing of quarry rocks. The cost of finished goods comprises costs of raw materials, direct labour, other direct costs and appropriate production overheads. The cost of properties held for sale comprises costs of land, construction and appropriate development overheads.

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

2.10 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Transaction price comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The Group's construction contracts contain a penalty clause (i.e. liquidated and ascertained damages) for late delivery when it is probable that the construction contract will not be completed on time, the penalty will be deducted from the contract transaction price.

When the total of costs incurred on construction contracts, plus recognised profits (less recognised losses), exceeds progress billings, the balance is classified as contract assets. When progress billings exceed costs incurred, plus recognised profits (less recognised losses), the balance is classified as contract liabilities.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

2. Summary of significant accounting policies (cont'd.)

2.11 Leases

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

As 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-of-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 assets is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Long term leasehold land	89 - 99 years
Leasehold land	5 - 30 years
Building	3 - 9 years

The right-of-use assets are also subject to impairment. The accounting policy for impairment of non-financial assets is set out in Note 2.13.

(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 and variable lease payments that depend on an index or a rate.

In calculating the present value of lease payments, the Group use 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 or 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).

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

The Group applies the short-term lease recognition exemption to its short-term leases (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). The Group also applies the leases of low-value assets recognition exemption to lease that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on straight-line basis over the lease term.

2. Summary of significant accounting policies (cont'd.)

2.11 Leases (cont'd.)

As lessor

Leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.16(b)(i).

2.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.13 Impairment of non-financial assets

The carrying amounts of non-financial assets, other than investment properties, construction contract assets, property development costs, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss 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. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot 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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. Summary of significant accounting policies (cont'd.)

2.14 Taxes

(i) Current 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 by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) 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 temporary differences, except:

- where 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; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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, carry forward of unused tax credits and unused tax losses, 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:

- where 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; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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 profit will allow the deferred tax assets to be utilised.

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.

2. Summary of significant accounting policies (cont'd.)

2.14 Taxes (cont'd.)

(ii) Deferred tax (cont'd.)

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 same taxation authority.

(iii) Goods and Services Tax ("GST")

The net amount of GST being the difference between output GST and input GST, payable to or receivable from the respective authorities at the reporting date, is included in other payables or other receivables in the statements of financial position.

(iv) Sales and Service Tax ("SST")

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

(v) Value added tax

Value added tax is the tax liability determined on revenues for the period computed using the applicable tax rate for the year.

2.15 Employee benefits

(i) Short term benefits

Wages, salaries, bonuses, social security contributions and employment insurance system contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective country's statutory pension schemes.

2. Summary of significant accounting policies (cont'd.)

2.16 Revenue recognition

(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 and the Company expect to be entitled in exchange for those goods or services.

Revenue from contracts with customers is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and Company perform;
- the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's and the Company's performance do not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

(i) Revenue from property development

The Group recognises revenue from property development over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (e.g. by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the contract) as described in Note 2.9(ii).

Revenue from sales of completed properties is recognised upon delivery of properties where the control of the completed properties has been transferred to the buyers.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of a specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Company performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

2. Summary of significant accounting policies (cont'd.)

2.16 Revenue recognition (cont'd.)

(a) Revenue from contracts with customers (cont'd.)

(i) Revenue from property development (cont'd.)

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the contract costs relate less the costs that relate directly to providing the goods and that have not been recognised as expenses.

The Group accounts for consideration payable to customers as a reduction of the transaction price if the payment is not for distinct goods or services received from the customer. If the payment is for distinct goods or services received from the customer, the Group accounts for any excess of the consideration payable to the customer over the fair value of the distinct goods or services as a reduction of the transaction price. If the Group cannot reasonably estimate the fair value of the goods and services received from the customer, it accounts for all of the consideration payable to the customer as a reduction of the transaction price.

The Group has determined that it has a significant financing component related to the sales of its property units being developed under the deferred payment scheme (10:90 scheme). As a result of this the amount of the promised consideration is adjusted for the significant financing component and the related interest income is recognised using the effective interest method over the term of the deferment.

The Group has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(ii) Construction contracts

Revenue from construction contracts is recognised over time as described in Note 2.10.

(iii) Sale of goods and services

Revenue is recognised net of government taxes and at the point in time when control of the assets is transferred to the buyers, or performance of services. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods and services.

(iv) Sales of land/completed properties

Revenue from sales of land/completed properties is recognised at the point in time when the control of the properties is transferred to the buyers without any significant contractual acts to complete.

(v) Income from treated water sold

Water revenue is recognised at the point in time when control of the asset is transferred to the customer, generally at the point in time at which the customer consumes the treated water.

2. Summary of significant accounting policies (cont'd.)

2.16 Revenue recognition (cont'd.)

(b) Revenue from other sources

(i) Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease.

Other rental income is recognised over the period of the tenancy.

(ii) Interest income

Interest income is recognised on an accrual basis using the effective interest rate method.

(iii) Dividend income

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

2.17 Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation.

Exchange differences arising on monetary items that form part of the Company's net investment in a foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss for the period in the Company's separate financial statements and in the foreign operation's individual financial statements, as appropriate. Such exchange differences are reclassified to foreign currency translation reserve within equity in the consolidated financial statements until the disposal of the foreign operations, at which time they are recognised in profit or loss.

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

2. Summary of significant accounting policies (cont'd.)

2.17 Foreign currencies (cont'd.)

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at closing rate at the reporting date.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.19 Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, 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 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.

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.

Purchase or sale 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 and the Company commit to purchase or sell the asset.

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

2. Summary of significant accounting policies (cont'd.)

2.19 Financial assets (cont'd.)

Financial assets at amortised cost (debt instruments)

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

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's and the Company's financial assets at amortised cost includes trade and other receivables.

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

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

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 Group's and the Company's statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group and the Company have transferred their rights to receive cash flows from the asset or have 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 and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have 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 and the Company could be required to repay.

2. Summary of significant accounting policies (cont'd.)

2.19 Financial assets (cont'd.)

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 and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, 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 recognise 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 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 and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.20 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 or payables, as appropriate.

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

The Group's and the Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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.

Gains or losses on liabilities held for trading are recognised in 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 and the Company have not designated any financial liability as at fair value through profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.20 Financial liabilities (cont'd.)

Loans and borrowings

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate 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 effective interest rate. The effective interest rate amortisation is included as finance costs in 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 extinguished. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.21 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.

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment 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. Additional disclosures on each of these segments are shown in Note 43, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grants relates to an asset, the fair value is recognised as deferred income in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

2. Summary of significant accounting policies (cont'd.)

2.24 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.

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

2.25 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. 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, 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.

2.26 Fair value measurement

The Group measures financial instruments, such as, derivatives and non-financial assets such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 40(ii).

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 to by the Group.

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 uses 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 and 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 inputs that is significant to the fair value measurement is unobservable

2. Summary of significant accounting policies (cont'd.)

2.26 Fair value measurement (cont'd.)

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

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted investments, and for non-recurring measurement, such as assets held for distribution in the discontinued operation.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

Investment properties are stated at fair value, which has been determined based on valuations at the reporting date. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued. The valuations are based on the comparison method that makes reference to recent transaction value and income capitalisation method.

3. Significant accounting estimates and judgements

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and 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 Judgements made in applying accounting policies

There were no critical judgements made by management in the process of applying the accounting policies of the Group and of the Company on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

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

(i) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for its non-financial assets at each reporting date.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2020, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of the assets of the operating segments.

3. Significant accounting estimates and judgements (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(i) Impairment of non-financial assets (cont'd.)

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on prevailing market value determined by professional valuers or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed below.

Quarry segment

The recoverable amount of the property, plant and equipment of DKLS Quarry & Premix (North) Sdn. Bhd. ("DQPNSB") is determined based on a value in use calculation using cash flow projections approved by the Board of Directors covering a 7-year period. The pre-tax discount rate applied to cash flow projections is 12.5% (2019 : 12.5%). As a result of this analysis, the management did not identify an impairment for this CGU.

The calculation of value in use for DQPNSB is most sensitive to gross margin and discount rate.

Gross margins − Gross margins are based on values achieved in the immediate preceding year of the budget period with adjustments to reflect the increase in operating costs. The gross margins were 19.2% for year 2021 and 19.3% for the subsequent years for anticipated efficiency improvements. A decrease in demand can lead to a decline in the gross margin.

A decrease in the gross margin by 2.5% would result in an impairment of approximately RM333,000.

Discount rates − Discount rates represent the current market assessment of the risks specific to each 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 quarry segment 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.

A rise in the pre-tax discount rate to 19.0% (i.e., +6.5%) would result in an impairment of approximately RM200,000.

Utilities segment

The recoverable amount of the property, plant and equipment of Savan-DKLS Water Supply Co. Ltd ("SDWS") is determined based on a value in use calculation using cash flow projections approved by senior management covering a 16-year period. The pre-tax discount rate applied to these cash flow projections is 12.5% (2019 : 12.5%). As a result of this analysis, the management did not identify an impairment for this CGU.

The calculation of value in use for SDWS is most sensitive to non-revenue water and discount rate.

Non-revenue water – Non-revenue water ("NRW") is expected to decrease from 35.5% in financial year 2021 to 30% in financial year 2028 and remain constant towards the end of the projection period as the order pipes are progressively identified and replaced by the Company and the installation of bulk meters to track for any leakages and illegal tapping.

3. Significant accounting estimates and judgements (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(i) Impairment of non-financial assets (cont'd.)

Utilities segment (cont'd.)

An increase in the NRW by 6.0% would result in an impairment of approximately RM152,000.

Discount rates – Discount rates represent the current market assessment of the risks specific to each 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 utilities segment 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.

A rise in the pre-tax discount rate to 15.0% (i.e., +2.5%) would result in an impairment of approximately RM277,000.

(ii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates that the plant and equipment will have useful lives ranging from 3 years to 10 years based on the level of expected usage and expected speed at which the related technology evolves. Management also estimates that the plant and machinery and motor vehicles will have no residual value. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

The carrying amount of these assets at reporting date is disclosed in Note 14. A 5% difference in the expected useful lives of these assets from management's estimates would result in an approximately 5.39% (2019 : 8.13%) and 0.03% (2019 : 0.43%) variance in the Group's and the Company's profit for the year respectively.

(iii) Investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists to determine the fair value as at 31 December 2020. Fair value of the investment properties were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property and income capitalisation method.

The key assumptions used to determine the fair value of the investment properties, are further explained in Note 17.

(iv) Provision of expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate Expected Credit Losses ("ECLs") for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction, quarry and utilities sectors, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. Significant accounting estimates and judgements (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(iv) Provision of expected credit losses on trade receivables and contract assets (cont'd.)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables are disclosed in Note 41(b).

(v) Construction contracts

The Group recognises contract revenue to the extent of contract costs incurred where it is probable that those costs will be recoverable or based on the stage of completion method. The stage of completion is measured by reference to surveys of work performed.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract costs, as well as the recoverability of the contracts. In making the judgement, the Group evaluates by relying on past experience and/or the work of specialists.

If the estimated total contract costs increase/decrease by 10% from management's estimates, the Group's profit before taxation will decrease/increase by approximately RM3.73 million (2019 : RM11.9 million) and RM11.47 million (2019 : RM24.2 million) respectively.

(vi) Impairment of investments in subsidiaries

The Company assesses whether there are any indicators of impairment for its investments in subsidiaries at each reporting date.

In assessing whether there is any indication that its investments in subsidiaries may be impaired, the Company considers the external and internal sources of information. The external sources include the market value of the investments, the significant changes in the technological, market, economic or legal environment in which the subsidiaries operate, market interest rates or other market rates of return on investments. The internal sources include corporate plan and evidence of internal reporting of the subsidiaries.

The carrying amounts of the investments in subsidiaries of the Company as at 31 December 2020 was RM192,723,018 (2019 : RM188,392,694).

Based on the Company's impairment review, an additional impairment loss of RM64,674 (2019 : RM2,440,264) was provided for the current financial year for investments in subsidiaries.

4. Revenue

	For the year ended 31 December 2020						
Segment	**Investment RM**	**Construction RM**	**Quarry RM**	**Property Development RM**	**Utilities RM**	**Others RM**	**Total RM**
Group							
Type of goods or services							
Construction contracts	-	77,613,639	-	-	-	-	77,613,639
Sale of completed properties	-	-	-	6,364,526	-	-	6,364,526
Sale of development properties	-	-	-	6,529,885	-	-	6,529,885
Sale of goods and services	6,660	49,577	62,339,527	24,852	11,517,969	2,913,027	76,851,612
Revenue from contracts with customers	6,660	77,663,216	62,339,527	12,919,263	11,517,969	2,913,027	167,359,662
Rental income from investment properties	5,023,274	-	-	-	-	-	5,023,274
	5,029,934	77,663,216	62,339,527	12,919,263	11,517,969	2,913,027	172,382,936
Geographical markets							
Malaysia	6,660	77,663,216	62,339,527	12,919,263	-	2,913,027	155,841,693
Laos People’s Democratic Republic	-	-	-	-	11,517,969	-	11,517,969
	6,660	77,663,216	62,339,527	12,919,263	11,517,969	2,913,027	167,359,662
Timing of transfer of goods or services							
At a point in time	6,660	49,577	62,339,527	6,364,526	11,517,969	2,913,027	83,191,286
Over time	-	77,613,639	-	6,554,737	-	-	84,168,376
	6,660	77,663,216	62,339,527	12,919,263	11,517,969	2,913,027	167,359,662

4. Revenue (cont'd.)

	For the year ended 31 December 2019						
Segment	**Investment RM**	**Construction RM**	**Quarry RM**	**Property Development RM**	**Utilities RM**	**Others RM**	**Total RM**
Group (cont'd.)							
Type of goods or services							
Construction contracts	-	74,388,473	-	-	-	-	74,388,473
Sale of completed properties	-	-	-	11,922,965	-	-	11,922,965
Sale of development properties	-	-	-	15,963,214	-	-	15,963,214
Sale of goods and services	4,820	963,834	62,736,637	338,364	12,045,464	1,712,280	77,801,399
Sale of land	-	-	-	429,304	-	-	429,304
Revenue from contracts with customers	4,820	75,352,307	62,736,637	28,653,847	12,045,464	1,712,280	180,505,355
Rental income from investment properties	5,822,861	-	-	-	-	-	5,822,861
	5,827,681	75,352,307	62,736,637	28,653,847	12,045,464	1,712,280	186,328,216
Geographical markets							
Malaysia	4,820	75,352,307	62,736,637	28,653,847	-	1,712,280	168,459,891
Laos People's Democratic Republic	-	-	-	-	12,045,464	-	12,045,464
	4,820	75,352,307	62,736,637	28,653,847	12,045,464	1,712,280	180,505,355
Timing of transfer of goods or services							
At a point in time	4,820	963,834	62,736,637	12,552,769	12,045,464	1,712,280	90,015,804
Over time	-	74,388,473	-	16,101,078	-	-	90,489,551
	4,820	75,352,307	62,736,637	28,653,847	12,045,464	1,712,280	180,505,355

4. Revenue (cont'd.)

	2020 RM	2019 RM
Company		
Type of goods or services		
Dividend income	4,000,000	-
Rental income from investment properties	480,600	528,000
	4,480,600	528,000

5. Other income

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Included in other income are:				
Dividend income from short term investments	1,734,250	1,920,576	29,773	132,919
Fair value gain of investment properties (Note 17)	-	100,000	440,000	10,000
Fair value gain on non-cumulative redeemable preference shares (Note 21)	-	-	-	19,339,942
Gain on disposal of:				
- investment in associate	-	1	-	-
- property, plant and equipment	251,802	1,748,400	-	-
Gain on foreign exchange				
- realised	17,667	-	-	-
- unrealised	26,172	-	-	-
Government grant received	2,158,588	334,737	-	-
Hire of motor vehicles	2,725	455	-	-
Hire of plant and equipment	150	197,800	-	-
Interest income from:				
- debts instruments at amortised cost	388,288	361,770	-	-
- short-term money market deposit	170,304	254,526	924	1,726
- short-term deposits	393,600	594,765	389,210	366,036
- accretion of interest	1,298,327	274,590	566,415	401,234
- others	7,235	16,671	-	-
Permit rental	2,400	2,400	-	-
Property development costs written back (Note 16(b))	19,142	-	-	-
Rental income from investment properties	9,500	21,470	-	-
Rental income from building	90,093	47,317	-	-
Write back of impairment loss on trade and other receivables, net (Note 41(b))	141,834	1,946,394	-	-

6. Cost of sales in respect of property development

	Group	
	2020	**2019**
	RM	**RM**
Property development costs (Note 16(b))	5,279,519	13,433,277
Cost of land sold	-	289,294
Cost of completed properties sold	4,458,550	8,728,431
	9,738,069	22,451,002

7. Direct expenses

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Direct operating expenses of investment properties				
- revenue generating during the year	1,750,262	1,898,856	149,639	157,641
- non-revenue generating during the year	41,312	41,696	41,312	41,696
	1,791,574	1,940,552	190,951	199,337

Included in direct expenses is:

Short-term lease expense (Note 33)	27,298	31,060	4,540	7,120

The direct expenses are in relation to investment properties.

8. Other expenses

	Group	
	2020	**2019**
	RM	**RM**
Included in other expenses are:		
Hire of motor vehicles	68,563	59,598
Hire of plant and machinery	9,280	11,990

9. Employee benefits expense

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
(a) Staff costs				
Salaries, wages, allowances and overtime	10,739,242	11,313,394	2,400	-
Contributions to defined contribution plan	1,083,086	1,101,005	456	-
Social security contributions	167,637	172,289	39	-
Employment insurance system contributions	12,641	12,801	4	-
Total staff costs	12,002,606	12,599,489	2,899	-

Employee benefits expense for the year of RM4,313,405 (2019 : RM5,062,041) have been capitalised in construction contract costs as disclosed in Note 24.

(b) Directors' remuneration

Directors of the Company:*

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Executive:				
Fees	18,162	16,275	-	-
Salaries and other emoluments	1,891,805	1,921,575	267,877	260,095
Contributions to defined contribution plan	356,054	365,096	49,612	49,420
Social security contributions	5,276	7,108	1,435	1,859
Employment insurance system contributions	338	485	110	142
Estimated monetary value of benefits-in-kind	21,683	27,500	-	-
	2,293,318	2,338,039	319,034	311,516
Non-executive:				
Fees	158,000	167,333	158,000	167,333
Other emoluments	17,400	16,800	17,400	16,800
	175,400	184,133	175,400	184,133

9. Employee benefits expense (cont'd.)

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
(b) Directors' remuneration (cont'd.)				
Director of subsidiary company:				
Fees	10,461	-	-	-
Salaries and other emoluments	268,800	90,000	-	-
Contributions to defined contribution plan	41,972	10,800	-	-
Social security contributions	1,733	829	-	-
Employment insurance system contributions	198	95	-	-
Estimated monetary value of benefits-in-kind	8,800	8,800	-	-
	331,964	110,524	-	-
Total directors' remuneration	2,800,682	2,632,696	494,434	495,649
Total excluding benefits-in-kind	2,770,199	2,596,396	494,434	495,649
Total employee benefits expense, excluding benefits-in-kind	14,772,805	15,195,885	497,333	495,649

* The number of directors of the Company whose total remuneration during the year fall within the following bands are as follows:

	Number of directors 2020	Number of directors 2019
Executive directors:		
RM100,000 and below	1	-
RM300,001 to RM400,000	1	-
RM400,001 to RM500,000	1	1
RM600,001 to RM700,000	1	2
RM700,001 to RM800,000	1	1
	5	4
Non-executive directors:		
RM50,000 and below	2	2
RM50,001 to RM100,000	2	2
	4	4

10. Administrative expenses

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Included in administrative expenses are:				
Allowance for impairment loss on:				
- investments in subsidiaries	-	-	64,674	2,440,264
- property, plant and equipment (Note 14)	-	43,226	-	-
- trade and other receivables (Note 41(b))	4,559,056	708,967	5,000	-
Auditors' remuneration:				
- statutory audit				
- current year	224,170	220,930	69,500	69,500
- over provision in prior year	-	(5,512)	-	-
- non-audit fees				
- assurance related	49,000	19,000	43,000	12,000
- tax and other non-audit services	19,300	19,300	5,000	5,000
Bad debts written off	-	10,876	-	-
Direct operating expenses of investment properties:				
- revenue generating during the year	2,826	4,120	-	-
- non-revenue generating during the year	2,923	1,874	-	-
Fair value loss on:				
- investment properties (Note 17)	1,550,000	-	-	-
- long/short term investments	3,866	11,103	-	-
Inventories written down to net realisable value:				
- land held for property development (Note 16(a))	-	6,221,724	-	-
- property development costs (Note 16(b))	-	432,512	-	-
- property held for sale and others (Note 16(c))	38,060	-	-	-
Loss on foreign exchange:				
- realised	60,514	127,920	1	2
- unrealised	221,115	203,989	197,600	99,011
Loss on disposal of property, plant and equipment	143,864	51,139	-	-
Loss arising from modification of payment terms for loan to subsidiary	-	-	-	1,736,475
Low-value assets lease expense (Note 33)	9,166	7,720	-	-
Property, plant and equipment written off	2,572	15,282	-	748
Short term lease expenses (Note 33)	85,124	124,577	-	-

11. Interest expense

	Group 2020 RM	Group 2019 RM
Interest expense on:		
- bank overdrafts	303,428	368,701
- bankers' acceptances	1,087	8,169
- lease liabilities		
- hire purchase	67,650	146,783
- other lease liabilities (Note 33)	11,870	15,625
- letter of credits	4,311	-
- unwinding of discount	601,110	3,902,912
- revolving credits	4,956	140,156
- term loans	2,107,222	2,935,444
	3,101,634	7,517,790
Less : Interest expense capitalised in qualifying assets:		
Costs of construction contract costs (Note 24)	(18,897)	(29,873)
Land held for property development (Note 16(a)(i))	(319,446)	(510,228)
Property development costs (Note 16(b)(i))	(13,037)	(8,300)
	2,750,254	6,969,389

The capitalised borrowing costs were incurred on specific borrowings with effective interest rates which range from 2.95% to 5.10% (2019 : 2.95% - 5.58%) per annum.

12. Income tax expense

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Malaysia income tax:				
Current income tax	4,426,641	3,395,386	63,313	6,196
Under/(Over) provision in prior year	1,000	23,566	(54)	462
Foreign tax:				
Current income tax	226,236	703,517	-	-
Over provision in prior year	-	(16,901)	-	-
	4,653,877	4,105,568	63,259	6,658

12. Income tax expense (cont'd.)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Deferred tax (Note 26):				
Relating to origination and reversal of temporary differences	298,104	128,678	44,000	(464)
Under provision in prior year	33,474	97,280	-	28
	331,578	225,958	44,000	(436)
Real Property Gains Tax	1,239	10,968	-	-
Withholding tax	(7,398)	388,863	-	-
Income tax expense recognised in profit or loss	4,979,296	4,731,357	107,259	6,222

Current income tax is calculated at the Malaysian corporate statutory tax rate of 24% (2019 : 24%) of the estimate assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group	
	2020	**2019**
	RM	**RM**
Profit before tax	18,299,012	11,537,331
Taxation at applicable tax rates	4,391,763	2,768,955
Income not subject to tax	(1,898,955)	(2,316,852)
Expenses not deductible for tax purposes	2,753,759	3,980,192
Expenses for special deduction for tax purposes	(33,856)	-
Current year tax losses that cannot be carried forward	852	853
Difference in tax rate of foreign subsidiary	(55,483)	(143,737)
Deferred tax assets not recognised	513	1,874
Deferred tax on fair value adjustment	31,646	10,999
Deferred tax on undistributed earnings from foreign subsidiary	(239,258)	(74,703)
Real Property Gains Tax	1,239	10,968
Withholding tax	(7,398)	388,863
Under provision of current tax in prior year	1,000	23,566
Over provision of foreign tax in prior year	-	(16,901)
Under provision of deferred tax in prior year	33,474	97,280
Income tax expense recognised in profit or loss	4,979,296	4,731,357

12. Income tax expense (cont'd.)

	Company 2020 RM	Company 2019 RM
Profit before tax	4,565,856	15,397,055
Taxation at applicable tax rates	1,095,805	3,695,293
Income not subject to tax	(1,304,688)	(4,860,033)
Expenses not deductible for tax purposes	271,683	1,167,599
Deferred tax assets not recognised in current year	513	1,874
Deferred tax on fair value adjustment	44,000	999
(Over)/Under provision of current tax in prior year	(54)	462
Under provision of deferred tax in prior year	-	28
Income tax expense recognised in profit or loss	107,259	6,222

13. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year:

	2020 RM	2019 RM
Profit attributable to ordinary equity holders of the Company	13,020,721	5,952,695
Number of ordinary shares in issue	92,699,600	92,699,600
	Sen	**Sen**
Basic earnings per share for the year	14.05	6.42

(b) Diluted

There is no dilutive effect on earnings per share as the Company has no potential issue of ordinary shares.

14. Property, plant and equipment

	Land and buildings* RM	Pipes, plant and machinery and capital work-in-progress** RM	Furniture, fittings and office equipment, electrical installations and renovations*** RM	Motor vehicles RM	Total RM
Group					
At 31 December 2020					
Cost					
At 1 January 2020	44,172,261	126,794,638	7,179,830	15,542,266	193,688,995
Additions	14,876	2,463,153	174,922	9,553	2,662,504
Disposals	-	(3,202,850)	-	(294,226)	(3,497,076)
Written off	-	-	(10,095)	(17,905)	(28,000)
Exchange adjustments	(202,850)	(4,086,023)	(69,115)	(33,079)	(4,391,067)
At 31 December 2020	43,984,287	121,968,918	7,275,542	15,206,609	188,435,356

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020 (cont'd.)

14. Property, plant and equipment (cont'd.)

	Land and buildings* RM	Pipes, plant and machinery and capital work-in-progress** RM	Furniture, fittings and office equipment, electrical installations and renovations*** RM	Motor vehicles RM	Total RM
Group (cont'd.)					
At 31 December 2020 (cont'd.)					
Accumulated depreciation and impairment losses					
At 1 January 2020					
Accumulated depreciation	7,070,390	54,037,383	4,374,799	11,881,642	77,364,214
Accumulated impairment losses	35,213	166,038	-	-	201,251
	7,105,603	54,203,421	4,374,799	11,881,642	77,565,465
Charge for the year:					
Recognised in profit or loss	545,665	7,175,357	540,136	752,480	9,013,638
Capitalised in construction contract costs (Note 24)	-	980,580	-	392,433	1,373,013
	545,665	8,155,937	540,136	1,144,913	10,386,651
Disposals	-	(2,513,538)	-	(294,225)	(2,807,763)
Written off	-	-	(8,400)	(17,028)	(25,428)
Exchange adjustments	(162,010)	(1,313,109)	(61,669)	(25,282)	(1,562,070)
At 31 December 2020	7,489,258	58,532,711	4,844,866	12,690,020	83,556,855

14. Property, plant and equipment (cont'd.)

	Land and buildings* RM	Pipes, plant and machinery and capital work-in-progress** RM	Furniture, fittings and office equipment, electrical installations and renovations*** RM	Motor vehicles RM	Total RM
Group (cont'd.)					
At 31 December 2020 (cont'd.)					
Accumulated depreciation and impairment losses (cont'd.)					
Analysed as:					
Accumulated depreciation	7,454,045	58,440,391	4,844,866	12,690,020	83,429,322
Accumulated impairment losses	35,213	92,320	-	-	127,533
	7,489,258	58,532,711	4,844,866	12,690,020	83,556,855
Net carrying amount	36,495,029	63,436,207	2,430,676	2,516,589	104,878,501

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020 (cont'd.)

14. Property, plant and equipment (cont'd.)

	Land and buildings* RM	Pipes, plant and machinery and capital work-in-progress** RM	Furniture, fittings and office equipment, electrical installations and renovations*** RM	Motor vehicles RM	Total RM
Group (cont'd.)					
At 31 December 2019					
Cost					
At 1 January 2019	44,222,791	141,025,790	9,610,198	16,353,660	211,212,439
Additions	-	2,823,871	138,516	40,019	3,002,406
Disposals	-	(12,665,999)	-	(752,392)	(13,418,391)
Written off	-	(62,828)	(1,472,925)	(78,500)	(1,614,253)
Transfers	111,381	(176,326)	64,945	-	-
Transferred to investment properties	-	(933,500)	(1,106,379)	-	(2,039,879)
Exchange adjustments	(161,911)	(3,216,370)	(54,525)	(20,521)	(3,453,327)
At 31 December 2019	44,172,261	126,794,638	7,179,830	15,542,266	193,688,995

14. Property, plant and equipment (cont'd.)

	Land and buildings* RM	Pipes, plant and machinery and capital work-in-progress** RM	Furniture, fittings and office equipment, electrical installations and renovations*** RM	Motor vehicles RM	Total RM
Group (cont'd.)					
At 31 December 2019 (cont'd.)					
Accumulated depreciation and impairment losses					
At 1 January 2019					
Accumulated depreciation	6,624,969	58,760,934	5,778,177	11,359,969	82,524,049
Accumulated impairment losses	35,213	142,312	-	-	177,525
	6,660,182	58,903,246	5,778,177	11,359,969	82,701,574
Charge for the year:					
Recognised in profit or loss	553,878	5,726,471	688,361	985,196	7,953,906
Capitalised in construction cost (Note 24)	-	1,016,748	-	355,706	1,372,454
	553,878	6,743,219	688,361	1,340,902	9,326,360
Impairment losses for the year (Note 10)	-	23,796	19,430	-	43,226
Disposals	-	(9,716,145)	-	(722,734)	(10,438,879)
Written off	-	(61,916)	(1,458,556)	(78,499)	(1,598,971)
Transferred to investment properties	-	(931,695)	(608,184)	-	(1,539,879)
Exchange adjustments	(108,457)	(757,084)	(44,429)	(17,996)	(927,966)
At 31 December 2019	7,105,603	54,203,421	4,374,799	11,881,642	77,565,465

14. Property, plant and equipment (cont'd.)

	Land and buildings* RM	Pipes, plant and machinery and capital work-in-progress** RM	Furniture, fittings and office equipment, electrical installations and renovations*** RM	Motor vehicles RM	Total RM
Group (cont'd.)					
At 31 December 2019 (cont'd.)					
Accumulated depreciation and impairment losses (cont'd.)					
Analysed as:					
Accumulated depreciation	7,070,390	54,037,383	4,374,799	11,881,642	77,364,214
Accumulated impairment losses	35,213	166,038	-	-	201,251
	7,105,603	54,203,421	4,374,799	11,881,642	77,565,465
Net carrying amount	37,066,658	72,591,217	2,805,031	3,660,624	116,123,530

14. Property, plant and equipment (cont'd.)

*** Land and buildings**

	Freehold land RM	Long term leasehold land** RM	Buildings RM	Total RM
Group				
At 31 December 2020				
Cost				
At 1 January 2020	24,119,131	9,259,359	10,793,771	44,172,261
Additions	14,876	-	-	14,876
Exchange adjustments	-	-	(202,850)	(202,850)
At 31 December 2020	24,134,007	9,259,359	10,590,921	43,984,287
Accumulated depreciation and impairment losses				
At 1 January 2020				
Accumulated depreciation	2,287,888	1,055,147	3,727,355	7,070,390
Accumulated impairment losses	35,213	-	-	35,213
	2,323,101	1,055,147	3,727,355	7,105,603
Charge for the year	-	107,814	437,851	545,665
Exchange adjustments	-	-	(162,010)	(162,010)
At 31 December 2020	2,323,101	1,162,961	4,003,196	7,489,258
Analysed as:				
Accumulated depreciation	2,287,888	1,162,961	4,003,196	7,454,045
Accumulated impairment losses	35,213	-	-	35,213
	2,323,101	1,162,961	4,003,196	7,489,258
Net carrying amount	21,810,906	8,096,398	6,587,725	36,495,029

** Long term leasehold land is right-of-use assets.

14. Property, plant and equipment (cont'd.)

*** Land and buildings (cont'd.)**

	Freehold land RM	Long term leasehold land** RM	Buildings RM	Total RM
Group (cont'd.)				
At 31 December 2019				
Cost				
At 1 January 2019	24,007,750	9,259,359	10,955,682	44,222,791
Transfers	111,381	-	-	111,381
Exchange adjustments	-	-	(161,911)	(161,911)
At 31 December 2019	24,119,131	9,259,359	10,793,771	44,172,261
Accumulated depreciation and impairment losses				
At 1 January 2019				
Accumulated depreciation	2,287,888	947,333	3,389,748	6,624,969
Accumulated impairment losses	35,213	-	-	35,213
	2,323,101	947,333	3,389,748	6,660,182
Charge for the year	-	107,814	446,064	553,878
Exchange adjustments	-	-	(108,457)	(108,457)
At 31 December 2019	2,323,101	1,055,147	3,727,355	7,105,603
Analysed as:				
Accumulated depreciation	2,287,888	1,055,147	3,727,355	7,070,390
Accumulated impairment losses	35,213	-	-	35,213
	2,323,101	1,055,147	3,727,355	7,105,603
Net carrying amount	21,796,030	8,204,212	7,066,416	37,066,658

** Long term leasehold land is right-of-use assets.

14. Property, plant and equipment (cont'd.)

**** Pipes, plant and machinery and capital work-in-progress**

	Pipes, plant and machinery RM	Capital work-in-progress RM	Total RM
Group			
At 31 December 2020			
Cost			
At 1 January 2020	124,601,512	2,193,126	126,794,638
Additions	2,113,778	349,375	2,463,153
Disposals	(3,202,850)	-	(3,202,850)
Transfers	1,277,622	(1,277,622)	-
Exchange adjustments	(4,002,709)	(83,314)	(4,086,023)
At 31 December 2020	120,787,353	1,181,565	121,968,918
Accumulated depreciation and impairment losses			
At 1 January 2020			
Accumulated depreciation	54,037,383	-	54,037,383
Accumulated impairment losses	166,038	-	166,038
	54,203,421	-	54,203,421
Charge for the year:			
Recognised in profit or loss	7,175,357	-	7,175,357
Capitalised in construction costs	980,580	-	980,580
	8,155,937	-	8,155,937
Disposals	(2,513,538)	-	(2,513,538)
Exchange adjustments	(1,313,109)	-	(1,313,109)
At 31 December 2020	58,532,711	-	58,532,711
Analysed as:			
Accumulated depreciation	58,440,391	-	58,440,391
Accumulated impairment losses	92,320	-	92,320
	58,532,711	-	58,532,711
Net carrying amount	62,254,642	1,181,565	63,436,207

14. Property, plant and equipment (cont'd.)

**** Pipes, plant and machinery and capital work-in-progress (cont'd.)**

	Pipes, plant and machinery RM	Capital work-in-progress RM	Total RM
Group (cont'd.)			
At 31 December 2019			
Cost			
At 1 January 2019	130,316,828	10,708,962	141,025,790
Additions	813,776	2,010,095	2,823,871
Disposals	(12,665,999)	-	(12,665,999)
Written off	(62,828)	-	(62,828)
Transfers	10,136,001	(10,312,327)	(176,326)
Transferred to investment properties	(933,500)	-	(933,500)
Exchange adjustments	(3,002,766)	(213,604)	(3,216,370)
At 31 December 2019	124,601,512	2,193,126	126,794,638
Accumulated depreciation and impairment losses			
At 1 January 2019			
Accumulated depreciation	58,760,934	-	58,760,934
Accumulated impairment losses	142,312	-	142,312
	58,903,246	-	58,903,246
Charge for the year:			
Recognised in profit or loss	5,726,471	-	5,726,471
Capitalised in construction costs	1,016,748	-	1,016,748
	6,743,219	-	6,743,219
Impairment losses for the year	23,796	-	23,796
Disposals	(9,716,145)	-	(9,716,145)
Written off	(61,916)	-	(61,916)
Transferred to investment properties	(931,695)	-	(931,695)
Exchange adjustments	(757,084)	-	(757,084)
At 31 December 2019	54,203,421	-	54,203,421
Analysed as:			
Accumulated depreciation	54,037,383	-	54,037,383
Accumulated impairment losses	166,038	-	166,038
	54,203,421	-	54,203,421
Net carrying amount	70,398,091	2,193,126	72,591,217

14. Property, plant and equipment (cont'd.)

***** Furniture, fittings and office equipment, electrical installations and renovations**

	Furniture, fittings and office equipment RM	Electrical installations and renovations RM	Total RM
Group			
At 31 December 2020			
Cost			
At 1 January 2020	5,008,407	2,171,423	7,179,830
Additions	174,922	-	174,922
Written off	(10,095)	-	(10,095)
Exchange adjustments	(52,114)	(17,001)	(69,115)
At 31 December 2020	5,121,120	2,154,422	7,275,542
Accumulated depreciation			
At 1 January 2020	2,976,439	1,398,360	4,374,799
Charge for the year	396,050	144,086	540,136
Written off	(8,400)	-	(8,400)
Exchange adjustments	(45,675)	(15,994)	(61,669)
At 31 December 2020	3,318,414	1,526,452	4,844,866
Net carrying amount	1,802,706	627,970	2,430,676

14. Property, plant and equipment (cont'd.)

***** Furniture, fittings and office equipment, electrical installations and renovations (cont'd.)**

	Furniture, fittings and office equipment RM	Electrical installations and renovations RM	Total RM
Group (cont'd.)			
At 31 December 2019			
Cost			
At 1 January 2019	6,103,320	3,506,878	9,610,198
Additions	138,516	-	138,516
Written off	(857,171)	(615,754)	(1,472,925)
Transfers	64,945	-	64,945
Transferred to investment properties	(400,246)	(706,133)	(1,106,379)
Exchange adjustments	(40,957)	(13,568)	(54,525)
At 31 December 2019	5,008,407	2,171,423	7,179,830
Accumulated depreciation			
At 1 January 2019	3,625,742	2,152,435	5,778,177
Charge for the year	450,852	237,509	688,361
Impairment losses for the year	6,625	12,805	19,430
Written off	(842,802)	(615,754)	(1,458,556)
Transferred to investment properties	(230,379)	(377,805)	(608,184)
Exchange adjustments	(33,599)	(10,830)	(44,429)
At 31 December 2019	2,976,439	1,398,360	4,374,799
Net carrying amount	2,031,968	773,063	2,805,031

14. Property, plant and equipment (cont'd.)

	Land and building* RM	Furniture, fittings and office equipment RM	Electrical installations and renovations RM	Total RM
Company				
At 31 December 2020				
Cost				
At 1 January 2020 and 31 December 2020	8,230,720	493,381	729,547	9,453,648
Accumulated depreciation				
At 1 January 2020	142,909	479,797	712,315	1,335,021
Charge for the year	14,732	4,256	5,015	24,003
At 31 December 2020	157,641	484,053	717,330	1,359,024
Net carrying amount	8,073,079	9,328	12,217	8,094,624
At 31 December 2019				
Cost				
At 1 January 2019	8,230,720	487,602	729,547	9,447,869
Additions	-	8,719	-	8,719
Written off	-	(2,940)	-	(2,940)
At 31 December 2019	8,230,720	493,381	729,547	9,453,648
Accumulated depreciation				
At 1 January 2019	128,177	467,932	695,428	1,291,537
Charge for the year	14,732	14,057	16,887	45,676
Written off	-	(2,192)	-	(2,192)
At 31 December 2019	142,909	479,797	712,315	1,335,021
Net carrying amount	8,087,811	13,584	17,232	8,118,627

14. Property, plant and equipment (cont'd.)

*** Land and building**

	Freehold land RM	Building RM	Total RM
Company			
At 31 December 2020			
Cost			
At 1 January 2020 and 31 December 2020	7,499,204	731,516	8,230,720
Accumulated depreciation			
At 1 January 2020	-	142,909	142,909
Charge for the year	-	14,732	14,732
At 31 December 2020	-	157,641	157,641
Net carrying amount	7,499,204	573,875	8,073,079
At 31 December 2019			
Cost			
At 1 January 2019 and 31 December 2019	7,499,204	731,516	8,230,720
Accumulated depreciation			
At 1 January 2019	-	128,177	128,177
Charge for the year	-	14,732	14,732
At 31 December 2019	-	142,909	142,909
Net carrying amount	7,499,204	588,607	8,087,811

14. Property, plant and equipment (cont'd.)

(a) Property, plant and equipment of the Group and of the Company were acquired during the year by means of:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash payments	1,789,504	2,467,306	-	8,719
Hire purchase financing	607,500	-	-	-
Other payables	265,500	535,100	-	-
	2,662,504	3,002,406	-	8,719

(b) Included in the property, plant and equipment of the Group are assets held under hire purchase arrangements as follows:

	At cost RM	Accumulated depreciation RM	Net carrying amount RM	Depreciation charge RM
Group				
2020				
Plant and machinery	3,899,000	612,276	3,286,724	375,724
Motor vehicles	326,675	98,683	227,992	40,834
	4,225,675	710,959	3,514,716	416,558
2019				
Plant and machinery	6,242,000	1,030,100	5,211,900	548,652
Motor vehicles	326,675	57,849	268,826	40,834
	6,568,675	1,087,949	5,480,726	589,486

Details of terms and conditions of the hire purchase arrangements are disclosed in Note 31.

(c) During the current financial year, the Group carried out a comparison of the net carrying amount of its plant and equipment, electrical installations and renovations against the expected recoverable amount which is derived from the fair value less costs of disposal.

Based on the Group's review, no impairment loss (2019 : impairment loss of RM43,226) was provided for the current financial year.

The net carrying amount of the affected plant and equipment after impairment as at 31 December 2020 of the Group was RMNil (2019 : RM79,525).

(d) The title deeds to certain of the Group's land and building with net carrying amount of RM4,381,629 (2019 : RM4,437,416) have yet to be transferred to the subsidiary concerned.

Included in freehold land of the Group is a freehold land with net carrying amount of RM1 (2019 : RM1) which is a parcel of public burial ground not held under a land title.

15. Right-of-use assets

	Group 2020 RM	Group 2019 RM
Cost		
As at 1 January and 31 December	237,133	237,133
Accumulated depreciation		
As at 1 January	75,037	-
Depreciation expense (Note 33):		
Recognised in profit or loss	13,994	14,099
Capitalised in construction costs (Note 24)	29,040	56,303
	43,034	70,402
Exchange adjustments	5,477	4,635
As at 31 December	123,548	75,037
Net carrying amount	113,585	162,096

16. Inventories

	Group 2020 RM	Group 2019 RM
Non-current		
At cost:		
Land held for property development (Note a)	103,978,499	79,557,780
Current		
At cost:		
Property development costs (Note b)	15,196,455	8,952,287
Properties held for sale and others (Note c)	32,189,570	59,992,865
At net realisable value:		
Property development costs (Note b)	1,676,952	1,292,707
Properties held for sale and others (Note c)	865,567	-
	49,928,544	70,237,859
Total inventories	153,907,043	149,795,639

The cost of inventories recognised as an expense during the financial year of the Group amounted to RM38,212,175 (2019 : RM25,979,791).

16. Inventories (cont'd.)

The following inventories have been charged to bank to partially secure the borrowings referred to in Note 31.

	Group	
	2020	**2019**
	RM	**RM**
Land held for property development	43,508,931	70,908,906
Property development costs	4,854,057	-
Properties held for sale and others	-	1,263,286
	48,362,988	72,172,192

Included in inventories of the Group are certain land and building where their title deeds have yet to be transferred to the subsidiaries concerned.

	Group	
	2020	**2019**
	RM	**RM**
In Malaysia:		
Land held for property development	7,318,150	7,837,580
Property development costs	1,088,634	1,417,234
Properties held for sale and others	2,560,000	2,560,000
Outside Malaysia:		
Properties held for sale and others	14,133,441	14,133,441
	25,100,225	25,948,255

16. Inventories (cont'd.)

(a) Land held for property development

	Freehold land RM	Leasehold land RM	Development costs RM	Total RM
Group				
At 31 December 2020				
Cost				
At 1 January 2020	9,396,619	67,610,364	2,550,797	79,557,780
Costs incurred during the year	66,996	616,734	910,053	1,593,783
Transferred from properties held for sale and others	-	22,872,075	-	22,872,075
Reclassification	(578,531)	(17,329,035)	17,852,135	(55,431)
Transferred from property development costs (Note 16(b))	-	10,292	-	10,292
At 31 December 2020	8,885,084	73,780,430	21,312,985	103,978,499
At 31 December 2019				
Cost				
At 1 January 2019	3,542,951	80,125,017	3,000,347	86,668,315
Costs incurred during the year	5,853,668	2,110,280	446,345	8,410,293
Transferred to properties held for sale and others	-	(1,519,645)	(634,987)	(2,154,632)
Transferred to property development costs (Note 16(b))	-	(6,896,723)	(247,749)	(7,144,472)
Write off (Note 10)	-	(6,208,565)	(13,159)	(6,221,724)
At 31 December 2019	9,396,619	67,610,364	2,550,797	79,557,780

(i) Included in land held for property development costs incurred during the financial year is interest expenses of RM319,446 (2019 : RM510,228).

(ii) Land held for property development of RM6,221,724 was written off in the previous financial year due to the cancellation of the balance of the land allotted by the State Government under a privatisation arrangement. The Group is currently appealing against the cancellation.

16. Inventories (cont'd.)

(b) Property development costs

	Freehold land RM	Leasehold land RM	Development costs RM	Total RM
Group				
At 31 December 2020				
Cumulative property development costs				
At 1 January 2020	2,735,633	7,634,657	2,632,500	13,002,790
Costs incurred during the year	949,692	47,853	10,901,537	11,899,082
Reclassification	-	(2,389,219)	2,389,219	-
Transferred to land held for property development (Note 16(a))	-	(10,292)	-	(10,292)
At 31 December 2020	3,685,325	5,282,999	15,923,256	24,891,580
Cumulative costs recognised in profit or loss				
At 1 January 2020	(1,318,399)	-	(1,439,397)	(2,757,796)
Recognised during the year (Note 6)	(1,297,434)	(428,942)	(3,553,143)	(5,279,519)
Written back (Note 5)	19,142	-	-	19,142
At 31 December 2020	(2,596,691)	(428,942)	(4,992,540)	(8,018,173)
Property development costs at 31 December 2020	1,088,634	4,854,057	10,930,716	16,873,407
Analysed as:				
At cost	292,692	4,854,057	10,049,706	15,196,455
At net realisable value	795,942	-	881,010	1,676,952
	1,088,634	4,854,057	10,930,716	16,873,407

16. Inventories (cont'd.)

(b) Property development costs (cont'd.)

	Freehold land RM	Leasehold land RM	Development costs RM	Total RM
Group (cont'd.)				
At 31 December 2019				
Cumulative property development costs				
At 1 January 2019	6,707,098	-	6,103,836	12,810,934
Costs incurred during the year	5,671,578	737,934	5,628,439	12,037,951
Reclassification	94,080	-	(94,080)	-
Transferred from land held for property development (Note 16(a))	-	6,896,723	247,749	7,144,472
Reversal of completed phases	(9,737,123)	-	(9,253,444)	(18,990,567)
At 31 December 2019	2,735,633	7,634,657	2,632,500	13,002,790
Cumulative costs recognised in profit or loss				
At 1 January 2019	(3,777,464)	-	(4,105,110)	(7,882,574)
Write down to net realisable value of development property (Note 10)	(432,512)	-	-	(432,512)
Recognised during the year (Note 6)	(6,845,546)	-	(6,587,731)	(13,433,277)
Reversal of completed phases	9,737,123	-	9,253,444	18,990,567
At 31 December 2019	(1,318,399)	-	(1,439,397)	(2,757,796)
Property development costs at 31 December 2019	1,417,234	7,634,657	1,193,103	10,244,994
Analysed as:				
At cost	867,060	7,634,657	450,570	8,952,287
At net realisable value	550,174	-	742,533	1,292,707
	1,417,234	7,634,657	1,193,103	10,244,994

16. Inventories (cont'd.)

(b) Property development costs (cont'd.)

(i) Included in property development costs incurred during the financial year are interest expenses of RM13,037 (2019 : RM8,300).

(ii) During the current financial year, the Group carried out a comparison of the carrying amount of its property development costs against the net realisable amount. The net realisable amount in respect of the development property under construction is assessed with reference to market prices at the reporting date for similar completed property less estimated costs to complete.

Based on the Group's review, the property development costs have been written back by RM19,142 (2019 : written down by RM432,512) to their net realisable value during the current financial year. The net realisable value of the affected development property as at 31 December 2020 of the Group was RM1,676,952 (2019 : RM1,292,707).

(iii) Certain land classified under property development costs of RM10,292 (2019 : RMNil) are reclassified to land held for property development as the development activities are not expected to be completed within the normal operating cycle.

(c) Properties held for sale and others

	Group	
	2020	**2019**
	RM	**RM**
At cost:		
Consumables	1,725,587	1,518,150
Properties held for sale	22,776,406	51,040,706
Raw materials	2,277,999	2,083,259
Spare parts	1,400,798	1,575,540
Work-in-progress – quarry products	4,008,780	3,775,210
	32,189,570	59,992,865
At net realisable value:		
Properties held for sale	865,567	-
	33,055,137	59,992,865

During the current financial year, the Group carried out a comparison of the carrying amount of its properties held for sale against the net realisable amount. The net realisable amount in respect of the properties held for sale is assessed with reference to market prices at the reporting date for similar property less estimated costs to sell.

Based on the Group's review, the properties held for sale have been written down by RM38,060 (2019 : RMNil) to their net realisable value during the current financial year. The net realisable value of the affected properties held for sale as at 31 December 2020 of the Group was RM865,567 (2019 : RMNil).

17. Investment properties

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
At 1 January	117,290,000	116,690,000	31,670,000	31,660,000
Disposal	(140,000)	-	-	-
Transferred from property, plant and equipment	-	500,000	-	-
Fair value (loss)/gain, net (Note 5/Note10)	(1,550,000)	100,000	440,000	10,000
At 31 December	115,600,000	117,290,000	32,110,000	31,670,000

Investment properties are stated at fair value, which have been determined based on valuations at the reporting date. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued. The valuations are based on the comparison method and income capitalisation method that makes reference to recent transaction value.

Certain investment properties of the Group with carrying amounts of RM86,000,000 (2019 : RM87,500,000) are mortgaged to secure the Group's revolving credits and term loans (Note 31).

The following investment properties are held under lease terms:

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Leasehold land	11,400,000	11,480,000	11,400,000	11,400,000
Buildings	88,700,000	90,260,000	2,700,000	2,700,000
	100,100,000	101,740,000	14,100,000	14,100,000

The title deeds to certain of the Group's leasehold land and building with carrying amounts of RM86,000,000 (2019 : RM87,500,000) have yet to be transferred to a subsidiary pending the approval from the relevant authorities.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value hierarchy disclosures for investment property are disclosed in Note 40.

17. Investment properties (cont'd.)

Description of valuation technique used and key inputs to valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range	
			2020	**2019**
Office properties	Income capitalisation method	Estimates average rental value per square feet per month	RM5.00 to RM8.60	RM5.00 to RM8.60
		Estimated average outgoing per square feet per month	RM1.07 to RM1.10	RM1.10 to RM1.15
		Market yield rate (current term)	5.50%	5.75%
		Market yield rate (reversionary term)	6.00%	6.00%
Land, apartment, factory buildings	Comparison method	Difference in location, time factor, size, land usage and tenure	- 70% to 120%	- 70% to 30%

Income capitalisation method

Using the income capitalisation method, fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the assets' lives including an exit or terminal value. As an accepted method within the income approach to valuation, the income capitalisation method involves the projection of series of cash flows for a real property interest. To these projected cash flows series, an appropriate, market-derived discount rate (yield) is applied to establish the present value of the income stream associated with the real property.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. In the case of investment property, periodic cash flow is typically estimated as gross income less vacancy, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases/(decreases) in estimated net income using an appropriate rate of interest (yield) in isolation would result in a significantly higher/(lower) fair value.

Comparison method

Under the comparison method, a property's fair value is estimated based on comparable transactions. This approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold.

Significant increases/(decreases) in estimated price per square feet in isolation would result in a significantly higher/(lower) fair value.

18. Intangible asset

	Group 2020 RM	Group 2019 RM
Cost		
At 1 January and 31 December	7,119,551	7,119,551
Accumulated impairment loss		
At 1 January and 31 December	7,119,551	7,119,551
Net carrying amount	-	-

19. Investments in subsidiaries

	Company 2020 RM	Company 2019 RM
Unquoted shares, at cost	182,038,367	177,643,369
Equity contributions to subsidiaries	15,550,809	15,550,809
	197,589,176	193,194,178
Less : Accumulated impairment losses	(4,866,158)	(4,801,484)
	192,723,018	188,392,694

During the financial year, the Company carried out a review of the recoverable amount of its investment in a subsidiary. An impairment loss of RM64,674 (2019 : RM 2,440,264) has been made in the financial statements. The recoverable amount was estimated based on the fair value less costs to sell. The fair value less costs to sell was determined based on the adjusted net assets of the subsidiary. Considering the subsidiary's main underlying assets comprise the investment property, the Company engaged independent valuer to determine the fair value of the investment property by using the income capitalisation method which is calculated by estimating the future cash inflows and outflows that will be derived from the property rental operations of this subsidiary, and discounting them at an appropriate rate.

The key assumptions used in income capitalisation method calculations are presented below:

(i) Estimated average rental value per square feet per month of RM5.00 to RM8.60 (2019 : RM5.00 to RM8.60)

(ii) Market yield rate (current term) of 5.50% (2019 : 5.75%)

(iii) Market yield rate (reversionary term) of 6.00% (2019 : 6.00%)

The management believes that any reasonably possible change in any of the above key assumptions would result in its increase/ decrease in its recoverable amount. If the estimated average rental value per square feet per month decreased by 1% and all other variables were held constant, this could indicate an additional impairment loss of approximately RM859,000. If the market yield rate (current term) increased by 1% and all other variables were held constant, this could indicate an additional impairment loss of approximately RM57,000. If the market yield rate (reversionary term) increased by 1% and all other variables were held constant, this could indicate an additional impairment loss of approximately RM16,570,000.

Equity contributions to subsidiaries

These are advances to subsidiaries that are unsecured and non-interest bearing. The subsidiaries are not required to repay the amounts under any circumstances and repayment is entirely at their discretion. Thus, these amounts have been measured at cost less accumulated impairment.

The Company will continue to provide financial support to the respective subsidiaries' operations as and when required.

19. Investments in subsidiaries (cont'd.)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	% of ownership interest held by the Group* 2020	2019	Principal activities
DKLS Construction Sdn. Bhd.	Malaysia	100	100	Building and general contractors and sale of materials
DKLS Quarry & Premix Sdn. Bhd.	Malaysia	100	100	Quarry master and sale of related products
DKLS Signaturehomes Sdn. Bhd.	Malaysia	100	100	Construction and development of properties
DKLS Development Sdn. Bhd.	Malaysia	100	100	Construction and development of properties
DKLS Marketing Sdn. Bhd.	Malaysia	100	100	Trading of construction materials, hardware, kitchen and sanitary wares
DKLS Homebuilders Sdn. Bhd.	Malaysia	100	100	Felling, removal, extraction and sale of merchantable timbers
DKLS Premierhome Sdn Bhd	Malaysia	100	100	Construction and development of properties
DKLS Equity Sdn Bhd	Malaysia	100	100	Investment holding
DKLS Clearwater Sdn. Bhd.	Malaysia	100	100	Investment holding
DKLS Quarry & Premix (North) Sdn. Bhd.	Malaysia	100	100	Quarry master and sale of related products
DKLS Highlands Sdn. Bhd.	Malaysia	100	100	Investment holding
Held by DKLS Clearwater Sdn. Bhd.				
Savan-DKLS Water Supply Co Ltd	Lao People's Democratic Republic	70	70	Supply, operation and maintenance of water treatment plant

* Equals to the proportion of voting rights held.

19. Investments in subsidiaries (cont'd.)

All the above subsidiaries were consolidated using the acquisition method except for DKLS Construction Sdn. Bhd. and DKLS Quarry & Premix Sdn. Bhd. which were accounted for using the merger method (Note 2.4(ii)).

(a) On 14 December 2020, the Company subscribed for 24,998 ordinary shares at an issue price of RM1.00 each in DKLS Highlands Sdn. Bhd. ("DHSB") for a consideration of RM24,998 which was set off, by way of contra, against the amount owing from DHSB to the Company.

(b) On 31 December 2020, the Company subscribed for 4,370,000 ordinary shares at an issue price of RM1.00 each in DKLS Equity Sdn Bhd ("DESB") for a consideration of RM4,370,000 which was set off, by way of contra, against the equity loan granted by the Company to DESB.

(c) Summarised financial information of Savan-DKLS Water Supply Co Ltd which have non-controlling interests is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Summarised statement of financial position

	Savan-DKLS Water Supply Co Ltd	
	2020 RM	2019 RM
% of ownership interest held by non-controlling interest*	30%	30%
Non-current assets	43,312,665	50,197,278
Current assets	3,010,010	3,272,573
Total assets	46,322,675	53,469,851
Non-current liabilities	12,138,641	12,936,518
Current liabilities	8,491,836	12,132,533
Total liabilities	20,630,477	25,069,051
Net assets	25,692,198	28,400,800
Equity attributable to:		
Owners of the Company	17,984,539	19,880,560
Non-controlling interests	7,707,659	8,520,240
	25,692,198	28,400,800

* Equals to the proportion of voting rights held.

19. Investments in subsidiaries (cont'd.)

(c) (ii) Summarised statement of comprehensive income

	Savan-DKLS Water Supply Co Ltd 2020 RM	2019 RM
Revenue	11,517,969	12,045,950
Profit for the year	996,650	2,844,262
Dividend for the year	1,801,714	3,905,786
Profit attributable to:		
Owners of the Company	697,655	1,990,983
Non-controlling interests	298,995	853,279
	996,650	2,844,262
Other comprehensive income attributable to:		
Owners of the Company	(1,332,476)	(1,092,351)
Non-controlling interests	(571,062)	(468,150)
	(1,903,538)	(1,560,501)
Total comprehensive income attributable to:		
Owners of the Company	(634,821)	898,632
Non-controlling interests	(272,067)	385,129
	(906,888)	1,283,761
Dividend payable to non-controlling interests	540,515	1,171,736

(iii) Summarised statement of cash flows

	Savan-DKLS Water Supply Co Ltd 2020 RM	2019 RM
Net cash from/(used in):		
Operating activities	6,154,594	6,110,244
Investing activities	(867,589)	(1,221,502)
Financing activities	(3,718,144)	(5,173,217)
Net increase/(decrease) in cash and cash equivalents	1,568,861	(284,475)
Effects of exchange rate differences	163,206	266,739
Cash and cash equivalents at:		
Beginning of the year	(5,313,045)	(5,295,309)
End of the year	(3,580,978)	(5,313,045)

20. Interest in associate

	Group 2020 RM	Group 2019 RM
Unquoted shares, at cost	2	2
Group's share of post-acquisition profit	456,955	329,595
At 31 December	456,957	329,597

Details of the associate are as follows:

Name of company	Country of incorporation	% of ownership interest held by the Group* 2020	% of ownership interest held by the Group* 2019	Principal activities
Held by DKLS Highlands Sdn. Bhd.				
Ambang Beskaya Sdn. Bhd.	Malaysia	50	50	Construction and development of properties

* Equals to the proportion of voting rights held.

The financial year end of the above associate is coterminous with that of the Group.

Material associate

The Group regards Ambang Beskaya Sdn. Bhd. as a material associate. The summarised information, adjusted for any difference in accounting policies and reconciling the information to the carrying amount of the Group's interest in associate are as follows:

(i) Summarised statement of financial position

	2020 RM	2019 RM
Current assets	2,501,830	2,501,872
Non-current assets	2,688,855	2,240,719
Total assets	5,190,685	4,742,591
Current liabilities	1,762,800	1,149,550
Non-current liabilities	2,523,293	2,943,169
Total liabilities	4,286,093	4,092,719
Total net assets	904,592	649,872

20. Interest in associate (cont'd.)

(ii) Summarised statement of comprehensive income

	2020 RM	2019 RM
Revenue	-	-
Profit before tax	254,720	143,027
Profit for the year	254,720	143,027
Total comprehensive income	254,720	143,027

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate

	2020 RM	2019 RM
Net assets at 1 January	649,872	506,845
Comprehensive income for the year	254,720	143,027
Net assets at 31 December attributable to owners of the associate	904,592	649,872
Share of net assets	452,295	324,935
Reserves on acquisition	4,662	4,662
Carrying value of Group's interest in associate	456,957	329,597

21. Other investments

	Company	
	2020 RM	2019 RM
Non-cumulative redeemable preference shares ("NCRPS") issued by certain subsidiaries		
At 1 January	-	22,037,428
Fair value gain (Note 5)	-	19,339,942
Conversion to ordinary shares of the subsidiaries	-	(41,377,370)
At 31 December	-	-

22. Long term/short term investments

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Non-current				
Quoted in Malaysia				
- Equity instruments	21,957	25,823	-	-
Current				
Quoted in Malaysia				
- Unit Trust Fund	53,743,012	67,549,761	869,773	-

23. Trade and other receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Non-current				
Trade receivables				
Third party	13,916,581	14,386,066	-	-
Other receivables				
Related party	1,580,092	1,843,019	-	-
Subsidiaries	-	-	8,857,303	11,706,656
Deposit	1,384,792	1,575,533	-	-
	2,964,884	3,418,552	8,857,303	11,706,656
Trade and other receivables (non-current)	16,881,465	17,804,618	8,857,303	11,706,656
Current				
Trade receivables				
Third parties	28,021,183	29,559,043	-	-
Progress billings receivables	30,800,532	16,531,762	-	-
Related party	1,746,200	1,147,282	-	-
Retention sum on contracts (Note 24)	946,854	73,219	-	-
	61,514,769	47,311,306	-	-
Less: Allowance for impairment	(8,602,733)	(4,259,143)	-	-
Trade receivables, net	52,912,036	43,052,163	-	-

23. Trade and other receivables (cont'd.)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Current (cont'd.)				
Other receivables				
Third parties	69,762	59,127	-	-
Subsidiaries	-	-	3,968,177	5,843,936
Deposits	1,225,523	1,576,268	32,290	27,790
Goods and Services Tax receivable	-	196,180	-	-
Others	327,950	322,766	201,592	197,506
	1,623,235	2,154,341	4,202,059	6,069,232
Less: Allowances for impairment - subsidiary	-	-	(663,519)	(658,519)
Other receivables, net	1,623,235	2,154,341	3,538,540	5,410,713
Trade and other receivables (current)	54,535,271	45,206,504	3,538,540	5,410,713
Total trade and other receivables (current and non-current)	71,416,736	63,011,122	12,395,843	17,117,369
Less: Goods and Services Tax receivable	-	(196,180)	-	-
	71,416,736	62,814,942	12,395,843	17,117,369
Add: Cash and bank balances (Note 27)	22,305,767	24,784,061	10,060,985	9,248,441
Total financial assets carried at amortised cost	93,722,503	87,599,003	22,456,828	26,365,810

Trade and other receivables at the reporting date are denominated in the following currencies:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	68,771,268	60,193,133	12,194,251	16,919,863
Lao Kip	1,338,568	1,489,974	-	-
United States Dollar	1,306,900	1,323,726	201,592	197,506
Thai Baht	-	4,289	-	-
	71,416,736	63,011,122	12,395,843	17,117,369

23. Trade and other receivables (cont'd.)

(a) Trade receivables (non-current)

This amount represents advances given on contracts. This amount shall be repaid within 2 years and is measured at amortised cost with an effective interest rate of 8% (2019 : 8%) per annum.

(b) Other receivables (non-current)

Amount due from related party (non-current)

This amount represents performance bond paid pursuant to the Turnkey Contract as disclosed in Note 44(c). This amount shall be repaid within 7 years. The amount has been remeasured at fair value and the difference between the fair value and the carrying amount of RM919,908 (2019 : RM656,981) is recognised as an interest expense in profit or loss. The effective interest rate used is 8% (2019 : 8%) per annum. Subsequent to initial recognition, the amount is measured at amortised cost.

Deposits (non-current)

This amount represents a lease deposit which is refundable upon expiry of an operating lease in year 2023, thus this amount is carried at amortised cost. The effective interest rate used is 7.08% (2019 : 7.90%) per annum.

Amounts due from subsidiaries (non-current)

The amounts due from subsidiaries are unsecured, non-interest bearing and are expected to be repaid within 3 to 6 years (2019 : 4 to 7 years). These amounts are carried at amortised cost at effective interest rates ranging from 6.44% to 8.00% (2019 : 6.44% to 8.00%) per annum and are to be settled in cash.

(c) Trade receivables (current)

Trade receivables are generally non-interest bearing and on cash to 90-day (2019 : cash to 90-day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables are to be settled in cash on due dates except for progress billings receivables amounting to RM1,105,308 (2019 : RM1,126,220) which are to be settled via in-kind payment.

Amounts due from third parties

Included in amounts due from third parties are advances given on contracts of RM2,336,071 (2019 : RMNil) which are repayable on demand. This amount is measured at amortised cost at an interest rate of 8% per annum.

Included in amounts due from third parties are amounts totalling RM277,450 (2019 : RM2,188,068) retained by stakeholders that are due upon expiry of retention periods of 24 months (2019 : 8 to 24 months) as stipulated in the sale and purchase agreements.

Amounts due from related party

These amounts are non-interest bearing and repayable on demand. These amounts are unsecured and are to be settled in cash.

(d) Other receivables (current)

Amounts due from subsidiaries (current)

The amounts due from subsidiaries which are mainly provided for the daily operations, are unsecured, non-interest bearing and repayable on demand. These amounts are to be settled in cash.

Deposits (current)

Included in deposits of the Group are security deposits and advances amounting to RM50,000 (2019 : RM50,000) for the development project disclosed in Note 44(a). These amounts are unsecured, non-interest bearing and repayable in the event of cancellation of the agreement.

24. Due from/(to) customers on contracts

	Group 2020 RM	Group 2019 RM
Construction contract costs incurred to date	71,792,832	172,841,066
Attributable profits	3,522,291	7,609,815
	75,315,123	180,450,881
Less: Progress billings	(95,358,177)	(208,592,471)
	(20,043,054)	(28,141,590)
Represented by:		
Contract assets (Note 25)	1,153,940	1,450,595
Contract liabilities (Note 35)	(21,196,994)	(29,592,185)
	(20,043,054)	(28,141,590)
Retention sum on contracts, included within trade receivables (Note 23)	946,854	73,219
Advances received on contracts, included within trade payables (Note 34)	-	(7,076,731)

The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group 2020 RM	Group 2019 RM
Depreciation:	1,402,053	1,428,757
- Property, plant and equipment (Note 14)	1,373,013	1,372,454
- Right-of-use assets (Note 15)	29,040	56,303
Interest on lease liabilities (Note 11):	18,897	29,873
- Hire purchase	17,042	24,914
- Other lease liabilities	1,855	4,959
Short-term lease expense (Note 33)	140,690	232,381
Employee benefits expense (Note 9)	4,313,405	5,062,041

Employee benefits expense comprise:

	Group 2020 RM	Group 2019 RM
Salaries, wages, allowances and overtime	3,920,368	4,623,463
Contributions to defined contribution plans	347,308	386,923
Social security contributions	41,254	46,701
Employment insurance system contributions	4,475	4,954
	4,313,405	5,062,041

25. Other assets

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Non-current				
Prepayments	28,062	-	-	-
Current				
Contract assets in respect of property development costs	5,575,200	2,198,417	-	-
Contract assets in respect of construction contracts (Note 24)	1,153,940	1,450,595	-	-
Deferred expenses	75,761	114,470	-	-
Prepayments	701,465	234,734	254	773
	7,506,366	3,998,216	254	773
Other assets (current and non-current)	7,534,428	3,998,216	254	773

The transaction price allocated to the unsatisfied performance obligations for property development contracts as at 31 December 2020 is RM9,102,669 (2019 : RM1,453,793). The remaining performance obligations are expected to be recognised within one year to two years.

The transaction price allocated to the unsatisfied performance obligations for construction contracts as at 31 December 2020 is RM63,744,621 (2019 : RM96,043,937). The remaining performance obligations are expected to be recognised within one year to two years.

The contract assets at the beginning of the period not transferred to trade receivables due to change in time frame is RM80,140.

26. Deferred tax (assets)/liabilities

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
At 1 January	(1,619,746)	(1,845,704)	829,777	830,213
Recognised in profit or loss (Note 12)	331,578	225,958	44,000	(436)
At 31 December	(1,288,168)	(1,619,746)	873,777	829,777
Subject to income tax:				
Deferred tax assets	(3,894,385)	(4,028,659)	-	-
Deferred tax liabilities	1,420,870	1,255,213	-	-
	(2,473,515)	(2,773,446)	-	-
Subject to capital gain tax:				
Deferred tax liabilities	1,185,347	1,153,700	873,777	829,777
	(1,288,168)	(1,619,746)	873,777	829,777

26. Deferred tax (assets)/liabilities (cont'd.)

The components and movements of deferred tax assets and liabilities during the current financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Unutilised tax losses RM	Unabsorbed capital allowances RM	Others RM	Total RM
At 1 January 2020	(821,337)	(703,668)	(5,399,460)	(6,924,465)
Recognised in profit or loss	(100,493)	271,177	(17,602)	153,082
At 31 December 2020	(921,830)	(432,491)	(5,417,062)	(6,771,383)
At 1 January 2019	(821,337)	(886,690)	(4,759,457)	(6,467,484)
Recognised in profit or loss	-	183,022	(640,003)	(456,981)
At 31 December 2019	(821,337)	(703,668)	(5,399,460)	(6,924,465)

Deferred tax liabilities of the Group:

	Property, plant and equipment RM	Investment properties RM	Total RM
At 1 January 2020	2,455,111	2,849,608	5,304,719
Recognised in profit or loss	79,519	98,977	178,496
At 31 December 2020	2,534,630	2,948,585	5,483,215
At 1 January 2019	1,917,068	2,704,712	4,621,780
Recognised in profit or loss	538,043	144,896	682,939
At 31 December 2019	2,455,111	2,849,608	5,304,719

26. Deferred tax (assets)/liabilities (cont'd.)

Deferred tax liabilities of the Company:

	Property, plant and equipment RM	Investment properties RM	Total RM
At 1 January 2020	-	829,777	829,777
Recognised in profit or loss	-	44,000	44,000
At 31 December 2020	-	873,777	873,777
At 1 January 2019	1,435	828,778	830,213
Recognised in profit or loss	(1,435)	999	(436)
At 31 December 2019	-	829,777	829,777

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deductible temporary differences:				
Unabsorbed capital allowances	(9,557)	(7,421)	(9,557)	(7,421)
Unutilised tax losses	(132,533)	(132,533)	-	-
Others	(3,299)	(3,299)	-	-
	(145,389)	(143,253)	(9,557)	(7,421)
Potential deferred tax benefits at 24%	(34,893)	(34,380)	(2,294)	(1,781)

Deferred tax assets have not been recognised in respect of these items as it may not be probable that future taxable profits will be available against which the assets can be utilised.

Following the gazetting of the Finance Act 2018 on 27 December 2018, the unutilised tax losses can only be carried forward for a maximum period of seven consecutive years of assessment for offset against future aggregate of statutory income. For this purpose, any unutilised tax losses accumulated up to the Year of Assessment 2018 shall be disregarded at the end of Year of Assessment 2025. Effective from Year of Assessment 2019 onwards, any unutilised tax losses can only be carried forward for a maximum period of seven consecutive years of assessment.

The above unutilised tax losses for the Group will expire by the end of the following years of assessment:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unutilised tax losses:				
2025	3,554,770	3,554,770	-	-
2027	418,721	-	-	-
	3,973,491	3,554,770	-	-

27. Cash and bank balances

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash and bank balances	9,225,461	10,959,367	651,535	29,717
Deposits with licensed banks	13,080,306	13,824,694	9,409,450	9,218,724
	22,305,767	24,784,061	10,060,985	9,248,441

Cash and bank balances at the reporting date are denominated in the following currencies:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Lao Kip	783,217	520,159	589,512	383
Ringgit Malaysia	11,933,093	12,751,254	62,023	29,334
Thai Baht	4,719	12,459	-	-
United States Dollar	9,584,738	11,500,189	9,409,450	9,218,724
	22,305,767	24,784,061	10,060,985	9,248,441

Included in the Group's cash and bank balances are:

(i) amounts totalling RM2,926,837 (2019 : RM2,383,118) in current accounts which earn interest at floating rates based on daily bank deposit rates.

(ii) amounts totalling RM2,032,138 (2019 : RM1,904,408) held in Housing Development Accounts pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 which are restricted from use in other operations.

The deposits with licensed banks of the Group and of the Company represent deposits with maturity period of 1 day to 365 days (2019 : 1 day to 365 days) and 365 days (2019 : 365 days) respectively and earn interests at the rates of 0.25% - 4.00% (2019 : 2.35% - 4.00%) and 4.00% (2019 : 4.00%) per annum respectively.

Included in the deposits with licensed banks of the Group and of the Company are deposits with maturity period of more than three months amounting to RM9,509,450 (2019 : RM9,318,724) and RM9,409,450 (2019 : RM9,218,724) respectively.

Included in the deposits with licensed banks of the Group and of the Company is an amount of RM9,509,450 (2019 : RM9,318,724) and RM9,409,450 (2019 : RM9,218,724) respectively which has been pledged as securities for banking facilities granted to subsidiaries (Note 31).

28. Share capital

	Number of ordinary shares		Amount	
	2020	2019	2020	2019
Issued and fully paid	92,699,600	92,699,600	101,883,643	101,883,643

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

29. Retained profits

The Company is able to distribute dividends out of its entire retained profits as at 31 December 2020 and 31 December 2019 under the single tier system.

30. Reserves

	Foreign currency translation reserve RM	Asset revaluation reserve RM	Charter capital reserve RM	Other reserve RM	Total RM
Group					
At 31 December 2020					
At 1 January 2020	(3,313,253)	1,157,522	3,026,004	(426,447)	443,826
Other comprehensive income: Foreign currency translation - subsidiaries	(2,702,684)	-	-	-	(2,702,684)
Less: Non-controlling interest	571,062	-	-	-	571,062
At 31 December 2020	(5,444,875)	1,157,522	3,026,004	(426,447)	(1,687,796)
At 31 December 2019					
At 1 January 2019	(1,583,043)	1,157,522	3,026,004	(426,447)	2,174,036
Other comprehensive income: Foreign currency translation - subsidiaries	(2,198,360)	-	-	-	(2,198,360)
Less: Non-controlling interest	468,150	-	-	-	468,150
At 31 December 2019	(3,313,253)	1,157,522	3,026,004	(426,447)	443,826

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record 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. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in a foreign operation.

(b) Asset revaluation reserve

The asset revaluation reserve represents the difference between the carrying amount of a property previously held as 'property, plant and equipment' and its fair value at the date of transfer to 'investment properties'.

(c) Charter capital reserve

Charter capital reserve represents the amount of capital contribution in kind in excess of charter capital committed by the non-controlling interests of one of the subsidiaries.

(d) Other reserve

Other reserve represents premium arising from the acquisition of the two subsidiaries which were accounted for using the merger method as detailed in Note 2.4(ii).

31. Loans and borrowings

		Group	
		2020	2019
	Maturity	RM	RM
Non-current			
Secured:			
Lease liabilities:			
- Hire purchase liabilities (Note 32)	2022	254,285	28,852
Term loans	2022 - 2028	38,120,801	46,500,779
		38,375,086	46,529,631
Unsecured:			
Lease liabilities:			
- Other lease liabilities (Note 33)		110,043	129,052
Total loans and borrowings (non-current)		38,485,129	46,658,683
Current			
Secured:			
Bank overdrafts	On demand	3,742,940	5,683,619
Lease liabilities:			
- Hire purchase liabilities (Note 32)	2021	600,339	1,387,775
Revolving credit		-	1,205,980
Term loans	2021	7,972,053	5,000,004
		12,315,332	13,277,378
Unsecured:			
Bank overdrafts		-	17,713
Lease liabilities:			
- Other lease liabilities (Note 33)	2021	14,411	39,688
		14,411	57,401
Total loans and borrowings (current)		12,329,743	13,334,779
Total loans and borrowings			
Lease liabilities:			
- Hire purchase liabilities (Note 32)		854,624	1,416,627
- Other lease liabilities (Note 33)		124,454	168,740
Term loans		46,092,854	51,500,783
Bank overdrafts		3,742,940	5,701,332
Revolving credit		-	1,205,980
Total loans and borrowings		50,814,872	59,993,462

31. Loans and borrowings (cont'd)

The remaining maturities of the loans and borrowings as at 31 December 2020 are as follows:

	Group	
	2020	**2019**
	RM	**RM**
On demand or within 1 year	12,311,254	13,334,779
More than 1 year and less than 2 years	9,821,623	11,093,293
More than 2 years and less than 5 years	15,009,036	16,887,419
5 years or more	13,672,959	18,677,971
	50,814,872	59,993,462

Loans and borrowings at the reporting date are denominated in the following currencies:

	Group	
	2020	**2019**
	RM	**RM**
Ringgit Malaysia	46,979,992	54,212,924
Lao Kip	3,834,880	5,780,538
	50,814,872	59,993,462

Hire purchase liabilities

These obligations are secured by a charge over the hire purchase assets (Note 14(b)). The discount rates implicit in the hire purchase range from 2.90% to 2.95% (2019 : 2.59% to 2.95%) per annum.

Bank overdrafts

The secured bank overdrafts bear interest rates ranging from 6.40% to 6.47% (2019 : 6.40% to 6.47%) per annum and are secured by way of pledged term deposit of RM9,409,450 (2019 : RM9,218,724) held by the Company (Note 27).

The unsecured bank overdrafts in the previous financial year bore interest rates ranging from 7.90% to 8.09% per annum and were unsecured but supported by way of negative pledge and corporate guarantees given by the Company.

Revolving credit

The secured revolving credit in the previous financial year was secured by a charge over the investment property (Note 17) of one of the subsidiaries. The revolving credit bore an interest rate of 5.00% per annum which was re-priced at intervals of 3 months.

Term loans

Term loans are secured by a charge over certain land held for property development (Note 16), investment properties (Note 17) and inventories of completed properties (Note 16) of the Group. The term loans bear interest rates ranging from 3.50% to 5.12% (2019 : 5.10% to 5.31%) per annum.

32. Hire purchase liabilities

	Group 2020 RM	Group 2019 RM
Future minimum payments:		
Payable within 1 year	631,445	1,426,060
Payable between 1 and 2 years	259,479	29,022
	890,924	1,455,082
Less: Finance charges	(36,300)	(38,455)
	854,624	1,416,627
Representing hire purchase liabilities:		
Due within 12 months (Note 31)	600,339	1,387,775
Due after 12 months (Note 31)	254,285	28,852
	854,624	1,416,627

33. Other lease liabilities

As lessee

The Group has lease contracts for leasehold land with lease terms of 3 to 30 years and buildings with lease terms of 3 to 4 years and an extension option.

The Company also has certain leases with lease terms of 12 months or less and leases of office equipment of low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

	Group 2020 RM	Group 2019 RM
As at 1 January	168,740	237,133
Lease interest (Note 11)	11,870	15,625
Lease payment	(49,842)	(79,350)
Exchange adjustments	(6,314)	(4,668)
As at 31 December	124,454	168,740
Representing lease liabilities:		
Due within 12 months (Note 31)	14,411	39,688
Due after 12 months (Note 31)	110,043	129,052
	124,454	168,740

33. Other lease liabilities (cont'd.)

The following are the amounts recognised in profit or loss:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Depreciation expense of right-of-use assets (Note 15)	43,034	70,402	-	-
Interest expense on lease liabilities (Note 11)	11,870	15,625	-	-
Expense relating to short-term lease expense:				
- included in direct expenses (Note 7)	27,298	31,060	4,540	7,120
- included in administrative expenses (Note 10)	85,124	124,577	-	-
- included in construction contract costs (Note 24)	140,690	232,381	-	-
Expense relating to lease of low-value assets included in administrative expenses (Note 10)	9,166	7,720	-	-
The amount recognised in profit or loss	317,182	481,765	4,540	7,120

The Group and the Company had total cash outflow of leases of RM312,120 (2019 : RM475,088) and RM4,540 (2019 : RM7,120) respectively.

34. Trade and other payables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Non-current				
Other payables				
Other commitments	1,570,929	1,925,127	-	-
Current				
Trade payables				
Third parties	27,981,210	20,793,994	-	-
Related parties	346	729	-	-
Construction contracts:				
Advances received on contracts (Note 24)	-	7,076,731	-	-
	27,981,556	27,871,454	-	-
Other payables				
Third parties	382,461	406,744	35,680	69,558
Accruals	6,757,759	7,979,430	72,342	60,714
Deposits	2,900,795	2,926,969	91,600	98,000
Value added tax deductible	59,848	73,786	-	-
Other payables	18,355	27,664	-	-
Dividend payable to non-controlling interest	97,218	624,051	-	-
Other commitments	692,042	602,817	-	-
	10,908,478	12,641,461	199,622	228,272
Total trade and other payables (current)	38,890,034	40,512,915	199,622	228,272
Total trade and other payables (current and non-current)	40,460,963	42,438,042	199,622	228,272
Less: Value added tax deductible	(59,848)	(73,786)	-	-
Dividend payable to non-controlling interest	(97,218)	(624,051)	-	-
	40,303,897	41,740,205	199,622	228,272
Add: Loans and borrowings (Note 31)	50,814,872	59,993,462	-	-
Total financial liabilities carried at amortised cost	91,118,769	101,733,667	199,622	228,272

34. Trade and other payables (cont'd.)

Trade and other payables at the reporting date are denominated in the following currencies:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	37,356,084	38,506,741	199,622	228,272
Lao Kip	3,104,879	3,931,301	-	-
	40,460,963	42,438,042	199,622	228,272

(a) Other commitments (non-current and current)

On 27 August 2013, Savan-DKLS Water Supply Co Ltd ("SDWS"), a 70% owned subsidiary of DKLS Clearwater Sdn. Bhd., agreed that the Asian Development Bank ("ADB") loans which had been deployed by Nam Pa Pa Savannakhet ("NPPS"), the non-controlling interest of SDWS, for its water supply projects at Outhoumphone and Songkhone districts, would be repaid by SDWS as part of a mutual understanding between SDWS and NPPS.

	Group	
	2020 RM	2019 RM
Non-current		
Outhoumphone loan	421,927	554,528
Songkhone loan	1,149,002	1,370,599
	1,570,929	1,925,127
Current		
Outhoumphone loan	98,102	114,857
Songkhone loan	593,940	487,960
	692,042	602,817

(b) Trade payables (current)

Third parties

These amounts are non-interest bearing. Trade payables are normally settled on 7 to 90-day (2019 : on 7 to 90-day) terms.

Related parties

The amounts due to related parties are non-interest bearing and with credit terms of 30 days (2019 : 30 days). These amounts are unsecured and to be settled in cash on due date.

Further details on related party transactions are disclosed in Note 39.

35. Other current liabilities

	Group	
	2020	**2019**
	RM	**RM**
Contract liabilities in respect of property development costs	2,035,441	3,327,802
Contract liabilities in respect of construction contracts (Note 24)	21,196,994	29,592,185
Deferred income – government grant	30,750	166,988
Advance rental received	2,925	79,489
	23,266,110	33,166,464

The contract liabilities at the beginning of the year of RM32,173,576 (2019 : RM11,221,046) has been recognised as revenue during the year.

36. Dividend

	Dividend in respect of year		Dividend recognised in year	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Company				
Recognised during the year:				
First and final single tier dividend for 2019 at 3 sen (2018 : at 3 sen) per share on 92,699,600 ordinary shares	-	2,780,988	2,780,988	2,780,988
Proposed but not recognised as a liability as at 31 December 2020:				
First and final single tier dividend for 2020 at 2 sen per share on 92,699,600 ordinary shares	1,853,992	-	-	-

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2020, of 2 sen per share on 92,699,600 ordinary shares, amounting to a total dividend payable of RM1,853,992 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2021.

37. Commitments

Operating lease commitments – as lessor

The Group has entered into commercial property leases on their investment properties. These non-cancellable leases have remaining lease terms of between one and three years.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2020 RM	2019 RM
Not later than 1 year	4,022,414	4,183,907
Later than 1 year but not later than 5 years	2,114,778	2,822,535
	6,137,192	7,006,442

38. Contingent liabilities (unsecured)

The Company has provided the following corporate guarantees at the reporting date:

	Company	
	2020 RM	2019 RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	86,320,062	79,777,984
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	60,055	796,862
	86,380,117	80,574,846

As at reporting date, no values are ascribed to the corporate guarantees provided by the Company to secure banking facilities granted to its subsidiaries whereby the Company monitors the performance of the subsidiaries concerned closely to ensure they meet all their financial obligations. In view that there is a minimal risk of default, the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

39. Related party disclosures

(a) Sale and purchase of goods and services

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

		Group		Company	
Name of company/person/firm	**Nature**	**2020 RM**	**2019 RM**	**2020 RM**	**2019 RM**
Transactions with subsidiaries:					
DKLS Construction Sdn. Bhd.	Rental income	-	-	282,000	316,800
DKLS Premierhome Sdn Bhd	Rental income	-	-	79,200	84,000
DKLS Marketing Sdn. Bhd.	Dividend income	-	-	2,000,000	-
DKLS Development Sdn. Bhd.	Dividend income	-	-	2,000,000	-
Transactions with related parties:					
Firm/company in which Mr Ding Poi Bor has substantial interest:					
DKLS Service Station	Purchase of consumables	(5,568)	(9,497)	-	-
Sri Ikhlas Kredit Sdn Bhd	Rental of office	2,100	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020 (cont'd.)

39. Related party disclosures (cont'd.)

(a) Sale and purchase of goods and services (cont'd.)

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

Name of company/person/firm	Nature	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Transactions with related parties (cont'd.):					
Company in which Mr Ding Poi Bor and Mr Sam Tuck Wah have substantial interests:					
Ipoh Tower Sdn. Bhd.	Supply of electricity	(70,184)	(76,904)	(70,184)	(76,904)
Aplikasi Budimas Sdn. Bhd.	Rental of car park	(17,940)	(24,120)	(4,540)	(7,120)
Company in which Dato' Ding Pei Chai, DPTJ, PMP has substantial interests:					
Isyoda (M) Sdn. Bhd.	Project claim	522,565	-	-	-
Person/firm with which Mr Ding Poi Bor, Dato' Ding Pei Chai, DPTJ, PMP and Ms Ding Soo King are deemed to be connected pursuant to Section 197(1)(a) of the Companies Act 2016:					
Arkitek Ding Poi Kooi	Architect fees	-	(121,041)	-	-

Information regarding outstanding balances arising from related party transactions as at 31 December 2020 are disclosed in Note 23 and Note 34.

39. Related party disclosures (cont'd.)

(b) Compensation of key management personnel

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Short term employee benefits	3,181,290	3,291,692	269,422	262,096
Post-employment benefits:				
Defined contribution plan	543,068	510,580	49,612	49,420
	3,724,358	3,802,272	319,034	311,516

Included in the remuneration of key management personnel are:

Executive directors' remuneration (excluding fees and benefits-in-kind)	2,253,473	2,294,264	319,034	311,516

40. Fair value of non-financial assets and financial instruments

(i) Fair value of financial instruments that are carried at fair value

An analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical assets Level 1 RM	Significant other observable inputs Level 2 RM	Significant unobservable inputs Level 3 RM	Total RM
Group				
At 31 December 2020				
Non-financial assets:				
Investment properties (Note 17)	-	-	115,600,000	115,600,000

40. Fair value of non-financial assets and financial instruments (cont'd.)

(i) Fair value of financial instruments that are carried at fair value (cont'd.)

	Quoted prices in active markets for identical assets Level 1 RM	Significant other observable inputs Level 2 RM	Significant unobservable inputs Level 3 RM	Total RM
Group (cont'd.)				
At 31 December 2020 (cont'd.)				
Financial assets:				
Long term/short term investments (Note 22)				
- Equity instruments (quoted)	21,957	-	-	21,957
- Unit trust fund (quoted)	-	53,743,012	-	53,743,012
Financial liabilities:				
Other commitments (Note 34)	-	2,262,971	-	2,262,971
At 31 December 2019				
Non-financial assets:				
Investment properties (Note 17)	-	-	117,290,000	117,290,000
Financial assets:				
Long term/short term investments (Note 22)				
- Equity instruments (quoted)	25,823	-	-	25,823
- Unit trust fund (quoted)	-	67,549,761	-	67,549,761
Financial liabilities:				
Other commitments (Note 34)	-	2,527,944	-	2,527,944

40. Fair value of non-financial assets and financial instruments (cont'd.)

(i) Fair value of financial instruments that are carried at fair value (cont'd.)

	Quoted prices in active markets for identical assets Level 1 RM	Significant other observable inputs Level 2 RM	Significant unobservable inputs Level 3 RM	Total RM
Company				
At 31 December 2020				
Non-financial assets:				
Investment properties (Note 17)	-	-	32,110,000	32,110,000
At 31 December 2019				
Non-financial assets:				
Investment properties (Note 17)	-	-	31,670,000	31,670,000

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements as disclosed in Note 2.26.

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2020 and 31 December 2019.

Determination of fair value

Investment properties

Fair value is determined based on valuations at the reporting date. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued. The valuations are based on the comparison and income capitalisation method that makes reference to the recent transaction value.

Quoted equity instruments

Fair value is determined directly by reference to the published market bid price at the reporting date.

Unit trust fund (quoted)

Fair value is determined directly by reference to the published net asset value at the reporting date.

Other commitments

Fair value is estimated by discounting expected future cash flows at market borrowing interest rates.

40. Fair value of non-financial assets and financial instruments (cont'd.)

(ii) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation 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 value:

	Note
Trade and other receivables (current and non-current)	23
Cash and bank balances	27
Loans and borrowings (current and non-current)	31
Trade and other payables (current)	34

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date except for those that are estimated by discounting expected cash flows at weighted average rates of the lenders as detailed in the respective notes.

Other receivables (non-current)

The fair value of the other receivables of the Group and of the Company are estimated by discounting expected future cash flows at effective interest rates of 7.08% - 8.00% (2019 : 7.90% - 8.00%) and 6.44% - 8.00% (2019 : 6.44% - 8.00%) per annum respectively.

41. Financial risk management objectives and policies

The Group and the Company are exposed to the financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk, liquidity risk, foreign currency risk and market risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from interest-bearing loans and borrowings and financial assets placed in money market deposits which are outstanding as at the reporting date.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 (2019 : 10) basis points lower/higher, with all other variables held constant, the Group's and the Company's profit would have been RM79,491 (2019 : RM40,296) higher/lower and RM23,524 (2019 : RM9,219) lower/higher respectively, arising mainly as a result of lower/higher interest expense from borrowings and lower/higher interest income from money market deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on short term deposits and loans and borrowings in the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020 (cont'd.)

41. Financial risk management objectives and policies (cont'd.)

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables. For other financial assets which comprise cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group transacts only with recognised, creditworthy and appropriate credit history third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. New customers will be assessed and approved on a case-by-case basis. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor outstanding and overdue balances on an ongoing basis.

Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., geographical region, and product type, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction, quarry and utilities sectors, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2020	**2019**
	RM	**RM**
Neither past due nor impaired	44,304,780	35,166,631
1 to 30 days past due not impaired	6,558,555	6,836,278
31 to 60 days past due not impaired	6,344,339	4,579,156
61 to 90 days past due not impaired	3,884,974	802,752
91 to 120 days past due not impaired	202,477	1,231,780
More than 120 days past due not impaired	5,533,492	8,821,632
Past due but not impaired	22,523,837	22,271,598
Impaired	8,602,733	4,259,143
	75,431,350	61,697,372

41. Financial risk management objectives and policies (cont'd.)

(b) Credit risk (cont'd.)

Impairment on receivables

The Group and the Company apply the simplified approach whereby allowance for impairment are measured at lifetime ECL. The movement of the allowance for impairment loss on receivables is as follows:

Group	Trade receivables Lifetime ECL allowance RM	Trade receivables Credit impaired (note a) RM	Total allowance RM
At 1 January 2020	1,990,828	2,268,315	4,259,143
Charge for the year (Note 10)	3,073,373	1,485,683	4,559,056
Write back of impairment losses (Note 5)	(36,994)	(104,840)	(141,834)
Exchange adjustment	(59,560)	(14,072)	(73,632)
At 31 December 2020	4,967,647	3,635,086	8,602,733
At 1 January 2019	1,416,032	4,659,212	6,075,244
Charge for the year (Note 10)	624,420	84,547	708,967
Write back of impairment losses (Note 5)	(4,066)	(1,942,328)	(1,946,394)
Written off	-	(522,412)	(522,412)
Exchange adjustment	(45,558)	(10,704)	(56,262)
At 31 December 2019	1,990,828	2,268,315	4,259,143

Company	Other receivables Credit impaired RM
At 1 January 2020	658,519
Charge for the year (Note 10)	5,000
At 31 December 2020	663,519
At 1 January 2019 and 31 December 2019	658,519

a. Trade and other receivables that are individually determined to be credit impaired at the reporting date relate to debtors that are not traceable and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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.

Credit risk concentration profile

The Group's trade receivables comprise of individual customers, thus does not have any major concentration of credit risk.

41. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objectives are to maintain sufficient level of cash and adequate amounts of credit facilities to meet its financial obligations. In addition, the Group strives to maintain flexibility in funding by keeping its credit lines available at a reasonable level.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
At 31 December 2020				
Financial liabilities:				
Trade and other payables	38,842,631	1,061,658	1,612,743	41,517,032
Loans and borrowings	13,889,804	28,185,844	14,403,864	56,479,512
Total undiscounted financial liabilities	52,732,435	29,247,502	16,016,607	97,996,544
At 31 December 2019				
Financial liabilities:				
Trade and other payables	39,891,904	1,177,407	1,985,751	43,055,062
Loans and borrowings	15,946,845	34,079,907	20,526,293	70,553,045
Total undiscounted financial liabilities	55,838,749	35,257,314	22,512,044	113,608,107

41. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Company				
At 31 December 2020				
Financial liabilities:				
Trade and other payables, representing total undiscounted financial liabilities	199,622	-	-	199,622
At 31 December 2019				
Financial liabilities:				
Trade and other payables, representing total undiscounted financial liabilities	228,272	-	-	228,272

(d) Market risk

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market price. The Group's principal exposure to market risk arises mainly from its investments in quoted unit trust funds.

The Group manages its exposure to market risk by establishing a strict investment policy that is to only invest in trust funds which maintain an investment portfolio in fixed deposits and bond funds with steady dividend yield and insignificant risk of changes in value.

41. Financial risk management objectives and policies (cont'd.)

(e) 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's business operations are exposed to foreign currency risks denominated in currencies other than the respective functional currencies of the Group's entities. The Group does not hedge its exposure to foreign currency risk and does not trade or speculate in foreign currencies. Balances denominated in foreign currencies are disclosed in Note 23, Note 27 and Note 34.

In addition, the Group is also exposed to currency translation risk arising from its net investments in foreign operations in Lao People's Democratic Republic ("Lao PDR"). The Group's net investments in Lao PDR are not hedged as currency positions in Lao PDR are considered to be long-term in nature.

The following table demonstrates the sensitivity of the Group's and the Company's profit net of tax to a reasonably possible change in the exchange rates of the following foreign currencies against functional currency of the Group entities, with all other variables held constant.

			Increase/(Decrease) Profit net of tax	
			2020	**2019**
			RM	**RM**
Group				
USD/RM	-	strengthened 2% (2019 : 1%)	211,779	126,436
	-	weakened 2% (2019 : 1%)	(211,779)	(126,436)
USD/LAK	-	strengthened 5% (2019 : 4%)	7,533	24
	-	weakened 5% (2019 : 4%)	(7,533)	(24)
THB/RM	-	strengthened 2% (2019 : 8%)	50	230
	-	weakened 2% (2019 : 8%)	(50)	(230)
LAK/RM	-	strengthened 7% (2019 : 5%)	45,362	44,331
	-	weakened 7% (2019 : 5%)	(45,362)	(44,331)
THB/LAK	-	strengthened 11% (2019 : 12%)	243	1,151
	-	weakened 11% (2019 : 12%)	(243)	(1,151)
Company				
USD/RM	-	strengthened 2% (2019 : 1%)	188,095	92,120
	-	weakened 2% (2019 : 1%)	(188,095)	(92,120)
LAK/RM	-	strengthened 6% (2019 : 5%)	37,629	20
	-	weakened 6% (2019 : 5%)	(37,629)	(20)

42. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

During the year, the Group's strategy, which was unchanged from 2019, was to maintain sufficient cash and cash equivalents and standby bank facilities to cover its short term debts. The Group includes within net debt, short term investments and cash and bank balances less loans and borrowings and trade and other payables. The gearing ratios at 31 December 2020 and 31 December 2019 were as follows:-

		Group	
		2020	2019
	Note	RM	RM
Loans and borrowings (current)	31	12,329,743	13,334,779
Trade and other payables (current)	34	38,890,034	40,512,915
Less: Short term investment	22	(53,743,012)	(67,549,761)
Less: Cash and bank balances	27	(22,305,767)	(24,784,061)
Net debt		(24,829,002)	(38,486,128)
Equity attributable to the owners of the Group		408,479,112	400,371,001
Capital and net debt		383,650,110	361,884,873
Gearing ratio		0%	0%

43. Segmental information

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products.

(b) Business segments

The Group comprises the following main business segments:

(i) Investment holding
(ii) Construction – building and general contractors
(iii) Quarry
(iv) Property development
(v) Utilities

Other operation of the Group comprises trading of construction materials, of which constitutes a separate reportable segment.

(c) Geographical segments

(i) Analysis of revenue from external customers by geographical location

	2020 RM	2019 RM
Malaysia	160,864,967	174,282,752
Lao People's Democratic Republic	11,517,969	12,045,464
	172,382,936	186,328,216

(ii) Analysis of non-current assets by geographical location

	2020 RM	2019 RM
Malaysia	299,904,589	282,318,715
Lao People's Democratic Republic	45,948,822	53,003,388
	345,853,411	335,322,103

(d) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set out on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

43. Segmental information (cont'd.)

Business segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment.

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Elimination RM	Total RM
31 December 2020								
Revenue								
External sales	5,029,934	77,663,216	62,339,527	12,919,263	11,517,969	2,913,027	-	172,382,936
Inter-segment sales	4,533,234	11,831,961	1,377,643	-	-	1,240,146	(18,982,984)	-
Total revenue	9,563,168	89,495,177	63,717,170	12,919,263	11,517,969	4,153,173	(18,982,984)	172,382,936
Results								
Segment results	5,657,533	9,325,518	5,825,778	2,204,913	1,365,706	542,458	(4,000,000)	20,921,906
Interest expense	(1,764,369)	(412,704)	(241,755)	(15,326)	(311,205)	(4,895)	-	(2,750,254)
Share of profit from associate	127,360	-	-	-	-	-	-	127,360
Profit before tax	4,020,524	8,912,814	5,584,023	2,189,587	1,054,501	537,563	(4,000,000)	18,299,012
Income tax expense								(4,979,296)
Profit for the year								13,319,716

43. Segmental information (cont'd.)

Business segments (cont'd.)

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
31 December 2020 (cont'd.)							
Assets and liabilities							
Segment assets	135,117,845	78,387,268	69,294,555	139,981,179	49,129,785	3,845,428	475,756,060
Equity method of associate	456,957	-	-	-	-	-	456,957
Unallocated corporate assets	881,368	17,003,670	17,294,319	20,818,772	-	2,084,075	58,082,204
Total assets							534,295,221
Segment liabilities	41,129,409	43,232,048	9,022,086	11,556,927	6,958,917	2,642,558	114,541,945
Unallocated corporate liabilities	1,424,735	560,972	1,112,317	-	398,627	9,154	3,505,805
Total liabilities							118,047,750
Other information							
Capital expenditure	5,569	325,161	1,464,944	8,248	856,678	1,904	2,662,504
Depreciation	124,394	2,314,837	2,760,981	133,897	5,090,695	4,881	10,429,685

43. Segmental information (cont'd.)

Business segments (cont'd.)

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
31 December 2020 (cont'd.)							
Non-cash expenses/(income)							
Allowance for impairment loss on trade and other receivables, net	-	3,522,747	877,902	-	16,573	-	4,417,222
Fair value loss of investment properties, net	1,500,000	-	50,000	-	-	-	1,550,000
Fair value loss on long term investments	-	-	3,866	-	-	-	3,866
(Gain)/Loss on disposal of property plant and equipment	-	(239,727)	(7,991)	139,780	-	-	(107,938)
Inventories written (back)/down to net realisable value:							
- property development costs	-	-	-	(19,142)	-	-	(19,142)
- properties held for sale and others	-	-	-	38,060	-	-	38,060
Property, plant and equipment written off	-	-	877	-	1,695	-	2,572
Unrealised loss/(gain) on foreign exchange	197,600	23,515	-	-	(26,172)	-	194,943

43. Segmental information (cont'd.)

Business segments (cont'd.)

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Elimination RM	Total RM
31 December 2019								
Revenue								
External sales	5,827,681	75,352,307	62,736,637	28,653,847	12,045,464	1,712,280	-	186,328,216
Inter-segment sales	572,834	6,197,058	2,766,415	-	486	1,107,340	(10,644,133)	-
Total revenue	6,400,515	81,549,365	65,503,052	28,653,847	12,045,950	2,819,620	(10,644,133)	186,328,216
Results								
Segment results	3,555,842	7,923,149	4,805,336	(3,205,417)	3,563,880	1,792,417	-	18,435,207
Interest expense	(2,557,072)	(3,929,918)	(107,033)	(552)	(374,814)	-	-	(6,969,389)
Share of profit from associate	-	-	-	71,513	-	-	-	71,513
Profit/(loss) before tax	998,770	3,993,231	4,698,303	(3,134,456)	3,189,066	1,792,417	-	11,537,331
Income tax expense								(4,731,357)
Profit for the year								6,805,974

43. Segmental information (cont'd.)

Business segments (cont'd.)

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
31 December 2019 (cont'd.)							
Assets and liabilities							
Segment assets	136,288,266	90,008,643	71,580,396	117,207,654	58,132,222	1,947,483	475,164,664
Equity method of associate							329,597
Unallocated corporate assets							72,036,752
Total assets							547,531,013
Segment liabilities	47,767,807	51,196,172	10,765,690	16,061,224	9,725,998	81,077	135,597,968
Unallocated corporate liabilities							2,981,103
Total liabilities							138,579,071
Other information							
Capital expenditure	12,820	23,695	1,949,185	41,179	975,527	-	3,002,406
Depreciation	256,311	3,143,748	2,599,394	156,751	3,235,879	4,679	9,396,762

43. Segmental information (cont'd.)

Business segments (cont'd.)

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
31 December 2019 (cont'd.)							
Non-cash expenses/(income)							
Allowance for/(Write back of) impairment loss on:							
- property, plant and equipment	19,500	14,013	-	9,713	-	-	43,226
- trade and other receivables, net	-	346,255	(27,052)	-	43,370	(1,600,000)	(1,237,427)
Bad debts written off	-	-	10,876	-	-	-	10,876
Fair value gain of investment properties, net	-	-	(100,000)	-	-	-	(100,000)
Fair value loss on long term investments-	-	-	11,103	-	-	-	11,103
Gain on disposal of:							
- investment in an associate	-	-	(1)	-	-	-	(1)
- property, plant and equipment	-	(1,486,701)	(141,860)	(68,700)	-	-	(1,697,261)
Land held for property development written off	-	-	-	6,221,724	-	-	6,221,724
Property development costs written down to net realisable value	-	-	-	432,512	-	-	432,512
Property, plant and equipment written off	748	12,808	3	1	1,722	-	15,282
Unrealised loss on foreign exchange	99,011	19,925	-	-	85,053	-	203,989

There are no major customers with revenue equal or more than 10% (2019 : 10%) of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020 (cont'd.)

44. Significant and/or recurring events during and/or subsequent to the financial year

(a) On 19 April 2016, DKLS Signaturehomes Sdn. Bhd. ("DSSB"), a wholly-owned subsidiary, entered into a Joint Venture Agreement ("JVA") with two individuals ("Land Owners"), to develop a piece of land. The Land Owners are entitled to consideration in kind which is 27% of the units with completed buildings comprised in the development project.

DSSB has paid a sum of RM50,000 (2019 : RM50,000) to the Land Owners as a refundable security deposit and advances for the due performance of the JVA (Note 23(d)).

At the reporting date, DSSB has yet to commence the development as the project's building plan has yet to be approved.

(b) On 4 May 2012, the Company entered into a Heads of Agreement with Selangor State Development Corporation ("PKNS") to jointly participate and collaborate in the redevelopment of a parcel of land, all previously held under Lot 878-895, Lot 953-956 including Green Reserve and the Simpang Jalan, Sekysen 17, Petaling Jaya Selangor measuring approximately 15.9 acres in area ("Land") into a mixed development comprising commercial, retail and residential units ("Proposed Redevelopment").

The purpose of the Heads of Agreement is to regulate the relationship of the contracting parties in relation to the collaboration and preliminary matter in the implementation of the Proposed Redevelopment. The contracting parties shall collaborate and work together to secure all interests, encumbrances, mortgages, liens and/or rights of whatsoever to be removed, resolved and/or settled as to enable the interests, title, ownership and vacant possession of the Land to be completely and fully acquired or procured by PKNS or to an incorporated special purpose vehicle ("Obligations").

The Company will enter into a Collaboration Agreement with PKNS upon securing the Obligations under the Heads of Agreement so as to enable the contracting parties to pursue and to undertake the Proposed Redevelopment for mutual benefits.

As at the reporting date, the Collaboration Agreement has yet to be signed.

44. Significant and/or recurring events during and/or subsequent to the financial year (cont'd.)

(c) On 12 April 2018, DKLS Highlands Sdn. Bhd. ("DHSB"), a wholly-owned subsidiary subscribed for 2 ordinary shares at an issue price of RM1 each in Ambang Beskaya Sdn. Bhd. ("Ambang") for a total cash consideration of RM2, effectively making Ambang a 50% associate of DHSB, pursuant to the shareholder agreement ("SHA") signed between DHSB and the remaining 50% shareholders on 31 October 2017.

Ambang has on 13 April 2016 entered into a Joint Venture Agreement ("JVA") with Pasdec Corporation Sdn. Bhd. ("PCSB"), to develop a piece of land ("JV land") into a mixed development project ("Project"). PCSB is entitled to a consideration in kind of 20% of the completed units comprised in the Project.

Ambang has paid a sum of RM1,500,000 to PCSB as a refundable security deposit for the due performance of the JVA. This amount shall be repaid in two tranches of which the 1st tranche of RM700,000 is repayable upon the completion of the 1st Phase and the 2nd tranche of RM800,000 is repayable upon completion of the 2nd Phase.

At the reporting date, Ambang has yet to commence the development as the Project is currently pending for submission and approval of building plan.

Pursuant to the SHA, Ambang had entered into the following agreements:-

(i) A Turnkey Contract ("TC") with DKLS Construction Sdn. Bhd. ("DCSB"), a wholly-owned subsidiary, appointing DCSB as the sole and main contractor to carry out all the development work on the JV land on a turnkey basis.

The TC is conditional upon Ambang procuring certain conditions precedent within twenty-four (24) months from the date of the TC. DCSB is required to pay a sum of RM5,000,000 as performance bond of which RM2,500,000 had been paid by DCSB upon the signing of the TC and the balance of RM2,500,000 is to be paid upon fulfilment of all the conditions precedent. The performance bond shall be held by Ambang as security for the due performance of DCSB in respect of the development work and will be refunded to DCSB over four tranches of RM1,250,000 each for the four phases of development.

At the reporting date, Ambang has yet to fulfil all the conditions precedent.

(ii) A Sale and Marketing Agreement with Kembar Mekar Development Sdn. Bhd. ("KMSSB") and Hijau Budiman Developments Sdn. Bhd. ("HBDSB"), appointing both KMSSB and HBDSB as the sale and marketing agents for the Project undertaken by Ambang.

Ambang had paid RM2,500,000 to KMSSB which forms part of the consideration payable by Ambang to KMSSB. Ambang is required to make a further advance payment of RM2,500,000 to KMSSB upon fulfilment of all the conditions precedent.

At the reporting date, Ambang has yet to fulfil all the conditions precedent.

44. Significant and/or recurring events during and/or subsequent to the financial year (cont'd.)

(d) On 14 December 2020, the Company subscribed for 24,998 ordinary shares at an issue price of RM1.00 each in DKLS Highlands Sdn. Bhd. ("DHSB") for a consideration of RM24,998 which was set off, a by way of contra, against the amount owing from DHSB to the Company.

(e) On 31 December 2020, the Company subscribed for 4,370,000 ordinary shares at an issue price of RM1.00 each in DKLS Equity Sdn Bhd ("DESB") for a consideration of RM4,370,000 which was set off, by way of contra, against the equity loan granted by the Company to DESB.

(f) On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 18 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") to curb the spread of the COVID-19 outbreak in Malaysia. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia in which the Group and the Company operate.

The Group and the Company have assessed that they have not been significantly affected by the COVID-19 outbreak for the financial year ended 31 December 2020.

On 11 January 2021, the Malaysian Government has again imposed the MCO and Conditional MCO ("CMCO") for selected states which are severely affected by the COVID-19 outbreak which have been further extended to 4 March 2021 on 16 February 2021. The restrictions imposed have not negatively impacted the Group's and the Company's financial performance as their main essential services were allowed to operate throughout the MCO/CMCO under the guidelines set by the National Security Council and the Ministry of Health.

As at the date of authorisation of the financial statements for issue, the COVID-19 situation is still uncertain. The Group and the Company will continue to closely monitor and actively manage its funds and operations to minimise any impact arising from the COVID-19 outbreak.

(g) On 27 January 2021, the Company subscribed for 1,400,000 ordinary shares at an issue price of RM1.00 each in DKLS Equity Sdn Bhd ("DESB") for a consideration of RM1,400,000 which was set off, by way of contra, against the equity loan granted by the Company to DESB.

(h) On 8 April 2021, the Company subscribed for 14,000,000 ordinary shares at an issue price of RM1.00 each in DKLS Clearwater Sdn Bhd ("DCSB") for a consideration of RM14,000,000 which was set off, by way of contra, against the equity loan granted by the Company to DCSB.

PROPERTIES OWNED BY THE GROUP

Location	Description	Date of acquisition	Area	Tenure	Approximate age of properties (years)	Carrying amount (RM)
DKLS INDUSTRIES BERHAD						
Geran 1873, Lot No. 12742, Mukim of Sitiawan, District of Manjung, Perak Darul Ridzuan	Agricultural land (vacant)	02.09.2009	9.2698 hectares	Freehold	112	5,270,000
15FO-15, 15th Floor 16FO-1, 16th Floor 17FPBS-1, 17th Floor Ipoh Tower, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan	Office units (corporate office)	28.02.2009	1,054 sq. ft. 13,719 sq. ft. 3,013 sq. ft.	Freehold	12	152,051 2,041,824 573,875
PN 296074, Lot 15517, Mukim Lumut, (Lot F-2 Lumut Port Industrial Park)	Industrial land and factory	15.05.1997	52,770 sq. metres	Leasehold (99 years expiring on 9.7.2105)	14	14,100,000
Geran 40432, Lot 2793, Geran 40433, Lot 668, Mukim Lumut	Agricultural land	17.01.2011	5.6775 hectares 0.4148 hectares	Freehold	22	4,000,000
Lot 172, Lot 173, Lot 175, Lot 176, Seksyen 87, Bandar Kuala Lumpur, Kuala Lumpur	Vacant land	09.03.2011	562 sq. metres 589 sq. metres 642 sq. metres 701 sq. metres	Freehold	12	7,499,204
17F-PBS-2, 17F-PBS-3, 17F-PBS-3A, 17F-PBS-5, 17F-PBS-6, 17F-PBS-7, 17F-PBS-8, 17F-PBS-9, 17th Floor, Ipoh Tower, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan	Office unit (rented out)	01.04.2011	1,270 sq. ft. 850 sq. ft. 850 sq. ft. 1,270 sq. ft. 1,087 sq. ft. 1,054 sq. ft. 1,377 sq. ft. 1,431 sq. ft.	Freehold	12	3,490,000
LG-01 Basement, GRF-01,Ground Floor, Ipoh Tower, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan	Office unit (rented out)	12.10.2017	536 sq. metres 63 sq. metres	Freehold	12	533,900 68,734

PROPERTIES OWNED BY THE GROUP

Location	Description	Date of acquisition	Area	Tenure	Approximate age of properties (years)	Carrying amount (RM)
DKLS CONSTRUCTION SDN BHD						
Title No. PM 2446, Lot No. 9125, Mukim of Kurong Anai, Ulu Pauh	Agricultural land (vacant)	28.05.2004	1.374 hectares	Leasehold (99 years expiring on 9.8.2098)	21	749,280
Title No. PM 2597, Lot No. 9132, FELCRA Hulu Pauh, Mukim of Kurong Anai, Ulu Pauh	Vacant land (storage)	28.05.2004	1.575 hectares	Leasehold (99 years expiring on 3.1.2116)	3	627,696
Title No. PM 2390, Lot No. 8433, Mukim of Padang Siding, Ulu Pauh	Agricultural land (vacant)	28.05.2004	1.671 hectares	Leasehold (99 years expiring on 8.7.2098)	21	904,985
Title No. PM 2391, Lot No. 8322, Mukim of Padang Siding, Ulu Pauh	Agricultural land (vacant)	28.05.2004	1.449 hectares	Leasehold (99 years expiring on 8.7.2098)	21	783,859
Title No. 1219, Lot No. 3016, Mukim of Kurong Anai, Ulu Pauh	Agricultural land (vacant)	11.06.2010	0.7245 hectares	Leasehold (99 years expiring on 20.7.2098)	21	449,668
Title No. 1220, Lot No. 3017, Mukim of Kurong Anai, Ulu Pauh	Agricultural land (vacant)	11.06.2010	1.6011 hectares	Leasehold (99 years expiring on 20.7.2098)	21	433,354
Title No. PM 1196, Lot No. 3021, Mukim of Kurong Anai, Ulu Pauh	Agricultural land (vacant)	11.06.2010	1.5969 hectares	Leasehold (99 years expiring on 9.8.2098)	21	432,789
HSD 20082, PT 832, Bandar Alor Setar, District of Kota Setar Kedah	3-storey shop (office)	17.06.2014	256 sq. metres	Leasehold (99 years expiring on 26.6.2106)	13	715,159

PROPERTIES OWNED BY THE GROUP

Location	Description	Date of acquisition	Area	Tenure	Approximate age of properties (years)	Carrying amount (RM)
DKLS QUARRY & PREMIX SDN BHD						
Lot 4821, Lot 5023, Lot 5470, Lot 5782, 5783, Lot 1553, Lot 4892+, Mukim of Lumut, District of Manjung located off the 4th mile stone Sitiawan/Lumut road, in the vicinity of Kampong Tersusun Pundut, Lumut, Perak Darul Ridzuan	Quarry land and administrative and ancillary buildings constructed thereon	13.03.1996 19.01.1991 25.01.1991 12.02.1993 24.10.1992 12.06.1992	33 hectares (land) 2,552.7 sq. metres (built-up)	Freehold	80 56 47 83 80 83	2,348,923
Lots 2105, 2106, 2554, Mukim of Lumut, District of Manjung, located off the 4th mile stone Sitiawan/ Lumut road, in the vicinity of Kampong Tersusun Pundut, Lumut, Perak Darul Ridzuan	Quarry land	06.01.1995	5.7 hectares 2 rods 35 poles (land)	Freehold	82	1
Lots 2462, 2102, 2104, 2478, 2110, 2109, 2477 and 2101, Mukim of Lumut, District of Manjung, located off the 4th mile stone Sitiawan/ Lumut road, in the vicinity of Kampong Tersusun Pundut, Lumut, Perak Darul Ridzuan	Quarry land	13.01.1996	14.6 hectares 12 poles (land)	Freehold	83	1
E.M.R. No. 789 S.G 24407 Lot 1550, Pundut, Mukim of Lumut, Perak Darul Ridzuan	Land (storage)	29.02.2003	0.9105 hectares (2a.1r.00p)	Freehold	101	270,000
Lot 3932, Tempat Pdg Lembu, Mukim of Gurun, Daerah Kuala Muda, Kedah Darul Aman	Agricultural land (vacant)	29.12.2003	2.21541 hectares	Freehold	59	1,430,000
Lot 1937, 1939, 1940, 1953, 1954, 3863, 1959 (3860), 2099 & 4819 (6675) Mukim of Lumut, Perak Darul Ridzuan	Quarry land	02.11.2007	20.658 hectares	Freehold	23 23 19 26	6,282,142
Lot 5018, Mukim of Lumut, Perak Darul Ridzuan	Quarry land	02.11.2007	0.85 hectares	Leasehold (99 years expiring on 28.9.2088)	31	215,145
Lot 9876, Mukim of Lumut, Perak Darul Ridzuan	Quarry land	02.11.2007	0.4833 hectares	Leasehold (60 years expiring on 27.1.2054)	26	104,684

+ Lot 4892 is a parcel of public burial ground which is not held under a land title.

Location	Description	Date of acquisition	Area	Tenure	Approximate age of properties (years)	Carrying amount (RM)
DKLS QUARRY & PREMIX SDN BHD (cont'd.)						
Lot 6489, Mukim of Lumut, Perak Darul Ridzuan	Quarry land	02.11.2007	0.4319 hectares	Leasehold (60 years expiring on 7.2.2052)	28	92,064
Lot 3979, GM No. 2256 Mukim of Lumut, Perak Darul Ridzuan	Agricultural land (Vacant)	02.01.2004	0.9105 hectares (2a.1r.00p)	Freehold	19	420,000
Lot 4060-4062 GM No. 6748-6749 & 10396, Mukim Daerah SIK, Kedah Darul Aman	Agricultural land (storage & premix plant)	02.02.2005	4.6079 hectares	Freehold	16	471,970
Desa Bistari Block B on Lot 147 Mk. 13, N.E.S Penang, Unit No. B-13-04	Apartment (rented out)	05.07.1999	65.03 sq. metres (built-up)	Freehold	22	280,000
Desa Bistari Block B on Lot 147 Mk. 13, N.E.S Penang, Unit No. B-22-05	Apartment (vacant)	05.07.1999	65.03 sq. metres (built-up)	Freehold	22	280,000
M-16, Block Daisi, Mutiara Perdana, Lengkok Kelicap, 11900 Bayan Lepas, Pulau Pinang	Apartment (rented out)	01.11.2012	89 sq. metres (built-up)	Freehold	9	330,000
PN 342193, Lot 33227 PN 342194, Lot 33226 Mukim Durian Sebatang, Hilir Perak	Industrial land	01.11.2012	4,718 sq. metres 4,571 sq. metres	Leasehold (99 years expiring on 25.10.2097)	22	1,412,106
Lot 55005, Mukim Sitiawan, Manjung Perak	Office building	22.12.2015	4,415 sq. metres (land) 18,468 sq. feet (built-up)	Freehold	87	4,574,987
PN 342189, Lot 33224 Mukim Durian Sebatang, Hilir Perak	Industrial land	13.03.2017	4,316 sq. metres	Leasehold (99 years expiring on 25.10.2097)	22	1,650,389

PROPERTIES OWNED BY THE GROUP

Location	Description	Date of acquisition	Area	Tenure	Approximate age of properties (years)	Carrying amount (RM)
DKLS QUARRY & PREMIX (NORTH) SDN BHD						
PT2294, PT2295, PT2296, Daerah Pokok Sena	Agricultural land	14.09.2017	0.4066 hectares 0.4073 hectares 0.4073 hectares	Freehold	10	1,487,756
PT2292, PT2293, Daerah Pokok Sena	Agricultural land	01.06.2018	0.4176 hectares 0.4073 hectares	Freehold	10 10	462,143 450,789
DKLS DEVELOPMENT SDN BHD						
H.S.(D) 17977, PT 4929, Mukim Lumut, Manjung, Perak Darul Ridzuan	2½ storey detached residential house	01.06.2009	195.1 sq. metres (land)	Leasehold (99 years expiring on 10.07.2101)	18	75,521
DKLS EQUITY SDN BHD						
Tower 8, Avenue 5, The Horizon, Phase 2, Bangsar South City, Wilayah Persekutuan Kuala Lumpur	14 storey boutique office building	31.03.2013	12,827.4 sq. metres	Leasehold (99 years expiring on 16.08.2106)	13	86,000,000

ANALYSIS OF SHAREHOLDINGS

ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2021

Total number of issued shares	:	92,699,600
Class of shares	:	Ordinary shares
Voting rights	:	One (1) vote per ordinary share held

DISTRIBUTION OF SHAREHOLDERS

Holdings	No. of Holders	% of Holders	Total Holdings	% of Issued Capital
Less than 100	41	2.34	476	**
100 to 1,000	683	38.94	659,240	0.71
1,001 to 10,000	878	50.06	3,180,684	3.43
10,001 to 100,000	123	7.01	3,286,763	3.55
100,001 to 4,634,979	27	1.54	44,393,550	47.89
4,634,980* and above	2	0.11	41,178,887	44.42
	1,754	100.00	92,699,600	100.00

Notes:
* *Denotes 5% of the issued capital.*
** *Negligible.*

SUBSTANTIAL SHAREHOLDERS (EXCLUDING BARE TRUSTEES)

		No. of shares held			
	Name of Shareholders	Direct	%	Deemed	%
1.	Ding Poi Bor	30,114,362	32.49	-	-
2.	Ir Sam Tuck Wah	12,551,225	13.54	2,486,663*3	2.68
3.	Dato' Ding Pei Chai	3,315,163*1	3.58	1,767,841*2	1.91
4.	Ding Soo King	2,486,663	2.68	12,551,225*3	13.54

Notes:
*1 *Including 3,260,000 shares held through nominee company.*
*2 *Deemed interested through his spouse and his shareholding in a corporation by virtue of Section 8 of the Companies Act 2016.*
*3 *Deemed interested through spouse.*

DIRECTORS' SHAREHOLDINGS

		No. of shares held			
	Name of Directors	Direct	%	Deemed	%
1.	Dato' Ding Pei Chai	3,315,163 *1	3.58	1,767,841*2	1.91
2.	Ding Poi Bor	30,114,362	32.49	-	-
3.	Ir Sam Tuck Wah	12,551,225	13.54	2,486,663*3	2.68
4.	Chin Kok Tong	2,000	**	-	-
5.	Cdr (Retd) Poon Wee Ching	-	-	-	-
6.	Ding Zhe Xin	-	-	-	-

Notes:
*1 *Including 3,260,000 shares held through nominee company.*
*2 *Deemed interested through his spouse and his shareholding in a corporation by virtue of Section 8 of the Companies Act 2016.*
*3 *Deemed interested through spouse.*
** *Negligible.*

ANALYSIS OF SHAREHOLDINGS

	THIRTY LARGEST SHAREHOLDERS	No. of shares held	%
1.	Ding Poi Bor	30,114,362	32.49
2.	Sam Tuck Wah	11,064,525	11.94
3.	Cheah Ngeok Chai	4,597,963	4.96
4.	Hong Wei Wei	4,500,000	4.85
5.	Pembinaan Bumiasia Sdn Bhd	4,496,300	4.85
6.	Ding Zu Huei	4,000,000	4.31
7.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ding Pei Chai	3,260,000	3.52
8.	Thian Peek Choo	3,114,000	3.36
9.	Wong Shi Siang	3,001,431	3.24
10.	Ding Soo King	2,486,663	2.68
11.	Ding Zu Guan	2,000,000	2.16
12.	Soh Yoke Lee	1,803,300	1.95
13.	Ding Zu Ron	1,500,000	1.62
14.	Sam Tuck Wah	1,486,700	1.60
15.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soh Joon Hang	1,320,800	1.42
16.	Soh Yoke Moi	1,297,841	1.40
17.	CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd (SFS)	954,800	1.03
18.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chek Ho Sing	868,300	0.94
19.	Soh Joon Hui	855,000	0.92
20.	Bertam Indah (M) Sdn Bhd	500,000	0.54
21.	Ding Poi Kooi	473,452	0.51
22.	Isyoda (M) Sdn Bhd	470,000	0.51
23.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Weng Chee @ Lai Kok Chye	400,100	0.43
24.	Tan Kok An	380,000	0.41
25.	Soh Joon Hang	141,900	0.15
26.	Sam Tuck Heng	140,000	0.15
27.	Ng Tee Hian	125,000	0.13
28.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Francisca Lo Fui Khiun	118,000	0.13
29.	Low Hing Noi	102,000	0.11
30.	Sam Lai Fong	92,900	0.10
		85,665,337	92.41

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fifth Annual General Meeting ("**AGM**") of the Company will be held at 11th Floor, Ipoh Tower, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan on Thursday, 27 May 2021 at 9.30 a.m. to transact the following businesses:

AGENDA

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Directors' and Auditors' Reports thereon.	[Please refer to Note f]
2.	To approve the payment of a first and final single tier dividend of 2 sen per share in respect of the financial year ended 31 December 2020.	**Resolution 1**
3.	To approve the payment of Directors' fees and benefits up to an amount of RM168,900 from the date of the conclusion of this AGM until the date of the next AGM to be paid on a monthly basis.	**Resolution 2**
4.	To re-elect Dato' Ding Pei Chai who retires by rotation in accordance with Clause 19.3 of the Constitution.	**Resolution 3**
5.	To re-elect Ms Ding Zhe Xin who retires by rotation in accordance with Clause 19.10 of the Constitution.	**Resolution 4**
6.	To re-appoint Messrs Ernst & Young PLT as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix their remuneration.	**Resolution 5**
7.	To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.	

By order of the Board

CHEAI WENG HOONG
BENEDETTE LIM LANG SIU
Company Secretaries
Ipoh
28 April 2021

NOTICE OF FIRST AND FINAL DIVIDEND PAYMENT AND CLOSURE OF REGISTER

Subject to the approval of the members, a first and final single tier dividend of 2 sen per share in respect of the financial year ended 31 December 2020 will be paid on 20 August 2021.

Notice is hereby given that the Register of Members of the Company will be closed on 30 July 2021, to determine members' entitlement to the dividend payment.

A depositor will qualify for entitlement only in respect of:

a) Share transferred into the Depositors' Securities account before 4.00 p.m. on 30 July 2021 in respect of ordinary transfers; and

b) Share bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

NOTES:

a. A member of the Company entitled to attend and vote at the meeting may appoint any person to be his/her proxy to attend and vote in his/her 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 shall have the same rights as the member to speak at the meeting.

b. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

c. The instrument appointing a proxy must be deposited at the Registered Office of the Company at D-3-7, Greentown Square, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

d. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

e. Only members whose names appear on the Record of Depositors as at 20 May 2021 will be entitled to attend and vote at the meeting.

f. **Audited Financial Statements for the financial year ended 31 December 2020**

The audited financial statements under Agenda 1 are meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the members and hence, Agenda 1 is not put forward for voting.

g. **Resolution 1**

The Board has considered the dividend of 2 sen per share recommended for the shareholders' approval and the Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made on 20 August 2021 in accordance with the requirements under Section 132(2) and (3) of the Companies Act 2016.

h. **Resolution 2**

The Directors' fees (inclusive of Board Committees' fees) and benefits up to an amount of RM168,900 from the conclusion of the date of this AGM until the date of the next AGM to be paid on a monthly basis, where applicable, comprises the following:

<u>Company</u>
Directors' fees of RM148,000
Benefits of RM3,900

<u>Subsidiaries</u>
Directors' fees of RM17,000

In the event the Directors' fees and benefits proposed are insufficient (e.g. due to enlarged Board size or additional Board meetings to be convened), approval will be sought at the next AGM for additional fees to meet the shortfall.

i. **Resolutions 3 & 4**

The profiles of the Directors standing for re-election are disclosed under Profile of Board of Directors on pages 6 and 7 of the Annual Report 2020 and the details of their interest in the securities of the Company are disclosed under Analysis of Shareholdings on pages 197 and 198 of the Annual Report 2020.

Cdr (Retd) Poon Wee Ching who retires in accordance with Clause 19.3 of the Company's Constitution, has expressed his intention not to seek for re-election. Hence, he will retain office until the close of the 25th AGM.

j. **Resolution 5**

The Audit Committee and the Board having assessed and satisfied with the quality of audit and services, adequacy of resources, performance, competency and independence of the external auditors, Messrs Ernst & Young PLT, which are in accordance with the Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, had at their respective meetings on 23 March 2021 recommended the re-appointment of Messrs Ernst & Young PLT.

Messrs Ernst & Young PLT have indicated their willingness to continue their services for the ensuing year.

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FORM OF PROXY

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

DKLS INDUSTRIES BERHAD
199501040269 (369472-P)
Incorporated in Malaysia

No. of ordinary shares held

I/We ______________________________ NRIC/Passport/Co. No. ______________
(FULL NAME IN BLOCK LETTERS)

of ______________________________ Tel No. ______________
(ADDRESS)

being a member of **DKLS INDUSTRIES BERHAD**, hereby appoint:

Proxy 1 - Full Name in Block Letters	NRIC/Passport No.	No. of shares	% of shareholdings
Address:			
Proxy 2 - Full Name In Block Letters	NRIC/Passport No.	No. of shares	% of shareholdings
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 Twenty-Fifth Annual General Meeting of the Company to be held at 11th Floor, Ipoh Tower, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan on Thursday, 27 May 2021 at 9.30 a.m. or at any adjournment thereof. My/our proxy is to vote as indicated below:

Resolutions relating to:	**For**	**Against**
1. Approval of Payment of First and Final Dividend		
2. Approval of Payment of Directors' fees and benefits		
3. Re-election of Dato' Ding Pei Chai		
4. Re-election of Ms Ding Zhe Xin		
5. Re-appointment of Auditors		

(Please indicate with an "X" within the space provided how you wish your vote to be cast on the resolutions specified in the Notice of the Twenty-Fifth Annual General Meeting. If you do not do so, the proxy will vote or abstain from voting at his/her discretion).

Dated this .... day of 2021

....
Signature/Seal of Member

Notes:

a. A member of the Company entitled to attend and vote at the meeting may appoint any person to be his/her proxy to attend and vote in his/her 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 shall have the same rights as the member to speak at the meeting.

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d. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

e. Only members whose names appear on the Record of Depositors as at 20 May 2021 will be entitled to attend and vote at the meeting.

Fold this flap for sealing

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AFFIX
STAMP
HERE

The Company Secretaries
DKLS INDUSTRIES BERHAD
[Registration No.: 199501040269 (369472-P)]
D-3-7, Greentown Square
Jalan Dato' Seri Ahmad Said
30450 Ipoh
Perak Darul Ridzuan

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